



中国石化  
SINOPEC

中国石油集团 有限公司  
SINOPEC CORP.



**IMPORTANT NOTICE: THE BOARD OF DIRECTORS (BOARD) AND THE BOARD OF SUPERVISORS OF CHINA PETROLEUM & CHEMICAL CORPORATION (SINOPEC CORP.) AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WARRANT THAT THERE ARE NO FALSE REPRESENTATIONS, MISLEADING STATEMENTS OR MATERIAL OMISSIONS CONTAINED IN THIS INTERIM REPORT, AND SEVERALLY AND JOINTLY ACCEPT FULL RESPONSIBILITY FOR THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS INTERIM REPORT. MR. DAI HOULIANG, CHAIRMAN OF THE BOARD, MR. MA YONGSHENG, PRESIDENT, AND MR. WANG DEHUA, CHIEF FINANCIAL OFFICER AND HEAD OF CORPORATE ACCOUNTING DEPARTMENT WARRANT THE AUTHENTICITY AND COMPLETENESS OF THE INTERIM FINANCIAL STATEMENTS CONTAINED IN THIS INTERIM REPORT. THE AUDIT COMMITTEE OF SINOPEC CORP. HAS REVIEWED THE INTERIM REPORT OF SINOPEC CORP. FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019.**

**THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 OF SINOPEC CORP. AND ITS SUBSIDIARIES, PREPARED IN ACCORDANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CASs) OF THE PEOPLES REPUBLIC OF CHINA (PRC), AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), HAVE NOT BEEN AUDITED.**

### COMPANY PROFILE

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

### DEFINITIONS

In this interim report, unless the context otherwise requires, the following terms shall have the meaning set out below:

Sinopec Corp.: China Petroleum & Chemical Corporation;

Company: Sinopec Corp. and its subsidiaries;

China Petrochemical Corporation: The controlling shareholder of Sinopec Corp., China Petrochemical Corporation;

Sinopec Group: China Petrochemical Corporation and its subsidiaries;

CSRC: China Securities Regulatory Commission;

Hong Kong Stock Exchange: The Stock Exchange of Hong Kong Limited;

Hong Kong Listing Rules: Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

New Lease Standard: IFRS 16, 'Leases'; No. 21 Accounting Standards for Business Enterprises- Leases which was revised and released by the Ministry of Finance in 2018.

### CONVERSIONS

For domestic production of crude oil: 1 tonne = 7.1 barrels;

For overseas production of crude oil: 1 tonne = 7.21 barrels

For production of natural gas: 1 cubic meter = 35.31 cubic feet;

Refinery throughput: 1 tonne = 7.35 barrels.

## BASIC INFORMATION

### LEGAL NAME

中国石油化工股份有限公司

### CHINESE ABBREVIATION

中国石化

### ENGLISH NAME

China Petroleum & Chemical Corporation

### ENGLISH ABBREVIATION

Sinopec Corp.

### LEGAL REPRESENTATIVE

Mr. Dai Houliang

### AUTHORISED REPRESENTATIVES UNDER THE HONG KONG LISTING RULES

Mr. Ma Yongsheng

Mr. Huang Wensheng

### SECRETARY TO THE BOARD

Mr. Huang Wensheng

### REPRESENTATIVE ON SECURITIES MATTERS

Mr. Zheng Baomin

### REGISTERED ADDRESS, PLACE OF BUSINESS AND CORRESPONDENCE ADDRESS

22 Chaoyangmen North Street,  
Chaoyang District, Beijing, China

Postcode: 100728

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### CHANGE OF INFORMATION DISCLOSURE MEDIA AND ACCESS PLACES

There was no change to Sinopec Corp's information disclosure media and access place during the reporting period.

### PLACES OF LISTING OF SHARES, STOCK NAMES AND STOCK CODES

*A Shares:* Shanghai Stock Exchange

Stock name: 中国石化

Stock code: 600028

*H Shares:* Hong Kong Stock Exchange

Stock code: 00386

*ADRs:* New York Stock Exchange

Stock code: SNP

London Stock Exchange

Stock code: SNP

### THERE IS NO CHANGE TO SINOPEC CORP'S REGISTRATION DURING THE REPORTING PERIOD.

## 1 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH CASs

## (1) Principal accounting data

Items	Six-month period ended 30 June		Changes over the same period of the preceding year (%)
	2019 RMB million	2018 RMB million	
Operating income	1,498,996	1,300,252	15.3
Net profit attributable to equity shareholders of the Company	31,338	41,600	(24.7)
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	30,451	39,791	(23.5)
Net cash flows from operating activities	32,918	71,620	(54.0)

Items	At 30 June 2019	At 31 December 2018	Changes from the end of last year (%)
	RMB million	RMB million	
Total equity attributable to equity shareholders of the Company	724,495	718,355	0.9
Total assets	1,824,845	1,592,308	14.6

## (2) Principal financial indicators

Items	Six-month period ended 30 June		Changes over the same period of the preceding year (%)
	2019 RMB	2018 RMB	
Basic earnings per share	0.259	0.344	(24.7)
Diluted earnings per share	0.259	0.344	(24.7)
Basic earnings per share (excluding extraordinary gains and losses)	0.252	0.329	(23.4)
Weighted average return on net assets (%)	4.28	5.74	(1.46) percentage points
Weighted average return (excluding extraordinary gains and losses) on net assets (%)	4.16	5.49	(1.33) percentage points

## (3) Extraordinary items and corresponding amounts:

Items	Six-month period ended 30 June 2019 (gain)/loss RMB million
Net gain on disposal of non-current assets	174
Donations	16
Government grants	(1,908)
Gain on holding and disposal of various investments	(25)
Other extraordinary income and expenses, net	387
<b>Subtotal</b>	<b>(1,356)</b>
Tax effect	417
<b>Total</b>	<b>(939)</b>
Attributable to:	
Equity shareholders of the Company	(887)
Minority interests	(52)

## 2 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH IFRS

### (1) Principal accounting data

Items	Six-month period ended 30 June		Changes over the same period of the preceding year (%)
	2019	2018	
	RMB million	RMB million	
Operating profit	49,138	61,576	(20.2)
Profit attributable to owners of the Company	32,206	42,386	(24.0)
Net cash generated from operating activities	32,918	71,620	(54.0)

	As of	As of	Changes from the end of last year (%)
	30 June 2019	31 December 2018	
	RMB million	RMB million	
Total equity attributable to owners of the Company	723,452	717,284	0.9
Total assets	1,824,845	1,592,308	14.6

### (2) Principal financial indicators

Items	Six-month period ended 30 June		Changes over the same period of the preceding year (%)
	2019	2018	
	RMB	RMB	
Basic earnings per share	0.266	0.350	(24.0)
Diluted earnings per share	0.266	0.350	(24.0)
Return on capital employed (%)	4.92	6.48	(1.56)

percentage points

**1 CHANGES IN THE SHARE CAPITAL OF SINOPEC CORP.**

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

**2 NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS**

As at 30 June 2019, there were a total of 489,391 shareholders of Sinopec Corp., of which 483,587 were holders of A shares and 5,804 were holders of H shares. Sinopec Corp. has complied with requirement for minimum public float under the Hong Kong Listing Rules.

**(1) Top ten shareholders as of 30 June 2019**

Unit: share

Name of Shareholders	Nature of shareholders	Percentage of shareholdings %	Total number of shares held	Changes of shareholdings <sup>1</sup>	Number of shares subject to pledges or lock up
China Petrochemical Corporation	State-owned share	68.31	82,709,227,393	0	0
HKSCC (Nominees) Limited <sup>2</sup>	H share	20.97	25,388,042,747	(2,617,691)	Unknown
中國證券金融股份有限公司	A share	2.16	2,609,312,057	0	0
China National Holdings Limited	A share	1.03	1,252,427,354	(750,400)	0
北京誠通金控投資有限公司	A share	0.86	1,038,657,802	91,053,548	0
Hong Kong Securities Clearing Company Ltd	A share	0.59	716,173,774	(305,608,386)	0
中央匯金資產管理有限責任公司	A share	0.27	322,037,900	0	0
中國人壽保險股份有限公司-分紅-個人分紅-005L-FH002滬	A share	0.25	297,950,260	115,992,600	0
中國人壽保險股份有限公司-傳統-普通保險產品-005L-CT001滬	A share	0.22	261,330,179	111,594,040	0
Guotai Junan Securities Co., Ltd.	A share	0.12	145,591,313	66,960,753	0

Notes:

- As compared with the number of shares as at 31 December 2018.
- Sinopec Century Bright Capital Investment Limited, a wholly-owned overseas subsidiary of China Petrochemical Corporation, holds 553,150,000 H shares, accounting for 0.46% of the total share capital of Sinopec Corp. Such shareholdings are included in the total number of shares held by HKSCC Nominees Limited.

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

Apart from 中國人壽保險股份有限公司-分紅-個人分紅-005L-FH002滬 and 中國人壽保險股份有限公司-傳統-普通保險產品-005L-CT001滬 which were both administrated by 中國人壽保險股份有限公司, Sinopec Corp. is not aware of any connected relationship or acting in concert among or between the above-mentioned shareholders.

**(2) Information disclosed by H share shareholders in accordance with the Securities and Futures Ordinance (SFO) as of 30 June 2019**

Name of shareholders	Status of shareholders	Number of shares interests held or regarded as held	Approximate percentage of Sinopec Corp.'s issued share capital (H share) (%)
BlackRock, Inc.	Interests of corporation controlled by the substantial shareholder	2,276,472,135(L)	8.92(L)
Citigroup Inc.	Person having a security interest in shares	324,400(L)	0.00(L)
	Interests of corporation controlled by the substantial shareholder	114,751,966(L)	0.45(L)
	Approved lending agent	86,744,415(S)	0.34(S)
	Approved lending agent	1,951,640,484(L)	7.65(L)
Schroders Plc	Investment manager	1,530,314,895(L)	6.00(L)
JPMorgan Chase & Co.	Beneficial owner	321,650,960(L)	1.26(L)
		242,975,089(S)	0.95(S)
	Investment manager	296,492,462(L)	1.16(L)
		30,000(S)	0.00(S)
	Person having a security interest in shares	22,202,422(L)	0.09(L)
	Trustee (exclusive of passive trustee)	1,418,000(L)	0.01(L)
	Approved lending agent	685,993,518(L)	2.69(L)

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

**3 CHANGES IN THE CONTROLLING SHAREHOLDERS AND THE DE FACTO CONTROLLER**

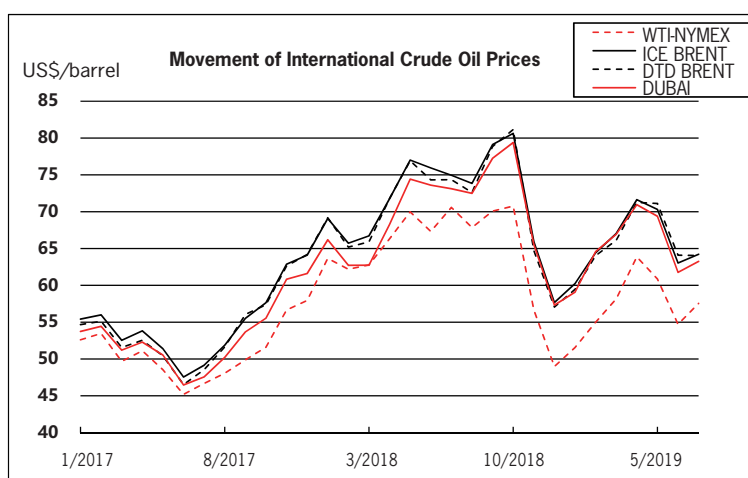
There was no change in the controlling shareholder or the de facto controller of Sinopec Corp. during the reporting period.

**BUSINESS REVIEW**

In the first half of 2019, recovery of the global economy slowed down, while China's economy maintained an overall stable growth securing progress in its economic development with gross domestic product (GDP) up by 6.3%. The domestic demand for natural gas kept a high growth rate, up by 10.8% year on year. While the domestic demand for refined oil products maintained steady growth, the market witnessed strong

competition with abundant supply. The domestic demand for major chemicals increased rapidly.

In the first half of 2019, international crude oil prices fluctuated with an upward trend first, and then slid rapidly. The average spot price of Platts Brent for the first half of 2019 was USD 65.95 per barrel, down by 6.6% year on year.



**1 OPERATIONS REVIEW**

**(1) Exploration and production**

In the first half of 2019, the Company fully implemented the action plan of redoubling efforts in oil and gas exploration and production. Good results were obtained through efforts in maintaining oil production, increasing gas output and reducing cost while promoting an integrated value chain of natural gas business including production, supply, storage and marketing. In exploration, we continued to push forward high-quality exploration and reinforced preliminary exploration in new areas as well as integrating evaluation for key exploration and production projects to increase reserves, which led to new oil and gas discoveries in

Jiyang Depression, Sichuan Basin and Ordos Basin, etc. In development, we strengthened the capacity building of profitable oil production and continuously promoted effective and rapid growth of natural gas. Capacity buildings in Fuling, Weirong, West Sichuan Depression and Dongsheng gas fields were accelerated with production and distribution optimised to promote a coordinated growth along the value chain. Production of oil and gas in the first half of 2019 was 226.63 million barrels of oil equivalent, up by 0.9% year on year, of which domestic crude production increased slightly to 124.05 million barrels, overseas crude production was 17.63 million barrels, and total gas production was 509.5 billion cubic feet, up by 7.0% compared to the same period of last year.



**Exploration and Production: Summary of Operations**

	Six-month period ended 30 June		Changes (%)
	2019	2018	
Oil and gas production (mmbbl)	226.63	224.59	0.9
Crude oil production (mmbbls)	141.68	143.63	(1.4)
China	124.05	123.68	0.3
Overseas	17.63	19.95	(11.6)
Natural gas production (bcf)	509.50	476.20	7.0

**(2) Refining**

In the first half of 2019, with a market-oriented approach, we brought the advantage of integrated operations into full play, and continued to optimise product mix to produce more gasoline, jet fuel and chemical feedstock. Production of high-value-added products further

increased, and diesel-to-gasoline ratio declined to 1.03. New projects and structural adjustment projects were implemented in an orderly manner. We moderately increased the export of refined oil products and expanded the market of kerosene to keep a relatively high utilisation rate. We implemented and constantly optimised the quality upgrading

plan for new spec bunker fuel. In the first half of 2019, we processed 124 million tonnes of crude oil, up by 2.7% year on year, and produced 78.94 million tonnes of refined oil products, up by 3.4% year on year, with production of gasoline and kerosene up by 4.3% and 7.9%, respectively.

**Refining: Summary of Operations**

Unit: million tonnes

	Six-month period ended 30 June		Changes (%)
	2019	2018	
Refinery throughput	123.92	120.72	2.7
Gasoline, diesel and kerosene production	78.94	76.37	3.4
Gasoline	31.33	30.04	4.3
Diesel	32.24	32.09	0.5
Kerosene	15.37	14.25	7.9
Light chemical feedstock production	20.04	19.34	3.6

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

**(3) Marketing and distribution**

In the first half of 2019, confronted with strong competition, the Company aimed to achieve a balance between sales volume and profit. We brought our advantages of integrated business and distribution network into full play, coordinated internal and external resources, intensified

efforts to explore more markets, thus, achieved sustained growth in both total domestic sales volume and retail scale. We adopted a flexible and targeted marketing strategy and upgraded our distribution network to reinforce existing advantages. We continuously explored overseas market in refined oil products, and expanded the scale of international

trade. Total sales volume of refined oil products in the first half of 2019 was 126.91 million tonnes, up by 9.6% year on year, of which domestic sales volume was 91.77 million tonnes, up by 3.8% year on year. We strengthened the cultivation of self-owned brands and supply chain management, to enhance the profitability of non-fuel business.

#### Marketing and Distribution: Summary of Operations

	Six-month period ended 30 June		Change (%)
	2019	2018	
Total sales volume of refined oil products (million tonnes)	126.91	115.75	9.6
Total domestic sales volume of refined oil products (million tonnes)	91.77	88.45	3.8
Retail (million tonnes)	60.06	59.28	1.3
Direct sales and Distribution (million tonnes)	31.72	29.16	8.8
Annualised average throughput per station (tonne/station)	3,916	3,870	

## 2. HEALTH, SAFETY, SECURITY AND ENVIRONMENT

The Company constantly promoted the HSSE system in the first half of 2019 and implemented the concept of “Comprehensive Health” by integrating the management of occupational, physical and mental health of our employees. Stringent rules were set to control risks and supervise the safety and operations of contractors and strict measures were taken to manage and control major safety risks and eliminate significant safety hazards, all contributing to the stable and safe production performance. We upgraded our capabilities in all-dimension risk prevention and control as well as emergency response, further enhancing public security management. We actively practiced green and low-carbon growth strategy, enhanced coordinated management of energy and environment, and further promoted the Green Enterprise Campaign and the Energy Efficiency Upgrading Plan. We reinforced carbon asset management and pollution prevention and treatment. Energy management and environmental protection continued to yield good results on all fronts. In the first half of the year, the comprehensive energy consumption of the Company was flat with the same period of last year. Industrial fresh water usage was down by 1.1% year on year. COD of discharged waste water went down by 2.2% year on year and SO<sub>2</sub> emissions down by 4.0% year on year. All solid waste was properly treated.

## 3. CAPITAL EXPENDITURES

Focusing on quality and return on investment, the Company continuously optimised its investment projects. In the first half of 2019, total capital expenditures were RMB 42.878 billion. Capital expenditures for the exploration and production segment were RMB 20.064 billion, mainly for crude capacity building in Shengli and Northwest oilfields, shale gas capacity building in Fuling and Weirong, natural gas pipeline and storage as well as overseas projects. Capital expenditures for the refining segment were RMB 8.779 billion, mainly for the Zhongke integrated refining and chemical project, product mix optimisation of Tianjin, Zhenhai, Luoyang and Maoming. Capital expenditures for the marketing and distribution segment were RMB 8.071 billion, mainly for constructing refined oil products depots, pipelines and service stations. Capital expenditures for the chemicals segment were RMB 5.674 billion, mainly for integrated refining and chemical projects of Zhongke, Zhenhai and Wuhan. Capital expenditures for corporate and others were RMB 290 million, mainly for R&D facilities and information technology projects.

## BUSINESS PROSPECTS

Looking ahead to the second half of 2019, the international economy is expected to show a slower growth rate in the midst of a complex and uncertain global political and economic environment. As China will keep prioritising supply-side structural reform and advancing high quality development, continued growth of China’s economy will further drive up the domestic demand for refined oil products and petrochemicals with a trend of demand for high end products. Along with the adjustment of China’s energy structure, the domestic demand for natural gas will maintain strong growth.

Confronted with the present situation, the Company will stay committed to the overall guidelines of seeking steady progress, and pursue new concepts of development to fully optimise operations, expand markets, reduce costs, control risks and realize growth. Our focuses are on the following aspects:

For Exploration and Production, we will fully implement the action plan of redoubling efforts in oil and gas exploration and development, promote efficient exploration and profit-oriented production, and increase proved reserves to enhance sustainable development. In crude oil development, efforts will be made in promoting the capacity building of Shunbei and Shengli offshore blocks, improving refined reservoir characterisation and development of mature fields, and increasing reserve development rate and recovery rate through technology optimisation and scaled application. In natural gas development, we will accelerate the capacity construction of key areas as Western Sichuan and Hangjinqi, optimise the integrated system of natural gas production, supply, storage and marketing so as to achieve rapid and efficient development of the gas business. In the second half of 2019, we plan to produce 142 million barrels of crude oil, among which, domestic and overseas production will be 125 million barrels and 17 million barrels respectively, and 507 billion cubic feet of natural gas.

For Refining, we will strengthen crude oil procurement and inventory and transportation management to improve the high-efficiency operation of the value chain and synergised profit-making ability, and promote the refining value chain based on the integrated advantage. We will accelerate the advanced capacity building, facilitate differentiated development for refineries to improve competitiveness in the market. We will further promote the application of technology for optimising refinery process, and adjust product mix based on the market. The quality upgrading plan for new spec bunker fuel will be improved to reduce production costs. In the second half of 2019, we plan to process 124 million tonnes of crude oil.

For Marketing and Distribution, we will stick to our strategy of balancing volume and profit, continue to optimise resources allocation, expand market, and increase operational profits. We will make efforts to expand total sales volume and retail scale through implementing targeted marketing. We will further improve our marketing network to reinforce existing advantages. We will accelerate exploring the e-vehicle charging and battery swapping business, and push forward the construction of hydrogen refueling stations. We will accelerate the development and marketing of self-owned brand products, improve the new business model of "Internet + service stations + convenience stores + comprehensive services" to advance the growth of non-fuel business. In the second half of 2019, we plan to sell 91.12 million tonnes of refined oil products in the domestic market.

For Chemicals, we will focus on the "basic plus high-end" development concept, speed up advantageous and advanced capacity building, strengthen transformation and upgrading, and upgrade our competitiveness and profit-making ability. We will fine-tune our feedstock slate, aim to maximise profit, diversify feedstock procurement channels, and reduce cost. We will further adjust product slate, and coordinate production, marketing, research, and application to raise the proportion of high-end products. We will make further adjustments to the structure of plants, enhance the dynamic optimisation of plants and product chains, and improve the utilisation and production plan. Meanwhile, we will carry out more thorough research on the market, promote precision marketing, integrate online and offline marketing,

proactively develop market and expand sales, and keep increasing our market share. We plan to produce 6.04 million tonnes of ethylene in the second half of 2019.

In the second half of the year, the Company will continue to follow specialised development, market-oriented operation, internationalisation and overall coordination to promote high-quality development and deliver good operating results.

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S INTERIM FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES. PARTS OF

The following table sets forth the external sales volume, average realised prices and respective change rates of the Company's major products in the first half of 2019 as compared with the first half of 2018.

	Sales Volume (thousand tonnes)			Average realised price (VAT excluded)		
	Six-month period ended			(RMB/tonne, RMB/thousand cubic meters)		
	30 June	2018	Change (%)	30 June	2018	Change (%)
	2019	2018		2019	2018	
Crude oil	2,997	3,580	(16.3)	3,010	2,880	4.5
Natural gas (million cubic meters)	13,133	11,799	11.3	1,416	1,362	4.0
Gasoline	45,093	43,623	3.4	7,484	7,635	(2.0)
Diesel	41,480	39,749	4.4	5,686	5,701	(0.3)
Kerosene	13,010	12,071	7.8	4,261	4,220	1.0
Basic chemical feedstock	21,320	20,005	6.6	4,664	5,287	(11.8)
Synthetic fibre monomer and polymer	8,291	5,495	50.9	5,831	6,729	(13.3)
Synthetic resin	7,670	7,190	6.7	7,928	8,495	(6.7)
Synthetic fibre	661	639	3.4	9,063	9,405	(3.6)
Synthetic rubber	629	533	18.0	9,674	10,612	(8.8)

Most of the crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production with the remaining sold to other customers. In the first half of 2019, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB 54.5 billion, up by 32.4% year on year, accounting for 3.6% of the Company's turnover and other operating revenues. The change was mainly attributable to increases in natural gas sales volume and prices as the result of promoting the building of natural gas production-supply-storage-sale system and actively expanding market and promoting sales.

Petroleum products (mainly consisting of refined oil products and other refined petroleum products) sold externally by the Refining Segment and the Marketing and Distribution Segment achieved external sales revenues of RMB 742.6 billion, representing an increase of 3.3% year on year and accounting for 49.5% of the Company's turnover and other operating revenues. Those changes were mainly due to fully exerting the advantages of the integrated value chain, moderately increasing the export of refined oil products, maintaining high utilisation rates, and intensifying efforts to explore more market shares, which increased gasoline, diesel and kerosene sales volume. The sales revenue of gasoline, diesel and kerosene was RMB 628.8 billion, representing an increase of 3.0% year on year, accounting for 84.7% of the total sales revenue of petroleum products. Turnover of other refined petroleum products was RMB 113.9 billion, representing an increase of 5.4% year on year, accounting for 15.3% of the sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 225.4 billion, representing an increase of 3.0% year on year, accounting for 15.0% of its turnover and other operating revenues. The change was mainly due to the increases in chemical product sales volume as a result of actively expanding markets and enhancing market engagement through chemical products trade.

**(2) Operating expenses**

In the first half of 2019, the Company's operating expenses were RMB 1,449.9 billion, representing an increase of 17.0% year on year. The change was mainly due to the expansion of the Company's crude oil and refined oil products trading volume and the increase in procurement cost of crude oil affected by exchange rate. The operating expenses mainly consisted of the following:

**Purchased crude oil, products and operating supplies and expenses** were RMB 1,207.2 billion, representing an increase of 21.3% year on year, accounting for 83.3% of total operating expenses, of which:

- Crude oil purchasing expenses were RMB 337.6 billion, representing an increase of 7.3% year on year. Throughput of crude oil purchased externally in the first half of 2019 was 100.34 million tonnes (excluding the volume processed for third parties), up by 2.1% year on year. The average cost of crude oil purchased externally was RMB 3,364 per tonne, up by 5.1% year on year.
- The Company's purchasing expenses of refined oil products were RMB 177.2 billion, representing an increase of 10.2% over the same period of 2018. The change was mainly due to the increase in diesel volume purchased externally.
- The Company's purchasing expense related to trading activities were RMB 396.8 billion, representing an increase of 50.5% over the same period of 2018. This was mainly due to expansion of the crude oil and refined oil trade.
- Other purchasing expenses were RMB 295.7 billion, an increase of 15.5% year on year.

**Selling, general and administrative expenses** of the Company totalled RMB 24.8 billion, representing a decrease of 21.0% year on year. This was mainly because the company significantly reduced costs and expenses, and adjusted accounting of some of the gas stations, land and other rental expenses as required by the New Lease Standard.

**Depreciation, depletion and amortisation expenses** of the Company were RMB 52.7 billion, representing an increase of 1.5% year on year. This was mainly due to the increasing of right-of-use assets resulted from implementation of the New Lease Standard.

**Exploration expenses** in the first half of 2019 were RMB 4.3 billion, representing a decrease of 0.3% year on year.

**Personnel expenses** were RMB 38.2 billion, representing an increase of 2.4% year on year.

**Taxes other than income tax** were RMB 120.2 billion, representing an increase of 1.3% year on year.

**Other operating expenses, net** were RMB 2.4 billion, up by RMB 2.2 billion.

**(3) Operating profit**

In the first half of 2019, the Company's operating profit was RMB 49.1 billion, representing a decrease of 20.2% year on year. This was mainly due to the impact of narrowing gross margin of major products in refining and chemical segments.

**(4) Net finance costs**

In the first half of 2019, the Company's net finance costs were RMB 5.2 billion, up by RMB 4.9 billion, mainly affected by implementation of the New Lease Standard.

**(5) Profit before taxation**

In the first half of 2019, the Company's profit before taxation amounted to RMB 50.1 billion, representing a decrease of 27.2% year on year.

**(6) Tax expense**

In the first half of 2019, the Company's tax expense totalled RMB 10.1 billion, representing a decrease of 30.5% year on year.

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

In the first half of 2019, profit attributable to non-controlling interests was RMB 7.7 billion, a decrease of RMB 4.1 billion year on year.

**(8) Profit attributable to owners of the Company**

In the first half of 2019, profit attributable to owners of the Company was RMB 32.2 billion, representing a decrease of 24.0% year on year.

## 2 RESULTS OF SEGMENT OPERATIONS

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

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

	Operating revenues Six-month period ended 30 June		As a percentage of consolidated operating revenues before elimination of inter-segment sales Six-month period ended 30 June		As a percentage of consolidated operating revenues after elimination of inter-segment sales Six-month period ended 30 June	
	2019 RMB million	2018	2019 (%)	2018	2019 (%)	2018
<b>Exploration and Production Segment</b>						
External sales*	58,811	45,317	2.4	2.1	3.9	3.5
Inter-segment sales	44,993	42,607	1.9	1.9		
<b>Operating revenues</b>	<b>103,804</b>	<b>87,924</b>	<b>4.3</b>	<b>4.0</b>		
<b>Refining Segment</b>						
External sales*	72,429	72,134	3.0	3.3	4.8	5.5
Inter-segment sales	525,368	521,193	21.6	23.8		
<b>Operating revenues</b>	<b>597,797</b>	<b>593,327</b>	<b>24.6</b>	<b>27.1</b>		
<b>Marketing and Distribution Segment</b>						
External sales*	689,936	665,702	28.5	30.4	46.0	51.2
Inter-segment sales	1,906	2,623	0.1	0.1		
<b>Operating revenues</b>	<b>691,842</b>					



The following table sets forth the operating revenues, operating expenses and operating profit/(loss) by each segment before elimination of the inter-segment transactions for the periods indicated, and the percentage change between the first half of 2019 and the first half of 2018.

	Six-month period ended 30 June		Change (%)
	2019	2018	
	RMB million		
<b>Exploration and Production Segment</b>			
Operating revenues	103,804	87,924	18.1
Operating expenses	97,561	88,336	10.4
<b>Operating profit/(loss)</b>	<b>6,243</b>	<b>(412)</b>	<b>—</b>
<b>Refining Segment</b>			
Operating revenues	597,797	593,327	0.8
Operating expenses	578,707	554,395	4.4
<b>Operating profit</b>	<b>19,090</b>	<b>38,932</b>	<b>(51.0)</b>
<b>Marketing and Distribution Segment</b>			
Operating revenues	691,842	668,325	3.5
Operating expenses	677,133	651,139	4.0
<b>Operating profit</b>	<b>14,709</b>	<b>17,186</b>	<b>(14.4)</b>
<b>Chemicals Segment</b>			
Operating revenues	260,488	256,268	1.6
Operating expenses	248,593	240,504	3.4
<b>Operating profit</b>	<b>11,895</b>	<b>15,764</b>	<b>(24.5)</b>
<b>Corporate and Others</b>			
Operating revenues	770,161	585,443	31.6
Operating expenses	772,716	589,897	31.0
<b>Operating loss</b>	<b>(2,555)</b>	<b>(4,454)</b>	<b>—</b>
<b>Elimination of inter-segment loss</b>	<b>(244)</b>	<b>(5,440)</b>	<b>—</b>

#### (1) Exploration and Production Segment

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

In the first half of 2019, operating revenues of the segment were RMB 103.8 billion, representing an increase of 18.1% year on year. This was mainly due to the increase in sales prices and sales volume of natural gas and LNG.

In the first half of 2019, the segment sold 17.17 million tonnes of crude oil, representing a decrease of 0.7

% over the same period of 2018. Natural gas sales volume was 14.0 bcm, representing an increase of 9.3% over the same period of 2018. LNG regas sales volume was 7.25 bcm, representing an increase of 104.5% over the same period of 2018. LNG liquid sales volume was 1.97 million tonnes, representing an increase of 75.6% over the same period of 2018. Average realised prices of crude oil, natural gas, LNG regas, and LNG liquid were RMB 2,895 per tonne, RMB 1,431 per thousand cubic meters, RMB 2,354 per thousand cubic meters, and RMB 3,637 per tonne, representing increase of 1.0%, 4.1%, 29.2% and decrease of 0.1% respectively over the same period of 2018.

In the first half of 2019, the operating expenses of the segment were RMB

97.6 billion, representing an increase of 10.4% year on year. This was mainly due to depreciation, depletion and amortisation decreased by RMB 2.9 billion year on year; payment of land use right and community services expenses decreased by RMB 2.9 billion year on year; procurement cost increased by RMB 15.2 billion year on year, as a result of expansion of LNG business and increase in LNG price.

In the first half of 2019, the oil and gas lifting cost was RMB 795 per tonne, representing an increase of 3.6% year on year.

In the first half of 2019, the operating profit of the segment was RMB 6.2 billion, realising a turnaround, representing an increase of RMB 6.7 billion compared with the same period of last year. This was mainly because the segment enhanced fine development of oilfield, made efforts to increase production of natural gas, strengthened cost control, and effectively improved profitability.

#### (2) Refining Segment

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

In the first half of 2019, operating revenues of the segment were RMB 597.8 billion, representing an increase of 0.8% year on year. This was mainly because facing strong market competition, the company brought the advantage of integrated operations into full play, maintained high utilisation rate, and increased sales volume.

The following table sets forth the sales volumes, average realised prices and the respective changes of the Company's major refined oil products of the segment in the first half of 2019 and that of the same period of 2018.

	Sales Volume (thousand tonnes)			Average realised price (VAT excluded, RMB/tonne)		
	Six-month period ended 30 June		Change (%)	Six-month period ended 30 June		Change (%)
	2019	2018		2019	2018	
Gasoline	30,371	29,203	4.0	7,070	7,174	(1.4)
Diesel	30,748	30,731	0.1	5,479	5,567	(1.6)
Kerosene	11,714	10,706	9.4	4,220	4,167	1.3
Chemical feedstock	19,729	18,980	3.9	3,501	3,728	(6.1)
Other refined petroleum products	30,699	29,751	3.2	3,049	3,190	(4.4)

In the first half of 2019, the sales revenues of gasoline were RMB 214.7 billion, representing an increase of 2.5% year on year, accounting for 35.9% of the segment's operating revenue.

In the first half of 2019, the sales revenues of diesel were RMB 168.5 billion, representing a decrease of 1.5% year on year, accounting for 28.2% of the segment's operating revenue.

In the first half of 2019, the sales revenues of kerosene were RMB 49.4 billion, representing an increase of 10.8% year on year, accounting for 8.3% of the segment's operating revenue.

In the first half of 2019, the sales revenues of chemical feedstock were RMB 69.1 billion, representing a decrease 2.4% year on year, accounting for 11.6% of the segment's operating revenue.

In the first half of 2019, the sales revenues of refined petroleum products other than gasoline, diesel, kerosene and chemical feedstock were RMB 93.6 billion, representing a decrease of 1.4% year on year, accounting for 15.7% of the segment's operating revenue.

In the first half of 2019, the segment's operating expenses were RMB 578.7 billion, representing an increase of 4.4% year on year, which was mainly attributable to increased crude purchasing volume and costs.

In the first half of 2019, the average processing cost of crude oil was RMB 3,389 per tonne, representing an increase of 3.5% year on year. Total crude oil throughput was 125.50 million tonnes (excluding volume processed for third parties), representing an increase of 3.3% year on year. In the first half of 2019, the total processing cost for crude oil was RMB 425.3 billion, representing an increase of 6.9% year on year, accounting for 73.5% of the segment's operating expenses, an increase of 1.7 percentage points year on year.

In the first half of 2019, the refining margin was RMB 383 per tonne, down by RMB 161 per tonne, representing a decrease of 29.6% year on year, which was mainly due to the increase of crude oil procurement costs resulting from rising premium on crude oil prices, rising overseas shipping insurance premiums and depreciation of the RMB exchange rate, as well as the significant weaker margin of naphtha, liquefied petroleum gas and other petroleum refining products compared with a year ago.

In the first half of 2019, the unit refining cash operating cost (defined as operating expenses less cost of crude oil and refining feedstock, depreciation and amortisation, taxes other than income tax and other operating expenses, divided by the throughput of crude oil and refining feedstock) was RMB 165 per tonne, representing a decrease of 1.5% year on year, which was mainly because the segment maintained a high utilisation rate and lowered energy and material consumption to further reduce costs.

The segment realised an operating profit of RMB 19.1 billion, representing a decrease of 51.0% year on year.

### (3) Marketing and Distribution Segment

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

In the first half of 2019, the operating revenues of the segment were RMB 691.8 billion, up by 3.5% year on year. This was mainly due to refined oil products sales volume growth. The sales revenues of gasoline were RMB 337.6 billion, representing an increase of 1.3% year on year; the sales revenue of diesel was RMB 236.6 billion, up by 4.1% year on year, and the sales revenue of kerosene was RMB 55.4 billion, up by 8.8% year on year.

The following table sets forth the sales volumes, average realised prices and respective percentage changes of the segment's four major refined oil products in the first half of 2019 and that of the same period of 2018, including detailed information about retail, direct sales and distribution of gasoline and diesel:

	Sales Volume (thousand tonnes)			Average realised price (VAT excluded, RMB/tonne)		
	Six-month period ended 30 June		Change (%)	Six-month period ended 30 June		Change (%)
	2019	2018		2019	2018	
<b>Gasoline</b>	<b>45,107</b>	<b>43,633</b>	<b>3.4</b>	<b>7,483</b>	<b>7,634</b>	<b>(2.0)</b>
Retail	33,607	33,625	(0.1)	7,976	8,050	(0.9)
Direct sales and Distribution	11,499	10,008	14.9	6,044	6,236	(3.1)
<b>Diesel</b>	<b>41,594</b>	<b>39,858</b>	<b>4.4</b>	<b>5,687</b>	<b>5,702</b>	<b>(0.3)</b>
Retail	20,371	20,037	1.7	6,131	6,212	(1.3)
Direct sales and Distribution	21,223	19,821	7.1	5,261	5,186	1.4
<b>Kerosene</b>	<b>13,010</b>	<b>12,071</b>	<b>7.8</b>	<b>4,261</b>	<b>4,220</b>	<b>1.0</b>
<b>Fuel oil</b>	<b>11,113</b>	<b>10,528</b>	<b>5.6</b>	<b>2,925</b>	<b>2,653</b>	<b>10.2</b>

In the first half of 2019, the operating expenses of the segment were RMB 677.1 billion, representing an increase of 4.0% year on year. This was mainly due to the expansion of business scale and increased procurement costs.

In the first half of 2019, the segment's marketing cash operating cost (defined as the operating expenses less the purchase costs, taxes other than income tax, depreciation and amortisation, divided by the sales volume) was RMB 172 per tonne, representing a decrease of 13.1% year on year. This was mainly due to the adjustment of accounting of related leased assets, such as land and gas stations, in accordance with the New Lease Standard.

In the first half of 2019, the operating revenues of non-fuel business was RMB 16.7 billion, and the profit of non-fuel business was RMB 1.9 billion representing an increase of 11.8% compared with the same period of 2018.

In the first half of 2019, the segment's operating profit was RMB 14.7 billion, representing a decrease of 14.4% year on year, which was mainly attributed to the strong competition in the domestic refined oil market and the narrowing of retail spread.

#### (4) Chemicals Segment

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

In the first half of 2019, operating revenues of the chemicals segment were RMB 260.5 billion, representing an increase of 1.6% year on year, which was mainly due to the expansion of chemical business scale.

The sales revenue generated by the segment's six major categories of chemical products (namely basic organic chemicals, synthetic fibre monomer and polymer, synthetic resin, synthetic fibre, synthetic rubber, and chemical fertiliser) totalled RMB 246.3 billion, representing an increase of 1.6% year on year, accounting for 94.6% of the operating revenues of the segment.

The following table sets forth the sales volume, average realised price and respective changes of each of the segment's six categories of chemical products for the first half of 2019 and that of the same period of 2018.

	Sales Volume (thousand tonnes)			Average realised price (VAT excluded, RMB/tonne)		
	Six-month period ended 30 June		Change (%)	Six-month period ended 30 June		Change (%)
	2019	2018		2019	2018	
Basic organic chemicals	27,312	25,824	5.8	4,526	5,091	(11.1)
Synthetic fibre monomer and polymer	8,328	5,541	50.3	5,839	6,740	(13.4)
Synthetic resin	7,686	7,194	6.8	7,928	8,495	(6.7)
Synthetic fibre	661	639	3.4	9,063	9,405	(3.6)
Synthetic rubber	631	540	16.9	9,687	10,686	(9.3)
Chemical fertiliser	473	409	15.6	2,212	2,024	9.3

In the first half of 2019, the operating expenses of the segment were RMB 248.6 billion, representing an increase of 3.4% year on year, which was mainly due to the increase of total production volume and prices of individual chemical feedstock.

The segment's operating profit in the first half of 2019 was RMB 11.9 billion, representing a decrease of 24.5% year on year, which was mainly due to the strong competition of chemical market because of oversupply, and the decrease of gross margin.

#### (5) Corporate and Others

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

In the first half of 2019, the operating revenues generated from corporate and others were RMB 770.2 billion, representing an increase of 31.6% year on year. This was mainly due to increased trading volume of

international crude oil and refined oil products, and the rapid growth of the business scale for chemical products and equipment on Sinopec E-commerce platform.

In the first half of 2019, the operating expenses for corporate and others were RMB 772.7 billion, representing an increase of 31.0% year on year.

In the first half of 2019, the segment's operating loss amounted to RMB 2.6 billion, down by RMB 1.9 billion.

### 3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

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

#### (1) Assets, liabilities and equity

Unit: RMB million

	As of 30 June 2019	As of 31 December 2018	Change
Total assets	1,824,845	1,592,308	232,537
Current assets	544,858	504,120	40,738
Non-current assets	1,279,987	1,088,188	191,799
Total liabilities	957,629	735,773	221,856
Current liabilities	605,435	565,098	40,337
Non-current liabilities	352,194	170,675	181,519
Total equity attributable to owners of the Company	723,452	717,284	6,168
Share capital	121,071	121,071	—
Reserves	602,381	596,213	6,168
Non-controlling Interests	143,764	139,251	4,513
Total equity	867,216	856,535	10,681

As of 30 June 2019, the Company's total assets were RMB 1,824.8 billion, representing an increase of RMB 232.5 billion compared with the end of 2018, of which:

- Current assets were RMB 544.9 billion, representing an increase of RMB 40.7 billion compared with that as of the end of 2018. This was mainly attributable to an increasing of RMB 38.3 billion in inventories. Account receivable increased by RMB 15.5 billion, time deposits with financial institution increased by RMB 15.3 billion, cash and cash equivalents decreased by RMB 19.1 billion, financial assets at fair value through profit and loss decreased by RMB 6.2 billion, and derivatives financial assets decreased by 4.2 billion.
- Non-current assets were RMB 1,280.0 billion, representing an

increase of RMB 191.8 billion compared with that as of the end of 2018. The change was mainly due to the net increase of the right-of-use assets and lease prepayments of RMB 204.9 billion, the construction in progress increased by RMB 11.2 billions. The net value of property, plant and equipment decreased by RMB 16.5 billion.

As of 30 June 2019, the Company's total liabilities were RMB 957.6 billion, representing an increase of RMB 221.9 billion compared with that as of the end of 2018, of which:

- Current liabilities were RMB 605.4 billion, representing an increase of RMB 40.3 billion compared with that as of the end of 2018. This was mainly attributable to an increase of RMB 38.0 billion in short-term debts, an increase of RMB 15.5 billion of lease liabilities due within one year and

an increase of RMB 38.7 billion in accounts payable, and a decrease of RMB 44.0 billion in other payables, as well as a fall of RMB 11.6 billion derivative financial liabilities.

- Non-current liabilities were RMB 352.2 billion, representing an increase of RMB 181.5 billion compared with that as of the end of 2018, mainly due to the increase in lease liabilities of RMB 182.3 billion,

As of 30 June 2019, total equity attributable to owners of the Company was RMB 723.5 billion, representing an increase of RMB 6.2 billion compared with that as of the end of 2018, which was mainly due to the increase in reserves of RMB 6.2 billion.

## (2) Cash Flow

The following table sets forth the major items in the consolidated cash flow statements for the first half of 2019 and of 2018.

Unit: RMB million

Major items of cash flows	Six-month period ended 30 June 2019	30 June 2018	Changes in amount
Net cash generated from operating activities	32,918	71,620	(38,702)
Net cash generated from/(used in) investing activities	(49,073)	19,258	(68,331)
Net cash used in financing activities	(2,945)	(49,308)	46,363
Net (decrease)/increase in cash and cash equivalents	(19,100)	41,570	(60,670)

In the first half of 2019, net cash generated from operating activities was RMB 32.9 billion, representing a decrease of RMB 38.7 billion year on year. This was mainly due to a decrease of RMB 18.7 billion in profit before taxation, and accounts receivable and net change for other current assets increased by RMB 21.2 billion.

In the first half of 2019, net cash used in investing activities was RMB 49.1 billion, representing an increase of RMB 68.3 billion year on year. This was mainly due to: decrease of RMB 31.7 billion proceeds from sales of financial assets which are measured at fair value through profit or loss; increase of RMB 15.2 billion outflow for time deposits with maturities of over three months, and the capital expenditure increased by RMB 9.4 billion. The purchases of financial assets at fair value through profit or loss increased by RMB 6.2 billion,

and the proceeds from the sale of property, plant, equipment and other long term assets decreased by RMB 7.4 billion.

In the first half of 2019, net cash used in financing activities was RMB 2.9 billion, representing a decrease of RMB 46.4 billion year on year, which was mainly attributable to the proceeds from bank and other loans increased by RMB 13.7 billion year on year, repayment of bank and other loans decreased by RMB 15.0 billion, dividends paid by Company decreased by RMB 16.9 billion, and dividends paid by subsidiaries to non-controlling interests decreased by RMB 6.6 billion.

As of 30 June 2019, the cash and cash equivalents were RMB 92.8 billion.

## (3) Contingent Liabilities

Please refer to "Material Guarantee Contracts and Their Performances"

in the "Significant Events" section of this report.

## (4) Capital Expenditures

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

## (5) Research & Development and environmental expenditure

Research and Development expenditure occurred in the period including R&D expenses. In the first half of 2019, the Company's research and development expenditure amounted to RMB 5.656 billion, of which expensed was RMB 3.989 billion and capital expenditure was RMB 1.667 billion.

Environmental expenditures refer to the normal routine pollutant cleaning fees paid by the Company, excluding capitalised cost of pollutant treatment facilities. In the first half of 2019, the environmental expenditures amounted to RMB 3.593 billion.

**(6) Measurement of fair values of derivatives and relevant system**

The Company has established sound decision-making mechanism, business process and internal control systems relevant to financial instrument accounting and information disclosure.

**Items relevant to measurement of fair values**

Unit: RMB million

Items	Beginning of the reporting period	End of the reporting period	Profits and losses from variation of fair values in the current reporting period	Accumulated variation of fair values recorded as equity	Impairment loss provision of the current reporting period	Funding source
Financial assets at fair value through profit or loss of the reporting period	25,732	19,539	102	—	—	Self-owned fund
Structured deposit	25,550	19,413	145	—	—	
Stock	182	126	(43)	—	—	
Derivative financial instruments	1,584	283	(3,523)	—	—	Self-owned fund
Cash flow hedges	(7,268)	1,421	(71)	4,696	—	Self-owned fund
Other equity instruments	1,450	1,426	—	(24)	—	Self-owned fund
<b>Total</b>	<b>21,498</b>	<b>22,669</b>	<b>(3,492)</b>	<b>4,672</b>	<b>—</b>	

**4 ANALYSIS OF FINANCIAL STATEMENTS PREPARED UNDER CASs**

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

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

	Six-month period ended 30 June	
	2019 RMB million	2018 RMB million
<b>Operating income</b>		
Exploration and Production Segment	103,804	87,924
Refining Segment	597,797	593,327
Marketing and Distribution Segment	691,842	668,325
Chemicals Segment	260,488	256,268
Corporate and Others	770,161	585,443
Elimination of inter-segment sales	(925,096)	(891,035)
<b>Consolidated operating income</b>	<b>1,498,996</b>	<b>1,300,252</b>
<b>Operating profit/(loss)</b>		
Exploration and Production Segment	5,449	(1,249)
Refining Segment	18,171	37,981
Marketing and Distribution Segment	14,561	17,411
Chemicals Segment	11,663	15,210
Corporate and Others	847	(3,211)
Elimination of inter-segment sales	(244)	(5,440)
Financial expenses, losses/gains from changes in fair value, investment income and disposal income/expenses	(2,869)	5,389
Other income	1,600	1,849
<b>Consolidated operating profit</b>	<b>49,178</b>	<b>67,940</b>
<b>Net profit attributable to equity shareholders of the Company</b>	<b>31,338</b>	<b>41,600</b>

**Operating profit:** In the first half of 2019, the operating profit of the Company was RMB 49.2 billion, representing a decrease of 27.6% year on year. This was mainly attributable to the impact by weaker gross margin of major products in refining and chemical segments.

**Net profit:** In the first half of 2019, net profit attributable to the equity shareholders of the Company was RMB 31.3 billion, representing a decrease of 24.7% year on year.

## (2) Financial data prepared under CASs:

	At 30 June 2019 RMB million	At 31 December 2018 RMB million	Changes RMB million
Total assets	1,824,845	1,592,308	232,537
Non-current liabilities	351,098	169,551	181,547
Shareholders' equity	868,312	857,659	10,653

**Total assets:** As of 30 June 2019, the Company's total assets were RMB 1,824.8 billion, representing an increase of RMB 232.5 billion compared with the end of 2018. This was mainly due to the increase in the right-of-use assets of RMB 204.6 billion, inventories increased by RMB 38.3 billion, accounts receivable increased by RMB 15.5 billion, cash at bank and on hand and financial assets held for trading decreased by RMB 10.1 billion, and fixed assets decreased by RMB 16.5 billion.

**Non-current liabilities:** As of 30 June 2019, the Company's non-current liabilities were RMB 351.1 billion, representing an increase of RMB 181.5 billion compared with the end of 2018. This was mainly due to the increase in lease liabilities of RMB 182.3 billion.

**Shareholders' equity:** As of 30 June 2019, total shareholders' equity of the Company was RMB 868.3 billion, representing an increase of RMB 10.7 billion compared with the end of 2018.

## (3) The results of the principal operations by segments

Segments	Operating income (RMB million)	Operating cost (RMB million)	Gross profit margin* (%)	Increase of operating income on a year-on-year basis (%)	(Decrease)/ increase of operating cost on a year-on-year basis (%)	Increase/ (decrease) of gross profit margin on a year-on-year basis (percentage point)
Exploration and Production	103,804	82,831	15.4	18.1	16.3	2.5
Refining	597,797	455,993	4.8	0.8	5.1	(3.4)
Marketing and Distribution	691,842	645,780	6.5	3.5	4.2	(0.6)
Chemicals	260,488	236,932	8.7	1.6	3.4	(1.5)
Corporate and Others	770,161	766,409	0.5	31.6	31.6	(0.0)
Elimination of inter-segment sales	(925,096)	(924,852)	N/A	N/A	N/A	N/A
<b>Total</b>	<b>1,498,996</b>	<b>1,263,093</b>	<b>7.7</b>	<b>15.3</b>	<b>20.2</b>	<b>(2.3)</b>

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

## 5 THE CAUSE AND IMPACT OF THE CHANGE IN THE COMPANY'S ACCOUNTING POLICY, ESTIMATES AND METHODS

Please refer to Note 3 in the interim financial statement prepared in accordance with the Accounting Standards for Business Enterprises (CASs) and Note 22 in the interim financial statement prepared in accordance with International Accounting Standard.



**1 CORPORATE GOVERNANCE**

(1) During the reporting period, Sinopec Corp. complied with its *Articles of Association* and domestic and overseas regulations, and committed itself to continuously improving its corporate governance. It timely amended the *Articles of Association* and the internal control procedures, actively implemented "the campaign of promoting the execution effectiveness of internal control" to strengthen the internal control and risk management, and optimised relevant procedures for Party organisation to participate in corporate governance. The audit committee of the Board strengthened the communication and coordination with external auditors. It also completed the information disclosure with high quality and further strengthened investor relations work to promote enterprise value. Its sustainable development achieved positive results and earned social recognition.

During the reporting period, on 9 May 2019, Sinopec Corp. convened 2018 Annual General Meeting in Beijing, China, in compliance with relevant laws, regulations and the notice, and convening and holding procedures under the *Articles of Association*. For the details of the meeting, please refer to the poll results announcement published in China Securities Journal, Shanghai Securities News, and Securities Times and on the website of Shanghai Stock Exchange on 10 May 2019 and the website of Hong Kong Stock Exchange on 9 May 2019.

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

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

As at 30 June 2019, apart from 13,000 A shares of Sinopec Corp. held by Director and Senior Vice President Mr. Ling Yiqun, none of the directors, supervisors, or other senior management of Sinopec Corp. held any shares of Sinopec Corp.

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

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

**(4) Compliance with the Corporate Governance Code**

During the reporting period, Sinopec Corp. has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules.

**(5) Review of the Interim Report**

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

**2 DIVIDEND****(1) Dividend distribution for the year ended 31 December 2018**

Upon its approval at its 2018 Annual General Meeting, Sinopec Corp. distributed the final cash dividend of RMB 0.26 per share (tax inclusive). The final dividend for 2018 has been distributed to shareholders on or before 21 June 2019 who were registered as existing shareholders as at 10 June 2019. Combined with the 2018 interim cash dividend of RMB 0.16 per share (tax inclusive), the total cash dividend for the whole year 2018 amounted to RMB 0.42 per share (tax inclusive).

**(2) Interim dividend distribution plan for the six months ended 30 June 2019**

As approved at the seventh meeting of the seventh session of the Board, the interim dividend for the six months ended 30 June 2019 of RMB 0.12 per share (tax inclusive) will be distributed based on the total number of shares as of 16 September 2019 (record date) in cash.

The 2019 interim dividend distribution plan of Sinopec Corp., with the consideration of interest of shareholders and development of the Company, is in compliance with the *Articles of Association* and relevant procedures. The independent non-executive directors have issued independent opinions on it.

The interim cash dividend will be distributed on or before 26 September 2019 (Thursday) to all shareholders whose names appear on the register of members of Sinopec Corp. on 16 September 2019 (Monday). To be entitled to the interim dividend, holders of H shares shall lodge their share certificates and transfer documents with Hong Kong Registrars Limited at 1712-1716, 17th floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong, for registration of transfer, no later than 4:30 p.m. on 9 September 2019 (Monday). The register of members of H shares of Sinopec Corp. will be closed from 10 September 2019 (Tuesday) to 16 September 2019 (Monday) (both days inclusive).

The dividend will be denominated and declared in RMB and distributed to domestic shareholders and Shanghai-Hong Kong Stock Connect shareholders in RMB and to foreign shareholders in Hong Kong Dollars. The exchange rate for dividend to be paid in Hong Kong dollars is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People's Bank of China one week ahead of the date of declaration of the interim dividend, i.e. 23 August 2019 (Friday).

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

H shares of Sinopec Corp. as at the record date.

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

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

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

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

## 3 MAJOR PROJECTS

**(1) Hainan refining and chemical expansion project**

Hainan Refining and Chemical expansion project consists of 5,000,000 tpa refinery project and 1,000,000 tpa ethylene project, among which, the second set of high-efficiency and environment-friendly aromatics project started in August 2017 is expected to be put into operation in September 2019. The Company's self-owned fund accounts for approximately 30% of the project, and investment and bank loan is the main source of the remaining 70%. As of 30 June 2019, the aggregate investment was RMB 2.7 billion.

**(2) Zhongke integrated refining and chemical project**

Zhongke integrated refining and petrochemical project consists mainly of a 10,000,000 tpa refinery, 800,000 tpa ethylene unit, 300,000 tonne jetty and relevant utilities. The mechanical completion is expected to be achieved in December 2019. The Company's self-owned fund accounts for 30% of the project investment, and bank loan is the main source of the remaining 70%. As of 30 June 2019, the aggregate investment was RMB 21.7 billion.

**(3) Zhenhai Refining & Chemical expansion project**

Zhenhai Refining & Chemical expansion project consists of 15,000,000 tpa refinery project and 1,200,000 tpa ethylene project. The project was approved in June 2018, ethylene and relevant projects started at the end of October 2018 and the mechanical completion is expected to be achieved in December 2021. The Company's self-owned fund accounts for 30% of the project investment, and bank loan is the main source of the remaining 70%. As of 30 June 2019, the aggregate investment was RMB 1.6 billion.

**(4) Erdos-Anping-Cangzhou pipeline project**

The first phase of Erdos-Anping-Cangzhou pipeline project mainly consists of the main pipeline from Luquan to Cangzhou and two branch pipelines named Puyang and Baoding respectively. Total length of the pipeline is 736 kilometers and designed transmission capacity is 9 billion cubic meters per year. It is expected to be completed and put into operation in December 2019. The Company's self-owned fund accounts for 30% of the project investment and bank loan is the main source of the remaining 70%. As of 30 June 2019, the aggregate investment was RMB 5.5 billion.

**(5) Wen 23 gas storage project**

The first phase of Wen 23 gas storage project mainly consists of construction of injection and production wells and surface facilities with storage capacity of 8.431 billion cubic meters. The gas storage is expected to be officially put into operation in July 2020. The Company's self-owned fund accounts for 30% of the project investment and bank loan is the main source of the remaining 70%. As of 30 June 2019, the aggregate investment was RMB 7.0 billion.

**(6) Xinqi pipeline project**

The first phase of Xinqi gas pipeline project mainly consists of pipeline from Qianjiang to Shaoguan with total length of 839.5 kilometres and designed transmission capacity of 6 billion cubic meters per year. It is expected to be completed and put into operation in July 2020. The Company's self-owned fund accounts for 38% of the project investment and bank loan is the main source of the remaining 62%. As of 30 June 2019, the aggregate investment was RMB 6.3 billion.

**(7) Weirong shale gas project**

Under the guidance of "overall deployment, stage-wise implementation and fully consideration", the building of first phase of production capacity, which is 1 billion cubic meters per year, was promoted comprehensively since August 2018. It is expected to be completed and put into operation in December 2020. The Company's self-owned fund accounts for 30% of the project investment and bank loan is the main source of the remaining 70%. As of 30 June 2019, the aggregate investment was RMB 1.6 billion.

#### 4 CORPORATE BONDS ISSUED AND INTEREST PAYMENTS

##### Basic information of corporate bonds

Bond name	Sinopec Corp. 2010 Corporate bond	Sinopec Corp. 2012 Corporate bond	Sinopec Corp. 2015 Corporate bond (first issue)
Abbreviation	10石化02	12石化02	15石化02
Code	122052	122150	136040
Issuance date	21 May 2010	1 June 2012	19 November 2015
Maturity date	21 May 2020	1 June 2022	19 November 2020
Amount issued (RMB billion)	9	7	4
Outstanding balance (RMB billion)	9	7	4
Interest rate (%)	4.05	4.90	3.70
Principal and interest repayment	Simple interest is calculated and paid on an annual basis without compounding interests. The principal will be paid at maturity with last installment of interest.		
Payment of interests	Sinopec Corp. had paid in full the interest accrued of "10石化02" and "12石化02" during the reporting period.		
Investor Qualification Arrangement	15石化02 was publicly offered to qualified investors in accordance with Administration of the Issuance and Trading of Corporate Bonds		
Listing place	Shanghai Stock Exchange		
Corporate bonds trustee	China International Capital Corporation Limited 27th-28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing Huang Xu, Zhai Ying (010) 6505 1166		
Credit rating agency	United Credit Ratings Co., Ltd. 12th Floor, PICC building, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing		
Use of proceeds	Proceeds from the above-mentioned corporate bonds have been used for their designated purpose as disclosed. All the proceeds have been completely used.		
Credit rating	During the reporting period, United Credit Ratings Co., Ltd. provided credit rating for 10石化02, 12石化02 and 15石化02 and reaffirmed AAA credit rating in the continuing credit rating report. The long term credit rating of Sinopec Corp. remained AAA with its outlook being stable. Pursuant to relevant regulations, Sinopec Corp. has published latest credit rating results through media designated by regulators within two months commencing from the announcement date of annual report.		
Credit addition mechanism, repayment scheme and other relative events for corporate bonds during the reporting period	During the reporting period, there is no credit addition mechanism and change of the repayment arrangement for the above-mentioned corporate bonds. Sinopec Corp. strictly followed the provisions in the corporate bond prospectus to repay interests of the corporate bonds. The guarantee of 10石化02 and 12石化02 is China Petrochemical Corporation. For more information of the guarantee, please refer to the interim report of corporate bonds which will be published on website of Shanghai Stock Exchange by China Petrochemical Corporation		
Convening of corporate bond holders' meeting	During the reporting period, the bondholders' meeting was not convened.		
Performance of corporate bonds trustee	During the durations of the above-mentioned bonds, the bond trustee, China International Capital Corporation Limited, has strictly followed the Bond Trustee Management Agreement and continuously tracked the Company's credit status, utilisation of bond proceeds and repayment of principals and interests of the bond. The bond trustee has also advised the Company to fulfil obligations as described in the corporate bond prospectus and exercised its duty to protect the bondholders' legitimate rights and interests. The bond trustee has disclosed the Trustee Management Affairs Report. The full disclosure is available on the website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )		

##### Principal accounting data and financial indicators as of 30 June 2019

Principal data	As of 30 June 2019	As of 31 December 2018	Change	Reasons for change
Current ratio	0.90	0.89	0.01	Due to the increase of current asset
Quick ratio	0.53	0.57	(0.04)	Due to the increase of inventories
Liability-to-asset ratio	52.42%	46.14%	6.28 percentage points	Due to impact of New Lease Standard
Loan repayment rate	100%	100%	—	—
Six-month period ended 30 June				
Principal data	2019	2018	Change	Reasons for change
EBITDA-to-interest coverage ratio	12.20	35.40	(23.20)	Due to the increase of interest expense resulting from New Lease Standard
Interest payment rate	100%	100%	—	—

During the reporting period, the Company paid in full the interest accrued for the other bonds and debt financing instruments. As at 30 June 2019, the standby credit line provided by several domestic financial institutions to the Company was RMB 388.388 billion in total, facilitating the Company to get such amount of unsecured loans. During the reporting period, Sinopec Corp. fulfilled relevant undertakings in the prospectus of corporate bonds. During the reporting period, Sinopec Corp. had no significant matters which could influence the Company's operation and debt paying ability.

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

##### **5 CAPITAL INCREASE AND ASSETS TRANSFER TO SINOPEC-SK (WUHAN) PETROCHEMICAL CO., LTD., (SINOPEC-SK)**

On 29 April 2019, Sinopec Corp. entered into the Sinopec-SK Capital Increase Agreement with Sinopec Group Asset Management Co., Ltd. (Sinopec Asset), SK GLOBAL CHEMICAL CO., LTD. (SKGC) and Sinopec-SK, jointly, to agree upon

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payment of property rent of RMB 252 million, payment of land use rights of RMB 5.386 billion, and interest expenses of RMB 782 million. The sales income amounted to RMB 75.531 billion, representing 4.8% of the total amount of this type of transaction for the reporting period, including sales of products and services of RMB 74.988 billion, agency commission income of RMB 46 million, and interest income of RMB 497 million.

The amounts of the above continuing connected transactions between the Company and Sinopec Group did not exceed the relevant caps for the continuing connected transactions as approved by the general meeting of shareholders and the Board.

## 8 FUNDS PROVIDED BETWEEN RELATED PARTIES

Unit: RMB million

Related parties	Relations	Funds to related parties		Funds from related parties		Balance at the end of the period	
		Balance at the beginning of the period	Amount incurred	Balance at the beginning of the period	Amount incurred		
Sinopec Group	Parent company and its subordinate companies*	29,415	4,122	33,537	30,232	380	30,612
Other related parties	Associates and joint ventures	1,431	(418)	1,013	333	(63)	270
<b>Total</b>		<b>30,846</b>	<b>3,704</b>	<b>34,550</b>	<b>30,565</b>	<b>317</b>	<b>30,882</b>
Reason for provision of funds between related parties		Loans and other accounts receivable and accounts payable					
Impacts on the Company		No material negative influence					

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

### 9 SIGNIFICANT LITIGATION AND ARBITRATION RELATING TO THE COMPANY

No significant litigation, arbitration relating to the Company occurred during the reporting period.

### 10 CREDIBILITY FOR THE COMPANY, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

During the reporting period, the Company and its controlling shareholder did not have any court's effective judgments which should be executed or any large amount of debt which should be repaid.

### 11 OTHER MATERIAL CONTRACTS

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

### 12 SIGNIFICANT EQUITY INVESTMENTS

During the reporting period, the Company did not have significant equity investment.

### 13 SIGNIFICANT ASSETS AND EQUITY SALE

During the reporting period, there was no significant assets or equity sale of the Company

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

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

## 15 MATERIAL GUARANTEE CONTRACTS AND THEIR PERFORMANCE

Unit: RMB Million

Major external guarantees (excluding guarantees for controlled subsidiaries)											
Guarantor	Relationship with the Company	Name of guaranteed companies	Amount	Transaction date (date of signing)	Period of guarantee	Type	Whether completed or not	Whether overdue or not	Amounts of overdue guarantee	Counter-guarantee	Whether guaranteed for connected parties <sup>1</sup>
Sinopec Corp.	The listed company itself	Zhongtian Hechuang Energy Co., Ltd	11,492	25 May 2016	25 May 2016 -31 December 2023 (the mature date is estimated)	Joint liability guarantee	No	No	—	No	Yes
Sinopec Corp.	The listed company itself	Zhong An United Coal Chemical Co., Ltd.	6,147	18 April 2018	18 April 2018 -31 December 2031	Joint liability guarantee	No	No	—	No	No
Sinopec Corp.	The listed company itself	Yanbu Aramco Sinopec Refining Company (YASREF) Limited	no specific amount agreed, guarantee on contract performance	31 December 2014	30 years from the date YASRFE requires supply of hydrogen from Air Liquefie Arabia LLC.	Joint liability guarantee	Yes	No	—	No	No
SSI	Controlled subsidiary	New Bright International Development Ltd./ Sonangol E.P./SSI15	7,434			Joint liability guarantee	No	No	—	Yes	No
Total amount of guarantees provided during the reporting period <sup>2</sup>											0
Total amount of guarantee balance at the end of reporting period <sup>2</sup> (A)											21,755
<b>Guarantees by the Company to the controlled subsidiaries</b>											
Total amount of guarantee provided to controlled subsidiaries during the reporting period											0
Total amount of guarantee for controlled subsidiaries balance at the end of the reporting period (B)											11,975
<b>Total amount of guarantees provided by the Company (including those provided for controlled subsidiaries)</b>											
Total amount of guarantees (A+B)											33,730
The proportion of the total amount of guarantees attribute to the Sinopec Corp.'s net assets (%)											4.66
Among which:											
Guarantees provided for shareholders, de facto controller and connected parties (C)											0
Amount of debt guarantees provided directly or indirectly for the companies with liabilities to assets ratio over 70% (D)											2,862
The amount of guarantees in excess of 50% of the net assets (E)											0
Total amount of the above three guarantee items (C+D+E)											2,862
Explanation of guarantee undue that might involve joint and several liabilities											None
Explanation of guarantee status											None

1: As defined in the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

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

16 PERFORMANCE OF THE UNDERTAKINGS

Background	Type of Undertaking	Party	Contents	Term for performance	Whether bears deadline or not	Whether strictly performed or not
Undertakings related to Initial Public Offerings (IPOs)	IPO	China Petrochemical Corporation	<ol style="list-style-type: none"> <li>1 Compliance with the connected transaction agreements;</li> <li>2 Solving the issues regarding the legality of land-use rights certificates and property ownership rights certificates within a specified period of time;</li> <li>3 Implementation of the Reorganisation Agreement (please refer to the definition of Reorganisation Agreement in the H share prospectus of Sinopec Corp.);</li> <li>4 Granting licenses for intellectual property rights;</li> <li>5 Avoiding competition within the same industry;</li> <li>6 Abandonment of business competition and conflicts of interest with Sinopec Corp.</li> </ol>	From 22 June 2001	No	Yes
Other undertakings	Other	China Petrochemical Corporation	<p>Given that China Petrochemical Corporation engages in the same or similar businesses as Sinopec Corp. with regard to the exploration and production of overseas petroleum and natural gas, China Petrochemical Corporation hereby grants a 10-year option to Sinopec Corp. with the following provisions: (i) after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell its overseas oil and gas assets owned as of the date of the undertaking and still in its possession upon Sinopec Corp.'s exercise of the option to Sinopec Corp.; (ii) in relation to the overseas oil and gas assets acquired by China Petrochemical Corporation after the</p>	From 22 June 2001	Yes	Yes

Significant Events



**20 INFORMATION ON MAJOR SUBSIDIARIES**

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

Unit: RMB million

Company name	Registered capital	Percentage of share held by Sinopec Corp. (%)	Total asset	Net Assets	Net Profit/ (Net Loss)	Revenue of principal business	Profit of principal business	Principal Activities
Sinopec Marketing Co., Ltd.	28,403	70.42	481,752	214,145	11,756	673,011	41,285	Sales of refined oil products

**21 ENVIRONMENTAL PROTECTION BY SINOPEC CORP. AND ITS SUBSIDIARIES**

During the reporting period, some subsidiaries of Sinopec Corp. which are listed as major pollutant discharge units have disclosed environmental information as required by the relevant authorities and local government. The details of such information were published on the local government website. Sinopec Corp. strictly implemented the new standards in refining and petrochemical industry, completed the treatment of sewage and flue gas, and actively conducted the comprehensive treatment of VOCs, pollution prevention and control facilities remained in effective and stable operation. The Company further regulated environmental management of construction projects, enhanced assessment, and implemented "three-simultaneity" management (environmental facilities shall be designed, constructed and put into operation simultaneously with the main construction). All of the newly-built projects have obtained approvals from the environment authorities. Sinopec Corp. strictly complies with relevant national requirements on environment emergency plan management and continuously improves the emergency plans for environmental emergencies and heavy pollution weather. According to the national pollution permit and self-monitoring technology guidelines in relevant industries, we got pollutant discharge permit, modified the self-monitoring plan, and implemented new national requirements of sewage, waste gas and noise monitoring, and disclosed the environmental monitoring results.

**22 OTHER EVENTS**

Sinopec Corp. published voluntary announcement and progress update announcements in relation to China International United Petroleum and Chemical Company Limited. For details, please refer to the announcements published in China Securities Journal, Shanghai Securities News, Securities Times and the website of the Shanghai Stock Exchange on 28 December 2018, 5 January 2019 and 26 January 2019 and on the website of Hong Kong Stock Exchange on 27 December 2018, 4 January 2019 and 25 January 2019.

**23 RISK FACTORS**

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

**Risks with regard to the variations from macroeconomic situation:** The business results of the Company are closely related to China's and global economic situation. The development of Chinese economy has entered new normal. Although various countries have adopted different kinds of macroeconomic policies to eliminate negative effects caused by lower growth of global economy, the turnaround of economic recovery still remains uncertain. Trade protectionism could slow global trade growth, especially in emerging economies. The Company's business could also be adversely affected by such factors as the impact on export due to trade protectionism from some countries, impact on China-

US trade friction, impact on import which is likely caused by regional trade agreements, impact on oversea oil and gas exploration and development, as well as on investment on refining and petrochemical and storage projects, due to the uncertainty of international oil price.

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

**Risks from the macroeconomic policies and government regulation:** Although the Chinese government is gradually liberalising the market entry regulations on petroleum and petrochemicals sector, the petroleum and petrochemical industries in China are still subject to entry regulations to a certain degree, which include: issuing licenses in relation to exploration and development of crude oil and natural gas, issuing business licenses for trading crude oil and refined oil, setting caps for retail prices of gasoline, diesel and other refined oil

products, the imposing of the special oil income levy, formulation of import and export quotas and procedures, formulation of safety, quality and environmental protection standards and formulation of energy conservation policies. In addition, the changes which have occurred or might occur in macroeconomic and industry policies such as the opening up of crude oil import licenses, and further improvement in pricing mechanism of refined oil products, service stations open to foreign investment on full scale, reforming and improvement in pricing mechanism of natural gas, cost supervision of gas pipeline and access to third party, and reforming in resource tax, environmental tax and oil & gas industrial system, will cause effects on our business operations. Such changes might further intensify market competition and have certain effect on the operations and profitability of the Company.

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

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

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

**Risks with regard to the operation and natural disasters:** The process of petroleum chemical production is exposed to the high risks of inflammation, explosion and environmental pollution and is vulnerable to extreme natural disasters. Such contingencies may cause serious impacts to the society, major financial losses to the Company and grievous injuries to people. The Company has always been paying great emphasis on the safety production, and has implemented a strict HSSE management system as an effort to avoid such risks as far as possible. Meanwhile, the main assets and inventories of the Company as well as the possibility of damage to a third party have been insured. However, such measures may not shield the Company from financial losses or adverse impact resulting from such contingencies.

**Investment risks:** Petroleum and chemical sector is a capital intensive industry. Although the Company adopted a prudent investment strategy, and as required by the new procedure and management of investment decision-making issued in 2017, conducted rigorous feasibility study on each investment project, which consists of special verifications in raw material market, technical scheme, profitability, safety and environmental protection, legal compliance, etc., certain investment risks will still exist because of expected investment not being enough due to increased prices of equipment and raw materials, expected progress not being on schedule due to difficulty of application for Environmental Impact Assessment Permit and Safety Impact Assessment Permit, and expected return not being achieved due to price change of commodities, during the implementation of the projects.

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

**Currency risks:** At present, China implements an administered floating exchange rate regime based on market supply and demand which is regulated with reference to a basket of currencies in terms of the exchange rate of Renminbi. As the Company purchases a significant portion of crude oil in foreign currency which is based on US dollar-denominated prices, the realized price of crude oil is based on international oil price. Despite the fact that, the price of the domestic refined oil products will change as the exchange rate of the Renminbi changes according to the pricing mechanism for the domestic refined oil products, and the price of other domestic petrochemical products will also be influenced by the price of the imported products, which to a large extent, smooths the impact of the Renminbi exchange rate on the processing and sales of the Company's crude oil refined products. However, the fluctuation of the Renminbi exchange rate will still have an effect on the income of the upstream sector.

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

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

None

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



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

As at 30 June 2019

	Note	At 30 June 2019 RMB million	At 31 December 2018 RMB million
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand	5	163,147	167,015
Financial assets held for trading	6	19,539	25,732
Derivative financial assets	7	3,690	7,887
Bills receivable	8	6,986	7,886
Accounts receivable	9	72,455	56,993
Prepayments	10	9,064	5,937
Other receivables	11	24,924	25,312
Inventories	12	222,891	184,584
Other current assets		22,162	22,774
<b>Total current assets</b>		<b>544,858</b>	<b>504,120</b>
<b>Non-current assets</b>			
Long-term equity investments	13	148,016	145,721
Other equity instrument investments		1,426	1,450
Fixed assets	14	601,321	617,812
Construction in progress	15	148,116	136,963
Right-of-use assets	16	204,615	—
Intangible assets	17	103,141	103,855
Goodwill	18	8,680	8,676
Long-term deferred expenses	19	7,944	15,659
Deferred tax assets	20	18,526	21,694
Other non-current assets	21	38,202	36,358
<b>Total non-current assets</b>		<b>1,279,987</b>	<b>1,088,188</b>
<b>Total assets</b>		<b>1,824,845</b>	<b>1,592,308</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term loans	23	76,742	44,692
Derivative financial liabilities	7	1,986	13,571
Bills payable	24	6,749	6,416
Accounts payable	25	225,017	186,341
Contract liabilities	26	130,002	124,793
Employee benefits payable	27	13,000	7,312
Taxes payable	28	29,643	87,060
Other payables	29	80,199	77,463
Non-current liabilities due within one year	30	42,097	17,450
<b>Total current liabilities</b>		<b>605,435</b>	<b>565,098</b>
<b>Non-current liabilities</b>			
Long-term loans	31	67,359	61,576
Debentures payable	32	22,975	31,951
Lease liabilities	33	182,309	—
Provisions	34	44,089	42,800
Deferred tax liabilities	20	5,843	5,948
Other non-current liabilities	35	28,523	27,276
<b>Total non-current liabilities</b>		<b>351,098</b>	<b>169,551</b>
<b>Total liabilities</b>		<b>956,533</b>	<b>734,649</b>
<b>Shareholders' equity</b>			
Share capital	36	121,071	121,071
Capital reserve	37	119,247	119,192
Other comprehensive income	38	(1,388)	(6,774)
Specific reserve		2,678	1,706
Surplus reserves	39	203,678	203,678
Retained earnings		279,209	279,482
<b>Total equity attributable to shareholders of the Company</b>		<b>724,495</b>	<b>718,355</b>
<b>Minority interests</b>		<b>143,817</b>	<b>139,304</b>
<b>Total shareholders' equity</b>		<b>868,312</b>	<b>857,659</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,824,845</b>	<b>1,592,308</b>

These financial statements have been approved and authorised for issue by the board of directors on 23 August 2019.

Dai Houliang  
Chairman  
(Legal representative)

Ma Yongsheng  
President

Wang Dehua  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# UNAUDITED BALANCE SHEET

As at 30 June 2019

	Note	At 30 June 2019 RMB million	At 31 December 2018 RMB million
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand		71,662	82,879
Financial assets held for trading		10,500	22,500
Derivative financial assets		288	—
Bills receivable		340	156
Accounts receivable	9	28,650	29,989
Prepayments	10	3,778	2,488
Other receivables	11	61,078	57,432
Inventories		57,302	45,825
Other current assets		20,491	15,835
<b>Total current assets</b>		<b>254,089</b>	<b>257,104</b>
<b>Non-current assets</b>			
Long-term equity investments	13	293,255	289,207
Other equity instrument investments		395	395
Fixed assets	14	291,289	302,082
Construction in progress	15	52,440	51,598
Right-of-use assets	16	116,645	—
Intangible assets		8,635	8,571
Long-term deferred expenses		2,463	2,480
Deferred tax assets		10,073	11,021
Other non-current assets		4,245	9,145
<b>Total non-current assets</b>		<b>779,440</b>	<b>674,499</b>
<b>Total assets</b>		<b>1,033,529</b>	<b>931,603</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term loans		31,119	3,961
Derivative financial liabilities		1	967
Bills payable		2,464	2,075
Accounts payable		90,942	82,343
Contract liabilities		4,273	4,230
Employee benefits payable		8,103	4,294
Taxes payable		20,019	54,764
Other payables		116,719	119,514
Non-current liabilities due within one year		32,841	16,729
<b>Total current liabilities</b>		<b>306,481</b>	<b>288,877</b>
<b>Non-current liabilities</b>			
Long-term loans		47,643	48,104
Debentures payable		11,000	20,000
Lease liabilities		110,435	—
Provisions		33,936	33,094
Other non-current liabilities		4,668	4,332
<b>Total non-current liabilities</b>		<b>207,682</b>	<b>105,530</b>
<b>Total liabilities</b>		<b>514,163</b>	<b>394,407</b>
<b>Shareholders' equity</b>			
Share capital		121,071	121,071
Capital reserve		68,802	68,795
Other comprehensive income		339	(485)
Specific reserve		1,427	989
Surplus reserves		203,678	203,678
Retained earnings		124,049	143,148
<b>Total shareholders' equity</b>		<b>519,366</b>	<b>537,196</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,033,529</b>	<b>931,603</b>

These financial statements have been approved and authorised for issue by the board of directors on 23 August 2019.

**Dai Houliang**  
Chairman  
(Legal representative)

**Ma Yongsheng**  
President

**Wang Dehua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2019

	Note	Six-month period ended 30 June	
		2019 RMB million	2018 RMB million
<b>Operating income</b>	40	1,498,996	1,300,252
Less: Operating costs	40/43	1,263,093	1,050,719
Taxes and surcharges	41	120,246	118,721
Selling and distribution expenses	43	29,740	27,661
General and administrative expenses	43	27,039	33,908
Research and development expenses	43/44	3,989	4,080
Financial expenses	42	5,163	263
Exploration expenses, including dry holes	43/45	4,347	4,362
Add: Other income	46	1,600	1,849
Investment income	47	2,774	5,884
Losses from changes in fair value	48	(306)	(450)
Credit impairment losses		(13)	38
Impairment losses	49	(82)	(137)
Asset disposal (losses)/gains		(174)	218
<b>Operating profit</b>		<b>49,178</b>	<b>67,940</b>
Add: Non-operating income	50	685	630
Less: Non-operating expenses	51	767	703
<b>Profit before taxation</b>		<b>49,096</b>	<b>67,867</b>
Less: Income tax expense	52	10,140	14,586
<b>Net profit</b>		<b>38,956</b>	<b>53,281</b>
<b>Classification by going concern:</b>			
Continuous operating net profit		38,956	53,281
Termination of net profit		—	—
<b>Classification by ownership:</b>			
Equity shareholders of the Company		31,338	41,600
Minority interests		7,618	11,681
<b>Basic earnings per share</b>	62	<b>0.259</b>	<b>0.344</b>
<b>Diluted earnings per share</b>	62	<b>0.259</b>	<b>0.344</b>
<b>Other comprehensive income</b>	38		
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Changes in fair value of other equity instrument investments		(20)	(17)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other comprehensive income that can be converted into profit or loss under the equity method		(509)	(113)
Cash flow hedges		4,791	(508)
Foreign currency translation differences		306	896
<b>Total other comprehensive income</b>		<b>4,568</b>	<b>258</b>
<b>Total comprehensive income</b>		<b>43,524</b>	<b>53,539</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		35,916	41,603
Minority interests		7,608	11,936

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**Ma Yongsheng**  
President

**Wang Dehua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.



# UNAUDITED INCOME STATEMENT

For the six-month period ended 30 June 2019

	Note	Six-month period ended 30 June	
		2019 RMB million	2018 RMB million
<b>Operating income</b>	40	512,335	494,612
Less: Operating costs	40	404,570	369,561
Taxes and surcharges		81,950	83,045
Selling and distribution expenses		1,550	1,405
General and administrative expenses		11,167	16,810
Research and development expenses		3,727	3,888
Financial expenses		3,913	1,389
Exploration expenses, including dry holes		4,021	4,173
Add: Other income		891	593
Investment income	47	10,805	9,861
Gains/(losses) from changes in fair value		20	(171)
Credit impairment losses		8	14
Impairment losses		1	(49)
Asset disposal gains		21	252
<b>Operating profit</b>		<b>13,183</b>	<b>24,841</b>
Add: Non-operating income		111	145
Less: Non-operating expenses		277	289
<b>Profit before taxation</b>		<b>13,017</b>	<b>24,697</b>
Less: Income tax expense		510	4,082
<b>Net profit</b>		<b>12,507</b>	<b>20,615</b>
<b>Classification by going concern:</b>			
Continuous operating net profit		12,507	20,615
Termination of net profit		—	—
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other comprehensive income that can be converted into profit or loss under the equity method		27	—
Cash flow hedges		759	—
<b>Total other comprehensive income</b>		<b>786</b>	<b>—</b>
<b>Total comprehensive income</b>		<b>13,293</b>	<b>20,615</b>

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Chief Financial Officer

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# UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six-month period ended 30 June 2019

	Note	Six-month period ended 30 June	
		2019	2018
		RMB million	RMB million
<b>Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		1,585,959	1,464,593
Refund of taxes and levies		736	905
Other cash received relating to operating activities		69,270	33,582
<b>Sub-total of cash inflows</b>		<b>1,655,965</b>	<b>1,499,080</b>
Cash paid for goods and services		(1,297,454)	(1,145,090)
Cash paid to and for employees		(32,849)	(32,167)
Payments of taxes and levies		(206,645)	(204,541)
Other cash paid relating to operating activities		(86,099)	(45,662)
<b>Sub-total of cash outflows</b>		<b>(1,623,047)</b>	<b>(1,427,460)</b>
<b>Net cash flow from operating activities</b>	54(a)	<b>32,918</b>	<b>71,620</b>
<b>Cash flows from investing activities:</b>			
Cash received from disposal of investments		17,019	49,244
Cash received from returns on investments		4,038	3,609
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		107	7,480
Other cash received relating to investing activities		41,787	42,408
<b>Sub-total of cash inflows</b>		<b>62,951</b>	<b>102,741</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(46,253)	(35,084)
Cash paid for acquisition of investments		(11,958)	(6,840)
Other cash paid relating to investing activities		(53,813)	(38,371)
Net cash paid for the acquisition of subsidiaries and other business entities		—	(3,188)
<b>Sub-total of cash outflows</b>		<b>(112,024)</b>	<b>(83,483)</b>
<b>Net cash flow from investing activities</b>		<b>(49,073)</b>	<b>19,258</b>
<b>Cash flows from financing activities:</b>			
Cash received from capital contributions		1,570	502
Including: Cash received from minority shareholders' capital contributions to subsidiaries		1,570	502
Cash received from borrowings		331,459	317,798
Other cash received relating to financing activities		300	—
<b>Sub-total of cash inflows</b>		<b>333,329</b>	<b>318,300</b>
Cash repayments of borrowings		(293,992)	(308,961)
Cash paid for dividends, profits distribution or interest		(35,341)	(58,634)
Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders		(648)	(7,250)
Other cash paid relating to financing activities	54(d)	(6,941)	(13)
<b>Sub-total of cash outflows</b>		<b>(336,274)</b>	<b>(367,608)</b>
<b>Net cash flow from financing activities</b>		<b>(2,945)</b>	<b>(49,308)</b>
<b>Effects of changes in foreign exchange rate</b>		<b>(40)</b>	<b>(34)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	54(b)	<b>(19,140)</b>	<b>41,536</b>

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**Ma Yongsheng**  
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**Wang Dehua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# UNAUDITED CASH FLOW STATEMENT

For the six-month period ended 30 June 2019

	Note	Six-month period ended 30 June	
		2019 RMB million	2018 RMB million
<b>Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		591,443	575,001
Refund of taxes and levies		573	521
Other cash received relating to operating activities		1,080	2,267
<b>Sub-total of cash inflows</b>		<b>593,096</b>	<b>577,789</b>
Cash paid for goods and services		(431,378)	(388,198)
Cash paid to and for employees		(17,414)	(17,980)
Payments of taxes and levies		(137,807)	(133,955)
Other cash paid relating to operating activities		(3,625)	(7,019)
<b>Sub-total of cash outflows</b>		<b>(590,224)</b>	<b>(547,152)</b>
<b>Net cash flow from operating activities</b>		<b>2,872</b>	<b>30,637</b>
<b>Cash flows from investing activities:</b>			
Cash received from disposal of investments		14,138	57,751
Cash received from returns on investments		8,453	23,497
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		17	469
Other cash received relating to investing activities		15,504	21,526
<b>Sub-total of cash inflows</b>		<b>38,112</b>	<b>103,243</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(22,231)	(17,135)
Cash paid for acquisition of investments		(5,783)	(2,864)
Other cash paid relating to investing activities		(25,900)	(5,010)
<b>Sub-total of cash outflows</b>		<b>(53,914)</b>	<b>(25,009)</b>
<b>Net cash flow from investing activities</b>		<b>(15,802)</b>	<b>78,234</b>
<b>Cash flows from financing activities:</b>			
Cash received from borrowings		73,981	56,132
Other cash received relating to financing activities		35,924	—
<b>Sub-total of cash inflows</b>		<b>109,905</b>	<b>56,132</b>
Cash repayments of borrowings		(47,206)	(95,449)
Cash paid for dividends or interest		(32,501)	(51,028)
Other cash paid relating to financing activities		(40,385)	—
<b>Sub-total of cash outflows</b>		<b>(120,092)</b>	<b>(146,477)</b>
<b>Net cash flow from financing activities</b>		<b>(10,187)</b>	<b>(90,345)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(23,117)</b>	<b>18,526</b>

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**Dai Houliang**  
Chairman  
(Legal representative)

**Ma Yongsheng**  
President

**Wang Dehua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2019

	Share capital RMB million	Capital reserve RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	Total shareholders' equity attributable to equity shareholders of the Company RMB million	Minority interests RMB million	Total shareholders' equity RMB million
Balance at 31 December 2017	121,071	119,557	(4,413)	888	199,682	290,459	727,244	126,826	854,070
Change in accounting policy	—	—	(12)	—	—	12	—	—	—
Balance at 1 January 2018	121,071	119,557	(4,425)	888	199,682	290,471	727,244	126,826	854,070
Change for the period									
1. Net profit	—	—	—	—	—	41,600	41,600	11,681	53,281
2. Other comprehensive income (Note 38)	—	—	3	—	—	—	3	255	258
Total comprehensive income	—	—	3	—	—	41,600	41,603	11,936	53,539
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
- Distributions to shareholders (Note 53)	—	—	—	—	—	(48,428)	(48,428)	—	(48,428)
4. Contributions to subsidiaries from minority interests	—	—	—	—	—	—	—	448	448
5. Transaction with minority interests	—	32	—	—	—	—	32	(119)	(87)
6. Distributions to minority interests	—	—	—	—	—	—	—	(3,092)	(3,092)
Total transactions with owners, recorded directly in shareholders' equity	—	32	—	—	—	(48,428)	(48,396)	(2,763)	(51,159)
7. Net increase in specific reserve for the period	—	—	—	864	—	—	864	118	982
8. Others	—	(12)	—	—	—	(110)	(122)	1	(121)
<b>Balance at 30 June 2018</b>	<b>121,071</b>	<b>119,577</b>	<b>(4,422)</b>	<b>1,752</b>	<b>199,682</b>	<b>283,533</b>	<b>721,193</b>	<b>136,118</b>	<b>857,311</b>
Balance at 1 January 2019	121,071	119,192	(6,774)	1,706	203,678	279,482	718,355	139,304	857,659
Change for the period									
1. Net profit	—	—	—	—	—	31,338	31,338	7,618	38,956
2. Other comprehensive income (Note 38)	—	—	4,578	—	—	—	4,578	(10)	4,568
Total comprehensive income	—	—	4,578	—	—	31,338	35,916	7,608	43,524
Amounts transferred to initial carrying amount of hedged items	—	—	808	—	—	—	808	55	863
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
- Distributions to shareholders (Note 53)	—	—	—	—	—	(31,479)	(31,479)	—	(31,479)
4. Contributions to subsidiaries from minority interests	—	—	—	—	—	—	—	437	437
5. Distributions to minority interests	—	—	—	—	—	—	—	(3,705)	(3,705)
Total transactions with owners, recorded directly in shareholders' equity	—	—	—	—	—	(31,479)	(31,479)	(3,268)	(34,747)
6. Net increase in specific reserve for the period	—	—	—	972	—	—	972	117	1,089
7. Others	—	55	—	—	—	(132)	(77)	1	(76)
<b>Balance at 30 June 2019</b>	<b>121,071</b>	<b>119,247</b>	<b>(1,388)</b>	<b>2,678</b>	<b>203,678</b>	<b>279,209</b>	<b>724,495</b>	<b>143,817</b>	<b>868,312</b>

These financial statements have been approved and authorised for issue by the board of directors on 23 August 2019.

**Dai Houliang**  
Chairman  
(Legal representative)

**Ma Yongsheng**  
President

**Wang Dehua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# UNAUDITED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2019

	Share capital RMB million	Capital reserve RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	Total shareholders' equity RMB million
Balance at 31 December 2017	121,071	68,789	196	482	199,682	177,049	567,269
Change in accounting policy	—	—	—	—	—	—	—
Balance at 1 January 2018	121,071	68,789	196	482	199,682	177,049	567,269
Change for the period							
1. Net profit	—	—	—	—	—	20,615	20,615
2. Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	20,615	20,615
Transactions with owners, recorded directly in shareholders' equity:							
3. Appropriations of profits:							
- Distributions to shareholders (Note 53)	—	—	—	—	—	(48,428)	(48,428)
Total transactions with owners, recorded directly in shareholders' equity	—	—	—	—	—	(48,428)	(48,428)
4. Net increase in specific reserve for the period	—	—	—	451	—	—	451
5. Others	—	—	—	—	—	(86)	(86)
<b>Balance at 30 June 2018</b>	<b>121,071</b>	<b>68,789</b>	<b>196</b>	<b>933</b>	<b>199,682</b>	<b>149,150</b>	<b>539,821</b>
Balance at 1 January 2019	121,071	68,795	(485)	989	203,678	143,148	537,196
Change for the period							
1. Net profit	—	—	—	—	—	12,507	12,507
2. Other comprehensive income	—	—	786	—	—	—	786
Total comprehensive income	—	—	786	—	—	12,507	13,293
Amounts transferred to initial carrying amount of hedged items	—	—	38	—	—	—	38
Transactions with owners, recorded directly in shareholders' equity:							
3. Appropriations of profits:							
- Distributions to shareholders (Note 53)	—	—	—	—	—	(31,479)	(31,479)
Total transactions with owners, recorded directly in shareholders' equity	—	—	—	—	—	(31,479)	(31,479)
4. Net increase in specific reserve for the period	—	—	—	438	—	—	438
5. Others	—	7	—	—	—	(127)	(120)
<b>Balance at 30 June 2019</b>	<b>121,071</b>	<b>68,802</b>	<b>339</b>	<b>1,427</b>	<b>203,678</b>	<b>124,049</b>	<b>519,366</b>

These financial statements have been approved and authorised for issue by the board of directors on 23 August 2019.

**Dai Houliang**  
Chairman  
(Legal representative)

**Ma Yongsheng**  
President

**Wang Dehua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

**1 STATUS OF THE COMPANY**

China Petroleum & Chemical Corporation (the "Company") was established on 25 February 2000 as a joint stock limited company. The company is registered in Beijing, the People's Republic of China, and the headquarter is located in Beijing, the People's Republic of China. The approval date of the financial report is 23 Aug 2019.

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

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

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

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

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

- (1) the exploration, development and production of crude oil and natural gas;
- (2) the refining, transportation, storage and marketing of crude oil and petroleum product; and
- (3) the production and sale of chemical.

Details of the Company's principal subsidiaries are set out in Note 57, and there are no significant changes related to the consolidation scope during current period.

**2 BASIS OF PREPARATION****(1) Statement of compliance of China Accounting Standards for Business Enterprises ("CASs")**

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standards, specific standards and relevant regulations (hereafter referred as CASs collectively) issued by the MOF on or after 15 February 2006. These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" issued by the China Securities Regulatory Commission ("CSRC"). These financial statements present truly and completely the consolidated and company financial position as at 30 June 2019, and the consolidated and company financial performance and the consolidated and company cash flows for the six-month period ended 30 June 2019.

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

**(2) Accounting period**

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

**(3) Measurement basis**

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

- Financial assets held for trading (see Note 3(11))
- Other equity instrument investments (see Note 3(11))
- Derivative financial instruments (see Note 3(11))

**(4) Functional currency and presentation currency**

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

The Group determines specific accounting policies and accounting estimates based on the characteristics of production and operational activities, mainly reflected in the accounting for allowance for financial assets (Note 3(11)), valuation of inventories (Note 3(4)), depreciation of fixed assets and depletion of oil and gas properties (Note 3(7), (8)), measurement of provisions (Note 3(16)), etc.

Principal accounting estimates and judgements of the Group are set out in Note 56.

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

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

**(b) Business combination involving entities not under common control**

A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. Difference between the consideration paid by the Group as the acquirer, comprises of the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree, and the Group's interest in the fair value of the identifiable net assets of the acquiree, is recognised as goodwill (Note 3(10)) if it is an excess, otherwise in the profit or loss. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. Any other expense directly attributable to the business combination is recognised in the profit or loss for the year. The difference between the fair value and the book value of the assets given is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

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

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

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

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

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(1) Accounting treatment of business combination involving entities under common control and not under common control** (Continued)**(c) Method for preparation of consolidated financial statements** (Continued)

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

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

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

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

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

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

Foreign currency transactions are, on initial recognition, translated into Renminbi at the spot exchange rates at the transaction dates.

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

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

**(3) Cash and cash equivalents**



**3 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(4) Inventories**

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

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

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

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

Inventories are recorded by perpetual method.

**(5) Long-term equity investments****(a) Investment in subsidiaries**

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

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

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(5) Long-term equity investments** (Continued)**(b) Investment in joint ventures and associates**

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

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Lease

A lease is a contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As Lessee

The Group recognises a right-of-use asset at the commencement date, and recognises the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease. Variable payments that are a percentage of sales is not included in lease payments, and should be recognised in profit or loss when incurred. Lease liabilities to be paid within one year (including one year) after balance sheet date is presented in non-current liabilities due within one year.

Right-of-use assets of the Group mainly comprise land. Right-of-use assets are measured at cost, the cost of the right-of-use assets comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, less any lease incentives received. The Group depreciates the right-of-use assets on straight-line basis from the commencement date to the end of the useful life of the asset. The depreciation period is determined based on the expected useful life of the asset, which is generally the shorter of the asset's useful life and the lease term. The depreciation expense is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Fixed assets and construction in progress (Continued)

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

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

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

(8) Oil and gas properties

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

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

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

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

(9) Intangible assets

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Goodwill

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

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

(11) Financial Instruments

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

(a) Financial assets

(i) Classification and measurement

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

**3 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(11) Financial Instruments** (Continued)**(a) Financial assets** (Continued)**(ii) Impairment**

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

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

The Group measures the expected credit losses of financial instruments on different stages at each balance sheet date. For financial instruments that have no significant increase in credit risk since the initial recognition, on first stage, the Group measures the loss allowance at an amount equal to 12-month expected credit losses. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses.

For financial instruments that have low credit risk at the balance sheet date, the Group assumes that there is no significant increase in credit risk since the initial recognition, and measures the loss allowance at an amount equal to 12-month expected credit losses.

For financial instruments on the first stage and the second stage, and that have low credit risk, the Group calculates interest income according to carrying amount without deducting the impairment allowance and effective interest rate. For financial instruments on the third stage, interest income is calculated according to the carrying amount minus amortised cost after the provision of impairment allowance and effective interest rate.

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

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

**(iii) Derecognition**

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

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

**(b) Financial liabilities**

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

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

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

**(c) Determination of fair value**

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure fair values. In valuation, the Group adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

**3 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(11) Financial Instruments** (Continued)**(d) Derivative financial instruments and hedge accounting**

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

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

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

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

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

- (1) There is an economic relationship between the hedged item and the hedging instrument, which share a risk and that gives rise to opposite changes in fair value that tend to offset each other.
- (2) The effect of credit risk does not dominate the value changes that result from that economic relationship.
- (3) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

— Cash flow hedges

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

- The cumulative gain or loss on the hedging instrument from inception of the hedge;
- The cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

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

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

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence it does not affect other comprehensive income.

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

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(12) Impairment of other non-financial long-term assets**

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

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

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

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

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

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

Impairment losses for assets are not reversed.

**(13) Long-term deferred expenses**

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

**(14) Employee benefits**

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

**(a) Short term compensation**

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

**(b) Post-employment benefits**

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

**Basic pension insurance**

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

**(c) Termination benefits**

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



**3 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(15) Income tax**

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

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

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

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

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

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

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

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

- the taxable entity has a legally enforceable right to offset current tax assets and current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either:
  - the same taxable entity; or
  - different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**(16) Provisions**

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

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

**(17) Revenue recognition**

Revenue arises in the course of the Group's ordinary activities, and increases in economic benefits in the form of inflows that result in an increase in equity, other than those relating to contributions from equity participants.

The Group sells crude oil, natural gas, petroleum and chemical products, etc. Revenue is recognised according to the expected consideration amount, when a customer obtains control over the relevant goods or services. To determine whether a customer obtains control of a promised asset, the Group shall consider indicators of the transfer of control, which include, but are not limited to, the Group has a present right to payment for the asset; the Group has transferred physical possession of the asset to the customer; the customer has the significant risks and rewards of ownership of the asset; the customer has accepted the asset.

**Sales of goods**

Sales are recognised when control of the goods have transferred, being when the products are delivered to the customer. Advance from customers but goods not yet delivered is recorded as contract liabilities and is recognised as revenues when a customer obtains control over the relevant goods.

**3 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(18) Government grants**

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

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

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

**(19) Borrowing costs**

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

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

**(20) Repairs and maintenance expenses**

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

**(21) Environmental expenditures**

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

**(22) Research and development costs**

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

**(23) Dividends**

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

**(24) Related parties**

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

- (a) the holding company of the Company;
- (b) the subsidiaries of the Company;
- (c) the parties that are subject to common control with the Company;
- (d) investors that have joint control or exercise significant influence over the Group;
- (e) enterprises or individuals if a party has control, joint control over both the enterprises or individuals and the Group;
- (f) joint ventures of the Group, including subsidiaries of the joint ventures;
- (g) associates of the Group, including subsidiaries of the associates;
- (h) principle individual investors of the Group and close family members of such individuals;
- (i) key management personnel of the Group, and close family members of such individuals;
- (j) key management personnel of the Company's holding company;
- (k) close family members of key management personnel of the Company's holding company; and
- (l) an entity which is under control, joint control of principle individual investor, key management personnel or close family members of such individuals.

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**(25) Segment reporting**

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

- engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and
- for which financial information regarding financial position, results of operations and cash flows are available.

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

**(26) Changes in significant accounting policies**

Ministry of Finance (MOF) issued revised "No.21 Accounting Standards for Business Enterprises - Lease" ("New Lease Standard") in 2018, and also issued Cai Kuai [2019] No. 6 "Announcement of the revision of general enterprise financial statements format for 2019". The Group has adopted the above standard and guidelines to prepare the financial statements for the six-month period ended 30 June 2019. The impact to the Group and the Company's financial statements is as follows:

**(a) The revision of general enterprise financial statements format**

(i) The impact to the Group's financial statements is as follows:

Contents and reasons of the changes	Item	31 December 2018 RMB million	1 January 2018 RMB million
The Group separately presents bills and accounts receivable into bills receivable and accounts receivable	Accounts receivable	56,993	68,494
	Bills receivable	7,886	16,207
	Bills receivable and accounts receivable	(64,879)	(84,701)
The Group separately presents bills and accounts payable into bills payable and accounts payable	Accounts payable	186,341	200,073
	Bills payable	6,416	6,462
	Bills payable and accounts payable	(192,757)	(206,535)

(ii) The impact to the Company's financial statements is as follows:

Contents and reasons of the changes	Item	31 December 2018 RMB million	1 January 2018 RMB million
The Company separately presents bills and accounts receivable into bills receivable and accounts receivable	Accounts receivable	29,989	37,609
	Bills receivable	156	157
	Bills receivable and accounts receivable	(30,145)	(37,766)
The Company separately presents bills and accounts payable into bills payable and accounts payable	Accounts payable	82,343	83,449
	Bills payable	2,075	3,155
	Bills payable and accounts payable	(84,418)	(86,604)

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**(26) Changes in significant accounting policies (Continued)**
**(b) Lease**

According to the provisions of new lease standard, the Group and the Company adjust the cumulative impact of first implementation of the standards into relevant items in the financial statements of 2019, and the comparative financial statements of 2018 have not been restated.

- (i) For operating lease contracts that already exist before the first implementation of the new lease standard, the Group and the Company apply different methods based on the remaining lease period:

If the remaining lease term is more than one year, the Group and the Company recognise the lease liabilities based on the remaining lease payment and the incremental borrowing interest rate on 1 January 2019, and assume that the new lease standard was adopted on the commencement date of the lease, and recognise the right-of-use assets based on the incremental borrowing interest rate on 1 January 2019.

If the remaining lease period is 12 months or less, or leases for which the underlying assets are individually of low value when it is new, the Group and the Company adopt the simplified method that do not recognise the right-of-use assets and lease liabilities, which has no significant impact on the financial statements.

The affected financial statement line item	Affected amount on January 1 2019 (RMB Million)	
	The Group	The Company
Right-of-use assets	207,455	119,776
Lease liabilities	184,670	112,322
Current portion of non-current liabilities	13,894	7,454
Long-term deferred expenses	(8,125)	—
Prepayments	(766)	—

On 1 January 2019, the Group and the Company use the same discount rate for lease contracts with similar characteristics when measuring lease liabilities. The incremental borrowing interest rates range from 4.35% to 4.90%.

- (ii) On 1 January 2019, the Group reconciled the unpaid minimum operating lease payment that disclosed under the original lease standard to the lease liabilities recognised under the new lease standard as follows:

	The Group (RMB Million)
The minimum future operating lease payments disclosed on 31 December 2018	352,794
The present value of the above-mentioned minimum operating lease payments discounted at the incremental borrowing rate	200,867
Deduct: Present value of payments with terms of 12 months or less and leases for which the underlying assets are individually of low value when it is new	(2,303)
Lease liabilities recognised on 1 January 2019 (including Non-current liabilities due within one year) (Note 33)	198,564

**4 TAXATION**

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

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

Products	Effective from 13 January 2015 (RMB/Ton)
Gasoline	2,109.76
Diesel	1,411.20
Naphtha	2,105.20
Solvent oil	1,948.64
Lubricant oil	1,711.52
Fuel oil	1,218.00
Jet fuel oil	1,495.20

## 5 CASH AT BANK AND ON HAND

## The Group

	At 30 June 2019			At 31 December 2018		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
Cash on hand						
Renminbi			8			82
Cash at bank						
Renminbi			90,026			102,572
US Dollar	3,407	6.8747	23,419	3,377	6.8632	23,179
Hong Kong Dollar	125	0.8797	110	39	0.8762	35
EUR	2	7.8170	18	1	7.8473	11
Others			95			79
			<b>113,676</b>			<b>125,958</b>
Deposits at related parties						
Renminbi			27,533			24,625
US Dollar	3,145	6.8747	21,608	2,389	6.8632	16,374
EUR	39	7.8170	300	4	7.8473	33
Others			30			25
			<b>49,471</b>			<b>41,057</b>
<b>Total</b>			<b>163,147</b>			<b>167,015</b>

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

At 30 June 2019, time deposits with financial institutions of the Group amounted to RMB 70,365 million (2018: RMB 55,093 million).

At 30 June 2019, structured deposits included in cash at bank and on hand with financial institutions of the Group amounted to RMB 35,610 million (2018: RMB 77,909 million).

## 6 FINANCIAL ASSETS HELD FOR TRADING

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Structured deposits	19,413	25,550
Equity investments, listed and at quoted market price	126	182
<b>Total</b>	<b>19,539</b>	<b>25,732</b>

The financial assets are primarily the structured deposits with financial institutions, which are presented as current assets since they are expected to be expired within 12 months from the end of the reporting period.

## 7 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES

Derivative financial assets and derivative financial liabilities of the Group are primarily commodity futures and swaps. See Note 61.

## 8 BILLS RECEIVABLE

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

At 30 June 2019, the Group's derecognised but outstanding bills due to endorsement or discount amounted to RMB 23,842 million (2018: RMB 4,385 million).

At 30 June 2019, the Group considers that its bills of acceptance issued by banks do not pose a significant credit risk and will not cause any significant loss due to the default of drawers.

## 9 ACCOUNTS RECEIVABLE

	The Group		The Company	
	At 30 June 2019 RMB million	At 31 December 2018 RMB million	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Accounts receivable	73,055	57,599	28,781	30,120
Less: Allowance for doubtful accounts	600	606	131	131
<b>Total</b>	<b>72,455</b>	<b>56,993</b>	<b>28,650</b>	<b>29,989</b>

Ageing analysis on accounts receivable is as follows:

	The Group							
	At 30 June 2019				At 31 December 2018			
	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	72,114	98.7	—	—	56,431	97.9	—	—
Between one and two years	289	0.4	64	22.1	436	0.8	83	19.0
Between two and three years	104	0.1	16	15.4	289	0.5	165	57.1
Over three years	548	0.8	520	94.9	443	0.8	358	80.8
<b>Total</b>	<b>73,055</b>	<b>100.0</b>	<b>600</b>		<b>57,599</b>	<b>100.0</b>	<b>606</b>	

	The Company							
	At 30 June 2019				At 31 December 2018			
	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	28,465	98.8	—	—	29,797	98.9	—	—
Between one and two years	104	0.4	20	19.2	125	0.4	15	12.0
Between two and three years	78	0.3	6	7.7	54	0.2	10	18.5
Over three years	134	0.5	105	78.4	144	0.5	106	73.6
<b>Total</b>	<b>28,781</b>	<b>100.0</b>	<b>131</b>		<b>30,120</b>	<b>100.0</b>	<b>131</b>	

At 30 June 2019 and 31 December 2018, the total amounts of the top five accounts receivable of the Group are set out below:

	At 30 June 2019	At 31 December 2018
Total amount (RMB million)	15,126	15,699
Percentage to the total balance of accounts receivable	20.7%	27.3%
Allowance for doubtful accounts	—	—

Sales are generally on a cash term. Credit is generally only available for major customers with well-established trading records. Amounts due from Sinopec Group Company and fellow subsidiaries are repayable under the same terms.

Accounts receivable (net of impairment losses for bad and doubtful debts) primarily represent receivables that are neither past due nor impaired. These receivables relate to a wide range of customers for whom there is no recent history of default. Information about the impairment of accounts receivable and the Group exposure to credit risk can be found in Note 61.

During for the six-month periods ended 30 June 2019 and 2018, the Group and the Company had no individually significant accounts receivable been fully or substantially provided allowance for doubtful accounts.

During for the six-month periods ended 30 June 2019 and 2018, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

## 10 PREPAYMENTS

	The Group		The Company	
	At 30 June 2019 RMB million	At 31 December 2018 RMB million	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Prepayments	9,121	5,990	3,783	2,493
Less: Allowance for doubtful accounts	57	53	5	5
<b>Total</b>	<b>9,064</b>	<b>5,937</b>	<b>3,778</b>	<b>2,488</b>

Ageing analysis of prepayments is as follows:

	The Group				The Company			
	At 30 June 2019		At 31 December 2018		At 30 June 2019		At 31 December 2018	
	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %
Within one year	8,867	97.2	1	—	5,683	94.9	—	—
Between one and two years	111	1.2	4	3.6	169	2.8	38	22.5
Between two and three years	36	0.4	19	52.8	60	1.0	5	8.3
Over three years	107	1.2	33	30.8	78	1.3	10	12.8
<b>Total</b>	<b>9,121</b>	<b>100.0</b>	<b>57</b>		<b>5,990</b>	<b>100.0</b>	<b>53</b>	

	The Group				The Company			
	At 30 June 2019		At 31 December 2018		At 30 June 2019		At 31 December 2018	
	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %
Within one year	3,598	95.1	—	—	2,306	92.6	—	—
Between one and two years	72	1.9	—	—	70	2.8	1	1.4
Between two and three years	34	0.9	3	8.8	36	1.4	1	2.8
Over three years	79	2.1	2	2.5	81	3.2	3	3.7
<b>Total</b>	<b>3,783</b>	<b>100.0</b>	<b>5</b>		<b>2,493</b>	<b>100.0</b>	<b>5</b>	

At 30 June 2019 and 31 December 2018, the total amounts of the top five prepayments of the Group are set out below:

	At 30 June 2019	At 31 December 2018
Total amount (RMB million)	2,801	2,009
Percentage to the total balance of prepayments	30.7%	33.5%

## 11 OTHER RECEIVABLES

	The Group		The Company	
	At 30 June 2019 RMB million	At 31 December 2018 RMB million	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Other receivables	26,399	26,793	62,176	58,549
Less: Allowance for doubtful accounts	1,475	1,481	1,098	1,117
<b>Total</b>	<b>24,924</b>	<b>25,312</b>	<b>61,078</b>	<b>57,432</b>

Ageing analysis of other receivables is as follows:

	The Group							
	At 30 June 2019				At 31 December 2018			
	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %
Within one year	23,854	90.4	—	—	24,301	90.7	—	—
Between one and two years	599	2.3	73	12.2	329	1.2	53	16.1
Between two and three years	112	0.4	28	25.0	320	1.2	21	6.6
Over three years	1,834	6.9	1,374	74.9	1,843	6.9	1,407	76.3
<b>Total</b>	<b>26,399</b>	<b>100.0</b>	<b>1,475</b>		<b>26,793</b>	<b>100.0</b>	<b>1,481</b>	

	The Company							
	At 30 June 2019				At 31 December 2018			
	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %
Within one year	35,440	56.9	—	—	27,088	46.3	—	—
Between one and two years	6,692	10.8	4	0.1	13,233	22.6	1	—
Between two and three years	9,986	16.1	—	—	9,747	16.6	—	—
Over three years	10,058	16.2	1,094	10.9	8,481	14.5	1,116	13.2
<b>Total</b>	<b>62,176</b>	<b>100.0</b>	<b>1,098</b>		<b>58,549</b>	<b>100.0</b>	<b>1,117</b>	

At 30 June 2019 and at 31 December 2018, the total amounts of the top five other receivables of the Group are set out below:

	At 30 June 2019	At 31 December 2018
Total amount (RMB million)	9,838	6,837
Ageing	Within one year	Within one year
Percentage to the total balance of other receivables	37.3%	25.5%
Allowance for doubtful accounts	—	—

During the six-month periods ended 30 June 2019 and 2018, the Group and the Company had no individually significant other receivables been fully or substantially provided allowance for doubtful accounts.

During the six-month periods ended 30 June 2019 and 2018, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

## 12 INVENTORIES

## The Group

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Raw materials	102,542	85,469
Work in progress	13,938	13,690
Finished goods	104,737	88,929
Spare parts and consumables	3,099	2,872
	<b>224,316</b>	<b>190,960</b>
Less: Provision for diminution in value of inventories	1,425	6,376
<b>Total</b>	<b>222,891</b>	<b>184,584</b>

During the six-month periods ended 30 June 2019, the provision for diminution in value of inventories of the Group was primarily due to the costs of finished goods were higher than net realisable value.



## 13 LONG-TERM EQUITY INVESTMENTS

## The Group

	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2019	57,134	90,273	(1,686)	145,721
Additions for the period	1,918	436	—	2,354
Share of profits less losses under the equity method	2,500	3,375	—	5,875
Change of other comprehensive income under the equity method	(83)	(426)	—	(509)
Other equity movements under the equity method	56	(2)	—	54
Dividends declared	(4,638)	(887)	—	(5,525)
Disposals for the period	—	(39)	—	(39)
Foreign currency translation differences	52	36	(3)	85
<b>Balance at 30 June 2019</b>	<b>56,939</b>	<b>92,766</b>	<b>(1,689)</b>	<b>148,016</b>

## The Company

	Investments in subsidiaries RMB million	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2019	259,934	16,093	21,163	(7,983)	289,207
Additions for the period	4,639	77	39	—	4,755
Share of profits less losses under the equity method	—	1,055	687	—	1,742
Change of other comprehensive income under the equity method	—	—	26	—	26
Dividends declared	—	(2,446)	(7)	—	(2,453)
Disposals for the period	—	—	(22)	—	(22)
<b>Balance at 30 June 2019</b>	<b>264,573</b>	<b>14,779</b>	<b>21,886</b>	<b>(7,983)</b>	<b>293,255</b>

For the six-month period ended 30 June 2019, the Group and the Company had no individually significant long-term investment impairment.

Details of the Company's principal subsidiaries are set out in Note 57.

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

## (a) Principal joint ventures and associates

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

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

## 13 LONG-TERM EQUITY INVESTMENTS (Continued)

## (b) Major financial information of principal joint ventures

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

	FREP		BASF-YPC		Taihu		YASREF		Sinopec SABIC Tianjin	
	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31
	June	December	June	December	June	December	June	December	June	December
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Current assets</b>										
Cash and cash equivalents	5,711	7,388	933	1,582	3,668	3,406	812	930	3,775	5,110
Other current assets	12,359	9,248	5,024	5,795	4,191	3,689	11,166	10,267	2,879	4,007
<b>Total current assets</b>	<b>18,070</b>	<b>16,636</b>	<b>5,957</b>	<b>7,377</b>	<b>7,859</b>	<b>7,095</b>	<b>11,978</b>	<b>11,197</b>	<b>6,654</b>	<b>9,117</b>
<b>Non-current assets</b>										
	18,137	19,271	10,808	11,086	10,199	9,216	51,497	51,873	13,659	13,990
<b>Current liabilities</b>										
Current financial liabilities	(1,234)	(1,200)	(437)	(725)	(43)	(59)	(4,838)	(4,806)	(500)	(500)
Other current liabilities	(8,364)	(4,939)	(1,485)	(1,822)	(1,502)	(2,124)	(15,343)	(12,217)	(2,294)	(2,507)
<b>Total current liabilities</b>	<b>(9,598)</b>	<b>(6,139)</b>	<b>(1,922)</b>	<b>(2,547)</b>	<b>(1,545)</b>	<b>(2,183)</b>	<b>(20,181)</b>	<b>(17,023)</b>	<b>(2,794)</b>	<b>(3,007)</b>
<b>Non-current liabilities</b>										
Non-current financial liabilities	(11,828)	(12,454)	—	(218)	(72)	(72)	(22,042)	(32,364)	(3,604)	(3,651)
Other non-current liabilities	(263)	(279)	(60)	(17)	(2,178)	(2,271)	(10,131)	(937)	(341)	(331)
<b>Total non-current liabilities</b>	<b>(12,091)</b>	<b>(12,733)</b>	<b>(60)</b>	<b>(235)</b>	<b>(2,250)</b>	<b>(2,343)</b>	<b>(32,173)</b>	<b>(33,301)</b>	<b>(3,945)</b>	<b>(3,982)</b>
<b>Net assets</b>	<b>14,518</b>	<b>17,035</b>	<b>14,783</b>	<b>15,681</b>	<b>14,263</b>	<b>11,785</b>	<b>11,121</b>	<b>12,746</b>	<b>13,574</b>	<b>16,118</b>
Net assets attributable to shareholders of the company	14,518	17,035	14,783	15,681	13,782	11,373	11,121	12,746	13,574	16,118
Net assets attributable to minority interests	—	—	—	—	481	412	—	—	—	—
<b>Share of net assets</b>										
from joint ventures	7,260	8,518	5,913	6,272	6,753	5,573	4,171	4,780	6,787	8,059
<b>Carrying Amounts</b>	<b>7,260</b>	<b>8,518</b>	<b>5,913</b>	<b>6,272</b>	<b>6,753</b>	<b>5,573</b>	<b>4,171</b>	<b>4,780</b>	<b>6,787</b>	<b>8,059</b>

## Summarised income statement

Six-month period ended 30 June	FREP		BASF-YPC		Taihu		YASREF		Sinopec SABIC Tianjin	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Turnover	28,083	28,846	9,664	10,143	7,567	7,508	37,294	36,772	10,288	11,587
Interest income	61	77	16	22	50	38	30	46	91	73
Interest expense	(302)	(327)	(16)	(24)	(34)	(32)	(749)	(654)	(69)	(94)
Profit/(loss) before taxation	348	3,889	1,202	1,654	1,893	1,511	(1,525)	(84)	1,246	2,200
Tax expense	(63)	(929)	(300)	(396)	(297)	(306)	29	(183)	(300)	(564)
Profit/(loss) for the period	285	2,960	902	1,258	1,596	1,205	(1,496)	(267)	946	1,636
Other comprehensive income/(loss)	—	—	—	—	882	148	(129)	(227)	—	—
<b>Total comprehensive income/(loss)</b>	<b>285</b>	<b>2,960</b>	<b>902</b>	<b>1,258</b>	<b>2,478</b>	<b>1,353</b>	<b>(1,625)</b>	<b>(494)</b>	<b>946</b>	<b>1,636</b>
Dividends from joint ventures	1,400	1,200	782	409	—	—	—	—	1,750	—
Share of net profit/(loss) from joint ventures	143	1,480	361	503	760	570	(561)	(100)	473	818
Share of other comprehensive income/(loss) from joint ventures (ii)	—	—	—	—	420	70	(48)	(85)	—	—

The share of profit and other comprehensive loss for the six-month period ended 30 June 2019 in all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 1,324 million (2018: RMB 747 million) and RMB 455 million (2018: RMB 85 million) respectively. As at 30 June 2019, the carrying amount of all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 25,103 million (31 December 2018: RMB 22,982 million).

## 13 LONG-TERM EQUITY INVESTMENTS (Continued)

## (c) Major financial information of principal associates

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

	Pipeline Ltd		Sinopec Finance		SIBUR(i)		Zhongtian Synergetic Energy		CIR	
	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31
	June	December	June	December	June	December	June	December	June	December
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Current assets	13,951	12,498	217,143	209,837	26,247	22,502	6,693	7,477	7,255	6,712
Non-current assets	38,527	39,320	18,062	16,359	172,393	170,796	48,645	49,961	1,062	1,828
Current liabilities	(635)	(1,020)	(208,167)	(200,402)	(27,712)	(23,293)	(7,733)	(7,252)	(837)	(961)
Non-current liabilities	(2,993)	(3,026)	(428)	(332)	(65,883)	(58,628)	(27,963)	(31,436)	(245)	(673)
<b>Net assets</b>	<b>48,850</b>	<b>47,772</b>	<b>26,610</b>	<b>25,462</b>	<b>105,045</b>	<b>111,377</b>	<b>19,642</b>	<b>18,750</b>	<b>7,235</b>	<b>6,906</b>
Net assets attributable to shareholders of the Company	48,850	47,772	26,610	25,462	104,603	110,860	19,642	18,750	7,235	6,906
Net assets attributable to minority interests	—	—	—	—	442	517	—	—	—	—
Share of net assets from associates	24,426	23,886	13,038	12,476	10,460	11,086	7,612	7,266	3,618	3,453
<b>Carrying Amounts</b>	<b>24,426</b>	<b>23,886</b>	<b>13,038</b>	<b>12,476</b>	<b>10,460</b>	<b>11,086</b>	<b>7,612</b>	<b>7,266</b>	<b>3,618</b>	<b>3,453</b>

## Summarised income statement

Six-month period ended 30 June	Pipeline Ltd		Sinopec Finance		SIBUR(i)		Zhongtian Synergetic Energy		CIR	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Turnover	2,339	2,402	2,514	2,007	27,686	27,642	6,641	5,645	1,216	1,287
Profit for the period	1,049	849	1,094	821	265	2,853	1,160	482	202	88
Other comprehensive income/(loss)	—	—	54	—	(4,177)	(3,144)	—	—	127	82
<b>Total comprehensive income/(loss)</b>	<b>1,049</b>	<b>849</b>	<b>1,148</b>	<b>821</b>	<b>(3,912)</b>	<b>(291)</b>	<b>1,160</b>	<b>482</b>	<b>329</b>	<b>170</b>
Dividends declared by associates	—	—	—	490	242	158	219	—	—	—
Share of profit from associates	525	425	536	402	26	285	450	187	101	44
Share of other comprehensive income/(loss) from associates (ii)	—	—	26	—	(410)	(314)	—	—	64	41

The share of profit and other comprehensive loss for the six-month period ended 30 June 2019 in all individually immaterial associates accounted for using equity method in aggregate was RMB 1,737 million (2018: RMB 1,257 million) and RMB 106 million (2018: other comprehensive income RMB 260 million) respectively. As at 30 June 2019, the carrying amount of all individually immaterial associates accounted for using equity method in aggregate was RMB 32,875 million (31 December 2018: RMB 31,370 million).

Note:

- (i) Sinopec is able to exercise significant influence in SIBUR since Sinopec has a member in SIBUR's Board of Director and has a member in SIBUR's Management Board.
- (ii) Including foreign currency translation differences.

## 14 FIXED ASSETS

## The Group

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Fixed assets (a)	601,278	617,762
Fixed assets pending for disposal	43	50
<b>Total</b>	<b>601,321</b>	<b>617,812</b>

## (a) Fixed assets

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
<b>Cost:</b>				
Balance at 1 January 2019	122,041	695,724	965,495	1,783,260
Additions for the period	10	600	951	1,561
Transferred from construction in progress	2,695	10,522	12,054	25,271
Reclassifications	689	11	(700)	—
Decreases for the period	(394)	—	(2,428)	(2,822)
Exchange adjustments	7	74	13	94
<b>Balance at 30 June 2019</b>	<b>125,048</b>	<b>706,931</b>	<b>975,385</b>	<b>1,807,364</b>
<b>Accumulated depreciation:</b>				
Balance at 1 January 2019	51,205	506,771	528,459	1,086,435
Additions for the period	2,025	16,927	23,660	42,612
Reclassifications	205	(3)	(202)	—
Decreases for the period	(184)	—	(1,715)	(1,899)
Exchange adjustments	4	71	8	83
<b>Balance at 30 June 2019</b>	<b>53,255</b>	<b>523,766</b>	<b>550,210</b>	<b>1,127,231</b>
<b>Provision for impairment losses:</b>				
Balance at 1 January 2019	3,929	43,517	31,617	79,063
Additions for the period	—	—	—	—
Reclassifications	11	—	(11)	—
Decreases for the period	(4)	—	(209)	(213)
Exchange adjustments	—	5	—	5
<b>Balance at 30 June 2019</b>	<b>3,936</b>	<b>43,522</b>	<b>31,397</b>	<b>78,855</b>
<b>Net book value:</b>				
<b>Balance at 30 June 2019</b>	<b>67,857</b>	<b>139,643</b>	<b>393,778</b>	<b>601,278</b>
<b>Balance at 31 December 2018</b>	<b>66,907</b>	<b>145,436</b>	<b>405,419</b>	<b>617,762</b>

## 14 FIXED ASSETS (Continued)

## The Company

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Fixed assets (a)	291,287	302,048
Fixed assets pending for disposal	2	34
<b>Total</b>	<b>291,289</b>	<b>302,082</b>

## (a) Fixed assets

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
<b>Cost:</b>				
Balance at 1 January 2019	48,827	574,937	467,357	1,091,121
Additions for the period	—	435	75	510
Transferred from construction in progress	184	7,905	6,644	14,733
Reclassifications	619	14	(633)	—
Transferred from subsidiaries	—	—	—	—
Transferred to subsidiaries	(26)	(1,435)	(228)	(1,689)
Decreases for the period	(652)	—	(1,650)	(2,302)
<b>Balance at 30 June 2019</b>	<b>48,952</b>	<b>581,856</b>	<b>471,565</b>	<b>1,102,373</b>
<b>Accumulated depreciation:</b>				
Balance at 1 January 2019	23,169	417,573	286,038	726,780
Additions for the period	768	13,609	10,571	24,948
Reclassifications	199	—	(199)	—
Transferred from subsidiaries	—	—	—	—
Transferred to subsidiaries	(3)	(521)	(55)	(579)
Decreases for the period	(217)	—	(875)	(1,092)
<b>Balance at 30 June 2019</b>	<b>23,916</b>	<b>430,661</b>	<b>295,480</b>	<b>750,057</b>
<b>Provision for impairment losses:</b>				
Balance at 1 January 2019	1,880	38,297	22,116	62,293
Additions for the period	—	—	—	—
Reclassifications	11	—	(11)	—
Transferred from subsidiaries	—	—	—	—
Transferred to subsidiaries	(22)	(914)	(173)	(1,109)
Decreases for the period	(1)	—	(154)	(155)
<b>Balance at 30 June 2019</b>	<b>1,868</b>	<b>37,383</b>	<b>21,778</b>	<b>61,029</b>
<b>Net book value:</b>				
<b>Balance at 30 June 2019</b>	<b>23,168</b>	<b>113,812</b>	<b>154,307</b>	<b>291,287</b>
<b>Balance at 31 December 2018</b>	<b>23,778</b>	<b>119,067</b>	<b>159,203</b>	<b>302,048</b>

The additions to oil and gas properties of the Group and the Company for the six-month period ended 30 June 2019 included RMB 600 million (2018: RMB 745 million) (Note 34) and RMB 435 million (2018: RMB 257 million), respectively of the estimated dismantlement costs for site restoration.

At 30 June 2019 and 31 December 2018, the Group and the Company had no individually significant fixed assets which were pledged.

At 30 June 2019 and 31 December 2018, the Group and the Company had no individually significant fixed assets which were temporarily idle or pending for disposal.

At 30 June 2019 and 31 December 2018, the Group and the Company had no individually significant fully depreciated fixed assets which were still in use.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-month period ended 30 June 2019

## 15 CONSTRUCTION IN PROGRESS

	The Group RMB million	The Company RMB million
<b>Cost:</b>		
Balance at 1 January 2019	138,817	52,011
Additions for the period	41,285	19,064
Disposals for the period	(21)	(163)
Transferred to subsidiaries	—	(57)
Dry hole costs written off	(2,978)	(2,873)
Transferred to fixed assets	(25,271)	(14,733)
Reclassification to other assets	(1,863)	(396)
Exchange adjustments	2	—
<b>Balance at 30 June 2019</b>	<b>149,971</b>	<b>52,853</b>
<b>Provision for impairment losses:</b>		
Balance at 1 January 2019	1,854	413
Additions for the period	17	—
Decreases for the period	(17)	—
Exchange adjustments	1	—
<b>Balance at 30 June 2019</b>	<b>1,855</b>	<b>413</b>
<b>Net book value:</b>		
<b>Balance at 30 June 2019</b>	<b>148,116</b>	<b>52,440</b>
<b>Balance at 31 December 2018</b>	<b>136,963</b>	<b>51,598</b>

At 30 June 2019, major construction projects of the Group are as follows:

Project name	Budgeted amount RMB million	Balance at 1 January 2019 RMB million	Net change for the period RMB million	Balance at 30 June 2019 RMB million	Percentage of project investment to budgeted amount	Source of funding	Accumulated interest capitalised at 30 June 2019 RMB million
Zhongke Refine Integration Project	34,667	17,779	3,741	21,520	62%	Bank loans & self-financing	237
Zhenhai refining and chemical project to expand 15 million tons/year refining 1.2 million tons/year ethylene (ethylene part)	26,787	309	80	389	1%	Self-financing	—
Wen 23 Gas Storage Project (First-stage)	13,865	3,428	3,574	7,002	51%	Bank loans & self-financing	51
Xinjiang Coal-based Substitute Natural Gas (SNG) Export Pipeline Construction Project (First-stage)	11,589	5,682	620	6,302	54%	Bank loans & self-financing	50
Zhenhai refining and refining old area structure adjustment and quality upgrading project	3,683	2,753	(381)	2,372	82%	Self-financing	—

## 16 RIGHT-OF-USE ASSETS

## The Group

	Land RMB million	Others RMB million	Total RMB million
<b>Cost:</b>			
Balance at 31 December 2018	—	—	—
Change in accounting policy	180,074	27,381	207,455
Balance at 1 January 2019	180,074	27,381	207,455
Movement	(236)	3,374	3,138
<b>Balance at 30 June 2019</b>	<b>179,838</b>	<b>30,755</b>	<b>210,593</b>
<b>Accumulated depreciation</b>			
Balance at 31 December 2018	—	—	—
Change in accounting policy	—	—	—
Balance at 1 January 2019	—	—	—
Movement	3,304	2,674	5,978
<b>Balance at 30 June 2019</b>	<b>3,304</b>	<b>2,674</b>	<b>5,978</b>
<b>Provision for impairment losses</b>			
Balance at 31 December 2018	—	—	—
Change in accounting policy	—	—	—
Balance at 1 January 2019	—	—	—
Movement	—	—	—
<b>Balance at 30 June 2019</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net book value:</b>			
Balance at 30 June 2019	176,534	28,081	204,615
Balance at 31 December 2018	—	—	—

## The Company

	Land RMB million	Others RMB million	Total RMB million
<b>Cost:</b>			
Balance at 31 December 2018	—	—	—
Change in accounting policy	119,142	634	119,776
Balance at 1 January 2019	119,142	634	119,776
Movement	(1,395)	470	(925)
<b>Balance at 30 June 2019</b>	<b>117,747</b>	<b>1,104</b>	<b>118,851</b>
<b>Accumulated depreciation</b>			
Balance at 31 December 2018	—	—	—
Change in accounting policy	—	—	—
Balance at 1 January 2019	—	—	—
Movement	1,913	293	2,206
<b>Balance at 30 June 2019</b>	<b>1,913</b>	<b>293</b>	<b>2,206</b>
<b>Provision for impairment losses</b>			
Balance at 31 December 2018	—	—	—
Change in accounting policy	—	—	—
Balance at 1 January 2019	—	—	—
Movement	—	—	—
<b>Balance at 30 June 2019</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net book value:</b>			
Balance at 30 June 2019	115,834	811	116,645
Balance at 31 December 2018	—	—	—

## 17 INTANGIBLE ASSETS

## The Group

	Land use rights RMB million	Patents RMB million	Non-patent technology RMB million	Operation rights RMB million	Others RMB million	Total RMB million
<b>Cost:</b>						
Balance at 1 January 2019	84,731	5,230	4,029	52,216	5,265	151,471
Additions for the period	1,617	56	30	515	98	2,316
Decreases for the period	(113)	—	—	(64)	(1)	(178)
<b>Balance at 30 June 2019</b>	<b>86,235</b>	<b>5,286</b>	<b>4,059</b>	<b>52,667</b>	<b>5,362</b>	<b>153,609</b>
<b>Accumulated amortisation:</b>						
Balance at 1 January 2019	19,986	3,397	2,997	17,137	3,200	46,717
Additions for the period	1,297	108	137	1,138	212	2,892
Decreases for the period	(26)	—	—	(17)	—	(43)
<b>Balance at 30 June 2019</b>	<b>21,257</b>	<b>3,505</b>	<b>3,134</b>	<b>18,258</b>	<b>3,412</b>	<b>49,566</b>
<b>Provision for impairment losses:</b>						
Balance at 1 January 2019						



## 20 DEFERRED TAX ASSETS AND LIABILITIES

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

	Deferred tax assets		Deferred tax liabilities	
	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018
	RMB million	RMB million	RMB million	RMB million
Receivables and inventories	1,796	2,563	—	—
Payables	2,546	1,808	—	—
Cash flow hedges	11	1,131	(187)	(27)
Fixed assets	14,217	15,427	(9,184)	(8,666)
Tax value of losses carried forward	3,678	3,709	—	—
Other equity instrument investments	122	117	(1)	(1)
Intangible assets	477	474	(520)	(535)
Others	166	174	(438)	(428)
<b>Deferred tax assets/(liabilities)</b>	<b>23,013</b>	<b>25,403</b>	<b>(10,330)</b>	<b>(9,657)</b>

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

	At 30 June 2019	At 31 December 2018
	RMB million	RMB million
Deferred tax assets	4,487	3,709
Deferred tax liabilities	4,487	3,709

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

	At 30 June 2019	At 31 December 2018
	RMB million	RMB million
Deferred tax assets	18,526	21,694
Deferred tax liabilities	5,843	5,948

At 30 June 2019, certain subsidiaries of the Company did not recognise deferred tax of deductible loss carried forward of RMB 18,932 million (at 31 December 2018: RMB 18,308 million), of which RMB 845 million (2018: RMB 1,459 million) was incurred for the six-month period ended 30 June 2019, because it was not probable that the related tax benefit will be realised. These deductible losses carried forward of RMB 2,666 million, RMB 3,414 million, RMB 3,632 million, RMB 5,938 million, RMB 2,437 million and RMB 845 million will expire in 2019, 2020, 2021, 2022, 2023, 2024 and after, respectively.

Periodically, management performed assessment on the probability that future taxable profit will be available over the period which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidence was considered, including whether it is probable that the operations will have sufficient future taxable profits over the periods which the deferred tax assets are deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur. During the six-month period ended 30 June 2019, write-down of deferred tax assets amounted to RMB 70 million (2018: RMB 4 million) (Note 52).

## 21 OTHER NON-CURRENT ASSETS

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

## 22 DETAILS OF IMPAIRMENT LOSSES

At 30 June 2019, impairment losses of the Group are analysed as follows:

	Note	Balance at 31 December 2018	Provision for the period	Written back for the period	Written off for the period	Other increase/(decrease)	Balance at 30 June 2019
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Allowance for doubtful accounts							
Included: Accounts receivable	9	606	35	(33)	(8)	—	600
Prepayments	10	53	6	(1)	—	(1)	57
Other receivables	11	1,481	33	(27)	(12)	—	1,475
		<b>2,140</b>	<b>74</b>	<b>(61)</b>	<b>(20)</b>	<b>(1)</b>	<b>2,132</b>
Inventories	12	6,376	247	(182)	(5,019)	3	1,425
Long-term equity investments	13	1,686	—	—	—	3	1,689
Fixed assets	14	79,063	—	—	(86)	(122)	78,855
Construction in progress	15	1,854	17	—	(17)	1	1,855
Intangible assets	17	899	—	—	—	3	902
Goodwill	18	7,861	—	—	—	—	7,861
Others		102	—	—	—	2	104
<b>Total</b>		<b>99,981</b>	<b>338</b>	<b>(243)</b>	<b>(5,142)</b>	<b>(111)</b>	<b>94,823</b>

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

**23 SHORT-TERM LOANS**

The Group's short-term loans represent:

	At 30 June 2019			At 31 December 2018		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
<b>Short-term bank loans</b>			46,770			17,088
- Renminbi loans			43,547			13,201
- US Dollar loans	469	6.8747	3,223	566	6.8632	3,887
<b>Short-term other loans</b>			40			300
- Renminbi loans			40			300
<b>Short-term loans from Sinopec Group Company and fellow subsidiaries</b>			29,932			27,304
- Renminbi loans			1,565			3,061
- US Dollar loans	3,989	6.8747	27,421	3,319	6.8632	22,780
- Hong Kong Dollar loans	1,058	0.8797	931	1,645	0.8762	1,441
- Euro loans	2	7.8170	15	3	7.8473	22
<b>Total</b>			<b>76,742</b>			<b>44,692</b>

At 30 June 2019, the Group's interest rates on short-term loans were from interest 0.16% to 6.09% (At 31 December 2018: from interest 0.80% to 5.22%). The majority of the above loans are by credit.

At 30 June 2019 and 31 December 2018, the Group had no significant overdue short-term loans.

**24 BILLS PAYABLE**

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

At 30 June 2019 and 31 December 2018, the Group had no overdue unpaid bills.

**25 ACCOUNTS PAYABLE**

At 30 June 2019 and 31 December 2018, the Group had no individually significant accounts payable aged over one year.

**26 CONTRACT LIABILITIES**

As at 30 June 2019, the Group's contract liabilities primarily represent advances from customers. Related performance obligations are satisfied and revenue is recognised within one year.

**27 EMPLOYEE BENEFITS PAYABLE**

At 30 June 2019 and 31 December 2018, the Group's employee benefits payable primarily represented wages payable and social insurance payables.

**28 TAXES PAYABLE**

The Group

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Value-added tax payable	2,253	9,810
Consumption tax payable	19,395	59,944
Income tax payable	2,147	6,699
Mineral resources compensation fee payable	138	138
Other taxes	5,710	10,469
<b>Total</b>	<b>29,643</b>	<b>87,060</b>

**29 OTHER PAYABLES**

At 30 June 2019 and 31 December 2018, other payables of the Group over one year primarily represented payables for constructions.

**30 NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR**

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

	At 30 June 2019			At 31 December 2018	
	Original currency million	Exchange rates	RMB million rates	Original currency	Exchange

**32 DEBENTURES PAYABLE**

## The Group

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Debentures payable:		
– Corporate Bonds (i)	31,975	31,951
Less: Current portion	(9,000)	—
<b>Total</b>	<b>22,975</b>	<b>31,951</b>

Note:

(i) These corporate bonds are carried at amortised cost, including USD denominated corporate bonds of RMB 11,975 million, and RMB denominated corporate bonds of RMB 20,000 million (2018: USD denominated corporate bonds of RMB 11,951 million, and RMB denominated corporate bonds of RMB 20,000 million). At 30 June 2019, corporate bonds of RMB 11,975 million (2018: RMB 11,951 million) are guaranteed by Sinopec Group Company.

**33 LEASE LIABILITY**

## The Group

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Lease liabilities	197,798	—
Deduct: Current portion of lease liabilities (Note 30)	15,489	—
<b>Total</b>	<b>182,309</b>	<b>—</b>

**34 PROVISIONS**

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

	The Group RMB million
Balance at 1 January 2019	42,007
Provision for the period	600
Accretion expenses	750
Utilised for the period	(55)
Exchange adjustments	6
<b>Balance at 30 June 2019</b>	<b>43,308</b>

**35 OTHER NON-CURRENT LIABILITIES**

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

**36 SHARE CAPITAL**

## The Group

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
<b>Registered, issued and fully paid:</b>		
95,557,771,046 listed A shares (2018: 95,557,771,046) of RMB 1.00 each	95,558	95,558
25,513,438,600 listed H shares (2018: 25,513,438,600) of RMB 1.00 each	25,513	25,513
<b>Total</b>	<b>121,071</b>	<b>121,071</b>

**36 SHARE CAPITAL** (Continued)**The Group** (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

**Capital management**

Management optimises the structure of the Group's capital, which comprises of equity and debts and bonds. In order to maintain or adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans and bonds. Management monitors capital on the basis of the debt-to-capital ratio, which is calculated by dividing long-term loans (excluding current portion) and debentures payable, by the total of equity attributable to shareholders of the Company and long-term loans (excluding current portion) and debentures payable,

## 37 CAPITAL RESERVE

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

	RMB million
Balance at 1 January 2019	119,192
Others	55
<b>Balance at 30 June 2019</b>	<b>119,247</b>

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

## 38 OTHER COMPREHENSIVE INCOME

The Group

## (a) The changes of other comprehensive income in consolidated income statement

	Six-month period ended 30 June 2019		
	Before-tax amount RMB million	Tax effect RMB million	Net-of-tax amount RMB million
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the period	4,696	(899)	3,797
(Add)/Less: Reclassification adjustments for amounts transferred to the consolidated income statement	(1,142)	148	(994)
<b>Subtotal</b>	<b>5,838</b>	<b>(1,047)</b>	<b>4,791</b>
Changes in fair value of other equity instrument investments	(25)	5	(20)
<b>Subtotal</b>	<b>(25)</b>	<b>5</b>	<b>(20)</b>
Other comprehensive income that can be converted into profit or loss under the equity method	(509)	—	(509)
<b>Subtotal</b>	<b>(509)</b>	<b>—</b>	<b>(509)</b>
Foreign currency translation differences	306	—	306
<b>Subtotal</b>	<b>306</b>	<b>—</b>	<b>306</b>
<b>Other comprehensive income</b>	<b>5,610</b>	<b>(1,042)</b>	<b>4,568</b>

	Six-month period ended 30 June 2018		
	Before-tax amount RMB million	Tax effect RMB million	Net-of-tax amount RMB million
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the period	(2,991)	476	(2,515)
Less/(Add): Adjustments of amounts transferred to initial carrying amount of hedged items	113	(19)	94
Total amounts transferred to profit or loss from other comprehensive Adjust02499 288profit or loss from other	(2,991)	(19)	(2,515)

QBT/TT0 1(2,991)(2,991)257.5 68.0315m(4,568)TJET68.031 345.94 272.126 -1030 55892 70 0 m272.1(606SQBT/TT1 1 Tf7.5 0 0 7.5 7.. 257.5 68.0315m

## 38 OTHER COMPREHENSIVE INCOME (Continued)

The Group (Continued)

## (b) The change of each item in other comprehensive income

	Equity Attributable to shareholders of the Company					Subtotal RMB million	Minority interests RMB million	Total other comprehensive income RMB million
	Other comprehensive income that can be converted into profit or loss under the equity method RMB million	Changes in fair value of available-for-sale financial assets RMB million	Changes in fair value of other equity instrument investments RMB million	Cash flow hedges RMB million	Foreign currency translation differences RMB million			
31 December 2017	(3,481)	57	—	(510)	(479)	(4,413)	(2,783)	(7,196)
Change in accounting policy	—	(57)	45	—	—	(12)	—	(12)
1 January 2018	(3,481)	—	45	(510)	(479)	(4,425)	(2,783)	(7,208)
Changes in 2018	(67)	—	(12)	(517)	599	3	255	258
30 June 2018	(3,548)	—	33	(1,027)	120	(4,422)	(2,528)	(6,950)
31 December 2018	(3,664)	—	4	(4,917)	1,803	(6,774)	(1,789)	(8,563)
Changes in 2019	(460)	—	(13)	5,620	239	5,386	45	5,431
30 June 2019	(4,124)	—	(9)	703	2,042	(1,388)	(1,744)	(3,132)

## 39 SURPLUS RESERVES

Movements in surplus reserves are as follows:

	Statutory surplus reserve RMB million	The Group Discretionary surplus reserves RMB million	Total RMB million
Balance at 1 January 2019	86,678	117,000	203,678
Appropriation	—	—	—
<b>Balance at 30 June 2019</b>	<b>86,678</b>	<b>117,000</b>	<b>203,678</b>

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

- 10% of the net profit is transferred to the statutory surplus reserve. In the event that the reserve balance reaches 50% of the registered capital, no transfer is needed;
- After the transfer to the statutory surplus reserve, a transfer to discretionary surplus reserve can be made upon the passing of a resolution at the shareholders' meeting.

## 40 OPERATING INCOME AND OPERATING COSTS

	Six-month period ended 30 June			
	The Group		The Company	
	2019	2018	2019	2018
	RMB million	RMB million	RMB million	RMB million
Income from principal operations	1,466,833	1,268,803	496,151	479,225
Income from other operations	32,163	31,449	16,184	15,387
<b>Total</b>	<b>1,498,996</b>	<b>1,300,252</b>	<b>512,335</b>	<b>494,612</b>
<b>Operating costs</b>	<b>1,263,093</b>	<b>1,050,719</b>	<b>404,570</b>	<b>369,561</b>

The income from principal operations mainly represents revenue from sales of crude oil, natural gas, refined petroleum products and chemical products. The income from other operations mainly represents revenue from sale of materials, service, rental income and others. Operating costs primarily represent the products cost related to the principal operations. The Group's segmental information is set out in Note 60.

The detailed information about the Group's operating income is as follows:

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
<b>Income from principal operations</b>	<b>1,466,833</b>	<b>1,268,803</b>
Crude oil	305,092	202,938
Gasoline	346,549	341,910
Diesel	292,115	268,259
Basic chemical feedstock	112,606	119,108
Kerosene	90,788	71,335
Synthetic resin	60,804	61,078
Natural gas	23,939	20,206
Synthetic fiber monomers and polymers	48,342	36,979
Others (i)	186,598	146,990
<b>Income from other operations</b>	<b>32,163</b>	<b>31,449</b>
Sale of materials and others	31,714	31,073
Rental income	449	376
<b>Total</b>	<b>1,498,996</b>	<b>1,300,252</b>

Note:

(i) Others are primarily liquefied petroleum gas and other refinery and chemical by-products and joint products.

## 41 TAXES AND SURCHARGES

## The Group

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Consumption tax	100,332	96,919
City construction tax	8,125	8,941
Education surcharge	5,908	6,731
Resources tax	2,978	2,892
Others	2,903	3,238
<b>Total</b>	<b>120,246</b>	<b>118,721</b>

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



**42 FINANCIAL EXPENSES**
**The Group**

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Interest expenses incurred	3,652	3,475
Less: Capitalised interest expenses	353	268
Add: Interest expense on lease liabilities	4,871	—
Net interest expenses	8,170	3,207
Accretion expenses (Note 34)	750	765
Interest income	(3,861)	(3,507)
Net foreign exchange loss/(gain)	104	(202)
<b>Total</b>	<b>5,163</b>	<b>263</b>

The interest rates per annum at which borrowing costs were capitalised during the six-month period ended 30 June 2019 by the Group ranged from 2.92% to 4.66% (2018: 2.40% to 4.41%).

**43 CLASSIFICATION OF EXPENSES BY NATURE**

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

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Purchased crude oil, products and operating supplies and expenses	1,207,182	994,797
Personnel expenses	38,221	37,340
Depreciation, depletion and amortisation	52,684	51,902
Exploration expenses (including dry holes)	4,347	4,362
Other expenses	25,774	32,329
<b>Total</b>	<b>1,328,208</b>	<b>1,120,730</b>

**44 RESEARCH AND DEVELOPMENT EXPENSES**

The research and development expenditures are mainly used for the replacement of resources in upstream, optimising structure and operation upgrades in refining sector, structured adjustment of materials and products in chemical segment.

**45 EXPLORATION EXPENSES**

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

**46 OTHER INCOME**

Other income are mainly the government grants related to the business activities.

**47 INVESTMENT INCOME**

	Six-month period ended 30 June			
	The Group 2019	2018	The Company 2019	2018
	RMB million	RMB million	RMB million	RMB million
Income from investment of subsidiaries accounted for under cost method	—	—	8,677	6,539
Income from investment accounted for under equity method	5,875	6,618	1,742	2,063
Investment income from disposal of long-term equity investments	42	19	—	—
Dividend income from holding of other equity instrument investments	19	23	—	12
Investment (loss)/income from holding/disposal of financial assets and liabilities and derivative financial instruments at fair value through profit or loss	(2,212)	(638)	142	775
(Loss)/gain from ineffective portion of cash flow hedges	(974)	(169)	45	7
Others	24	31	199	465
<b>Total</b>	<b>2,774</b>	<b>5,884</b>	<b>10,805</b>	<b>9,861</b>

**48 LOSSES FROM CHANGES IN FAIR VALUE**

## The Group

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Net fair value losses on financial assets and financial liabilities at fair value through profit or loss	(1,209)	(479)
Unrealised gains from ineffective portion cash flow hedges, net	903	29
<b>Total</b>	<b>(306)</b>	<b>(450)</b>

**49 IMPAIRMENT LOSSES**

## The Group

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Inventories	65	11
Fixed assets	—	116
Construction in Progress	17	—
Others	—	10
<b>Total</b>	<b>82</b>	<b>137</b>

**50 NON-OPERATING INCOME**

## The Group

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Government grants	308	184
Others	377	446
<b>Total</b>	<b>685</b>	<b>630</b>

**51 NON-OPERATING EXPENSES**

## The Group

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Fines, penalties and compensation	115	49
Donations	16	57
Others	636	597
<b>Total</b>	<b>767</b>	<b>703</b>

## 52 INCOME TAX EXPENSE

## The Group

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Provision for income tax for the period	8,580	19,028
Deferred taxation	1,790	(4,485)
Under-provision for income tax in respect of preceding year	(230)	43
<b>Total</b>	<b>10,140</b>	<b>14,586</b>

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

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
<b>Profit before taxation</b>	49,096	67,867
Expected income tax expense at a tax rate of 25%	12,274	16,967
Tax effect of non-deductible expenses	446	481
Tax effect of non-taxable income	(1,488)	(1,756)
Tax effect of preferential tax rate (i)	(860)	(625)
Effect of income taxes at foreign operations	(245)	(525)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(39)	(368)
Tax effect of tax losses not recognised	212	365
Write-down of deferred tax assets	70	4
Adjustment for under provision for income tax in respect of preceding years	(230)	43
<b>Actual income tax expense</b>	<b>10,140</b>	<b>14,586</b>

Note:

## 54 SUPPLEMENTAL INFORMATION TO THE CASH FLOW STATEMENT

## The Group

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

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Net profit	38,956	53,281
Add: Impairment losses on assets	82	137
Credit impairment losses	13	(38)
Depreciation of right-of-use assets	5,941	—
Depreciation of fixed assets	42,538	46,777
Amortisation of intangible assets and long-term deferred expenses	4,205	5,125
Dry hole costs written off	2,978	3,608
Net loss/(gain) on disposal of non-current assets	238	(218)
Fair value loss	306	450
Financial expenses	5,229	418
Investment income	(2,774)	(5,884)
Increase in deferred tax assets	(123)	(3,717)
Increase/(decrease) in deferred tax liabilities	1,913	(768)
Increase in inventories	(38,372)	(38,891)
Safety fund reserve	1,089	982
Increase in operating receivables	(26,883)	(5,694)
(Decrease)/increase in operating payables	(2,418)	16,052
<b>Net cash flow from operating activities</b>	<b>32,918</b>	<b>71,620</b>

## (b) Net change in cash:

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Cash balance at the end of the period	92,782	154,754
Less: Cash at the beginning of the period	111,922	113,218
<b>Net (decrease)/increase of cash</b>	<b>(19,140)</b>	<b>41,536</b>

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

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Cash at bank and on hand		
– Cash on hand	8	10
– Demand deposits	92,774	154,744
<b>Cash at the end of the period</b>	<b>92,782</b>	<b>154,754</b>

## (d) Other cash paid relating to financing activities:

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Repayments of lease liabilities	6,891	—
Others	50	13
<b>Total</b>	<b>6,941</b>	<b>13</b>

## 55 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

The name of the company	: China Petrochemical Corporation
Unified social credit identifier	: 9111000010169286X1
Registered address	: No. 22, Chaoyangmen North Street, Chaoyang District, Beijing
Principal activities	: Exploration, production, storage and transportation (including pipeline transportation), sales and utilisation of crude oil and natural gas; refining; wholesale and retail of gasoline, kerosene and diesel; production, sales, storage and transportation of petrochemical and other chemical products; industrial investment and investment management; exploration, construction, installation and maintenance of petroleum and petrochemical constructions and equipments; manufacturing electrical equipment; research, development, application and consulting services of information technology and alternative energy products; import & export of goods and technology.
Relationship with the Group	: Ultimate holding company
Types of legal entity	: State-owned
Authorised representative	: Dai Houliang
Registered capital	: RMB 274,900 million

Sinopec Group Company is an enterprise controlled by the PRC government. Sinopec Group Company directly and indirectly holds 68.77% shareholding of the Company.

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

*Related parties under common control of a parent company with the Company:*

Sinopec Finance (Note)  
 Sinopec Shengli Petroleum Administration Bureau  
 Sinopec Zhongyuan Petroleum Exploration Bureau  
 Sinopec Assets Management Corporation  
 Sinopec Engineering Incorporation  
 Sinopec Century Bright Capital Investment Limited  
 Sinopec Petroleum Storage and Reserve Limited

*Associates of the Group:*

Pipeline Ltd  
 Sinopec Finance  
 SIBUR  
 Zhongtian Synergetic Energy  
 CIR

*Joint ventures of the Group:*

FREP  
 BASF-YPC  
 Taihu  
 YASREF  
 Sinopec SABIC Tianjin

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

## 55 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

	Note	The Group	
		Six-month period ended 30 June 2019	2018
		RMB million	RMB million
Sales of goods	(i)	140,187	125,146
Purchases	(ii)	92,849	107,415
Transportation and storage	(iii)	3,615	3,314
Exploration and development services	(iv)	10,453	5,430
Production related services	(v)	12,827	6,912
Ancillary and social services	(vi)	1,544	3,255
Operating lease charges for land	(vii)	—	4,027
Operating lease charges for buildings	(vii)	—	219
Other operating lease charges	(vii)	—	308
Agency commission income	(viii)	56	52
Interest income	(ix)	497	435
Interest expense	(x)	782	431
Net deposits (placed with)/withdrawn from related parties	(ix)	(8,414)	2,377
Net funds obtained from related parties	(xi)	15,260	21,476

The amounts set out in the table above in respect of the six-month period ended 30 June 2019 and 2018 represent the relevant costs and income as determined by the corresponding contracts with the related parties.

Included in the transactions disclosed above, for the six-month period ended 30 June 2019 are: a) purchases by the Group from Sinopec Group Company and fellow subsidiaries amounting to RMB 66,026 million (2018: RMB 63,211 million) comprising purchases of products and services (i.e. procurement, transportation and storage, exploration and development services and production related services) of RMB 57,863 million (2018: RMB 55,044 million), ancillary and social services provided by Sinopec Group Company and fellow subsidiaries of RMB 1,544 million (2018: RMB 3,255 million), lease charges for land, buildings and others paid by the Group of RMB 5,386 million, RMB 252 million and RMB 199 million (2018: RMB 4,027 million, RMB 219 million and RMB 235 million), respectively and interest expenses of RMB 782 million (2018: RMB 431 million); and b) sales by the Group to Sinopec Group Company and fellow subsidiaries amounting to RMB 31,250 million (2018: RMB 23,608 million), comprising RMB 30,743 million (2018: RMB 23,164 million) for sales of goods, RMB 497 million (2018: RMB 435 million) for interest income and RMB 10 million (2018: RMB 9 million) for agency commission income.

For the six-month period ended 30 June 2019, no individually significant right-of-use assets were leased from Sinopec Group Company and fellow subsidiaries, associates and joint ventures by the Group. The interest expense recognised for the six-month period ended 30 June 2019 on lease liabilities in respect of amounts due to Sinopec Group Company and fellow subsidiaries, associates and joint ventures was RMB 4,319 million.

For the six-month period ended 30 June 2019, the amount of rental the Group paid to Sinopec Group Company and fellow subsidiaries, associates and joint ventures for land, buildings and others are RMB 5,386 million, RMB 270 million and RMB 217 million (2018: RMB 3,446 million, RMB 306 million and RMB 309 million).

As at 30 June 2019 and 31 December 2018 there was no guarantee given to banks by the Group in respect of banking facilities to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, except for the disclosure set out in Note 59(b). Guarantees given to banks by the Group in respect of banking facilities to associates and joint ventures are disclosed in Note 59(b).

Note:

- (i) Sales of goods represent the sale of crude oil, intermediate petrochemical products, petroleum products and ancillary materials.
- (ii) Purchases represent the purchase of materials and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.
- (iii) Transportation and storage represent the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.
- (iv) Exploration and development services comprise direct costs incurred in the exploration and development such as geophysical, drilling, well testing and well measurement services.
- (v) Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, firefighting, security, product quality testing and analysis, information technology, design and engineering, construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management, environmental protection, and management services.

55 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

Note (Continued):

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

(vii) Operating lease charges represent the rental incurred for operating leases in respect of land, buildings and equipment leased from Sinopec Group Company and fellow subsidiaries, associates and joint ventures. No lease charges have incurred during the current period because of the adoption of the new lease standard.

(viii) Agency commission income represents commission earned for acting as an agent in respect of sales of products anAgei 5.8. tcaualwcnteTJ 5 0 0 6.5 0 0 TD[(.1-2.

## 55 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

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

The balances with Sinopec Group Company and fellow subsidiaries, associates and joint ventures at 30 June 2019 and 31 December 2018 are as follows:

	The ultimate holding company		Other related companies	
	At 30 June 2019 RMB million	At 31 December 2018 RMB million	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Cash at bank and on hand	—	—	49,471	41,057
Bills receivable	—	—	331	74
Accounts receivable	12	11	10,382	7,470
Other receivables	33	33	11,832	6,901
Prepayments and other current assets	29	—	1,229	731
Other non-current assets	—	—	23,819	23,482
Bills payable	—	16	1,789	1,991
Accounts payable	16	3	19,857	15,520
Contract liabilities	27	25	4,264	3,248
Other payables	58	2	18,119	18,158
Other non-current liabilities	—	—	12,780	12,470
Short-term loans	—	—	29,932	27,304
Long-term loans (including current portion) (Note)	—	—	48,187	46,877
Lease liabilities	86,502	—	90,338	—

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

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, other than short-term loans and long-term loans, bear no interest, are unsecured and are repayable in accordance with normal commercial terms. The terms and conditions associated with short-term loans and long-term loans payable to Sinopec Group Company and fellow subsidiaries are set out in Note 23 and Note 31.

As at and for the six-month period ended 30 June 2019, and as at and for the year ended 31 December 2018, no individually significant impairment losses for bad and doubtful debts were recorded in respect of amounts due from Sinopec Group Company and fellow subsidiaries, associates and joint ventures.

## (5) Key management personnel emoluments

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

	Six-month period ended 30 June	
	2019 RMB thousand	2018 RMB thousand
Short-term employee benefits	5,353	2,718
Retirement scheme contributions	225	150
<b>Total</b>	<b>5,578</b>	<b>2,868</b>

## 56 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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



## 56 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

**(a) Oil and gas properties and reserves**

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

Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimate of proved and proved developed reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates. Oil and gas reserves have a direct impact on the assessment of the recoverability of the carrying amounts of oil and gas properties reported in the financial statements. If proved reserves estimates are revised downwards, the Group's earnings could be affected by changes in depreciation expense or an immediate write-down of the carrying amount of oil and gas properties.

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

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

**(b) Impairment for assets**

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

**(c) Depreciation**

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

**(d) Measurement of expected credit losses**

The Group measures and recognises expected credit losses, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions. The Group regularly monitors and reviews the assumptions used for estimating expected credit losses.

**(e) Allowance for diminution in value of inventories**

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-month period ended 30 June 2019

## 57 PRINCIPAL SUBSIDIARIES

The Company's principal subsidiaries have been consolidated into the Group's financial statements for the six-month period ended 30 June 2019. The following list contains the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group:

Full name of enterprise	Principal activities	Registered capital/paid-up capital million	Actual investment at 30 June 2019 million	Percentage of equity interest/voting right held by the Group %	Minority Interests at 30 June 2019 RMB million
<b>(a) Subsidiaries acquired through group restructuring:</b>					
China Petrochemical International Company Limited	Trading of petrochemical products	RMB 1,400	RMB 1,856	100.00	31
China International United Petroleum and Chemical Company Limited	Trading of crude oil and petrochemical products	RMB 5,000	RMB 6,585	100.00	4,477
Sinopec Catalyst Company Limited	Production and sale of catalyst products	RMB 1,500	RMB 1,562	100.00	286
Sinopec Yangzi Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 15,651	RMB 15,651	100.00	—
Sinopec Pipeline Storage & Transportation Company Limited	Pipeline storage and transportation of crude oil	RMB 12,000	RMB 12,000	100.00	—
Sinopec Lubricant Company Limited	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials	RMB 3,374	RMB 3,374	100.00	64
Sinopec Yizheng Chemical Fibre Limited Liability Company	Production and sale of polyester chips and polyester fibres	RMB 4,000	RMB 6,713	100.00	—
Sinopec Marketing Co. Limited ("Marketing Company")	Marketing and distribution of refined petroleum products	RMB 28,403	RMB 20,000	70.42	68,763
Sinopec Kantons Holdings Limited ("Sinopec Kantons")	Provision of crude oil jetty services and natural gas pipeline transmission services	HKD 248	HKD 3,952	60.33	(i)
Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical")	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products	RMB 10,824	RMB 5,820	50.44	14,398
Fujian Petrochemical Company Limited ("Fujian Petrochemical") (ii)	Manufacturing of plastics, intermediate petrochemical products and petroleum products	RMB 8,140	RMB 4,358	50.00	6,152
<b>(b) Subsidiaries established by the Group:</b>					
Sinopec International Petroleum Exploration and Production Limited ("SIPL")	Investment in exploration, production and sale of petroleum and natural gas	RMB 8,000	RMB 8,000	100.00	18,944
Sinopec Overseas Investment Holding Limited ("SOIH")	Investment holding of overseas business	USD 1,662	USD 1,662	100.00	—
Sinopec Chemical Sales Company Limited	Marketing and distribution of petrochemical products	RMB 1,000	RMB 1,165	100.00	78
Sinopec Great Wall Energy & Chemical Company Limited	Coal chemical industry investment management, production and sale of coal chemical products	RMB 22,761	RMB 22,795	100.00	(53)
Sinopec Beihai Refining and Chemical Limited Liability Company	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products	RMB 5,294	RMB 5,240	98.98	127
Sinopec Qingdao Refining and Chemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 5,000	RMB 4,250	85.00	1,914
Sinopec-SK (Wuhan) Petrochemical Company Limited ("Zhonghan Wuhan")	Production, sale, research and development of ethylene and downstream byproducts	RMB 6,270	RMB 4,076	65.00	4,748
<b>(c) Subsidiaries acquired through business combination under common control:</b>					
Sinopec Hainan Refining and Chemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 3,986	RMB 2,990	75.00	2,885
Sinopec Qingdao Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 1,595	RMB 7,233	100.00	—
Gaoqiao Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB 10,000	RMB 4,804	55.00	7,505
<b>(d) Subsidiaries acquired through business combination not under common control:</b>					
Shanghai SECCO Petrochemical Company Limited ("Shanghai SECCO")	Production and sale of petrochemical products	RMB 7,801	RMB 7,801	67.60	6,382

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

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

Note:

- (i) This listed company will announce its financial information for the six-month period ended 30 June 2019 later than the Company.
- (ii) The Group consolidated the financial statements of the entity because it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity.

## 57 PRINCIPAL SUBSIDIARIES (Continued)

## Summarised financial information on subsidiaries with material minority interests

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

## Summarised consolidated balance sheet

	Marketing Company		SIPL		Shanghai Petrochemical		Fujian Petrochemical		Sinopec	Shanghai SECCO		Zhonghan Wuhan	
	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	Kantons (i)	At 30	At 31	At 30	At 31
	June	December	June	December	June	December	June	December	December	June	December	June	December
	2019	2018	2019	2018	2019	2018	2019	2018	2018	2019	2018	2019	2018
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Current assets	155,731	130,861	18,176	16,731	24,665	25,299	2,298	816	1,209	11,849	9,537	3,593	2,750
Current liabilities	(201,742)	(181,766)	(550)	(483)	(14,904)	(13,913)	(97)	(50)	(3,722)	(2,336)	(2,233)	(2,212)	(2,333)
<b>Net current</b>													
(liabilities)/assets	(46,011)	(50,905)	17,626	16,248	9,761	11,386	2,201	766	(2,513)	9,513	7,304	1,381	417
Non-current assets	326,021	261,062	38,491	38,020	19,322	19,241	10,793	11,444	12,895	11,881	12,301	12,187	12,612
Non-current liabilities	(65,865)	(2,086)	(31,156)	(31,050)	(157)	(140)	(689)	(688)	(132)	(1,695)	(1,698)	(2)	—
<b>Net non-current assets</b>	<b>260,156</b>	<b>258,976</b>	<b>7,335</b>	<b>6,970</b>	<b>19,165</b>	<b>19,101</b>	<b>10,104</b>	<b>10,756</b>	<b>12,763</b>	<b>10,186</b>	<b>10,603</b>	<b>12,185</b>	<b>12,612</b>

## Summarised consolidated statement of comprehensive income and cash flow

Six-month period ended 30 June	Marketing Company		SIPL		Shanghai Petrochemical		Fujian Petrochemical		Sinopec	Shanghai SECCO		Zhonghan Wuhan	
	2019	2018	2019	2018	2019	2018	2019	2018	Kantons (i)	2019	2018	2019	2018
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Turnover	690,178	666,967	1,731	2,574	51,993	52,188	2,740	2,997	683	14,573	15,782	7,371	8,290
Profit for the period	11,756	14,265	1,685	1,757	1,144	3,531	206	1,504	614	1,790	2,604	534	1,032
<b>Total comprehensive income</b>	<b>11,706</b>	<b>14,427</b>	<b>1,743</b>	<b>2,053</b>	<b>1,140</b>	<b>3,526</b>	<b>206</b>	<b>1,504</b>	<b>610</b>	<b>1,790</b>	<b>2,604</b>	<b>534</b>	<b>1,032</b>
Comprehensive income attributable to minority interests	3,900	4,785	992	1,157	578	1,751	103	752	239	580	844	187	361
Dividends paid to minority interests	2,125	1,034	—	—	1,644	1,614	—	—	58	—	—	—	—
<b>Net cash generated from/(used in) operating activities</b>	<b>15,931</b>	<b>11,929</b>	<b>1,441</b>	<b>1,849</b>	<b>246</b>	<b>4,227</b>	<b>(9)</b>	<b>(31)</b>	<b>217</b>	<b>2,619</b>	<b>1,703</b>	<b>833</b>	<b>1,524</b>

## 58 COMMITMENTS

## Capital commitments

At 30 June 2019 and 31 December 2018, the capital commitments of the Group are as follows:

	At 30 June 2019	At 31 December 2018
	RMB million	RMB million
Authorised and contracted for (i)	96,301	141,045
Authorised but not contracted for	85,254	54,392
<b>Total</b>	<b>181,555</b>	<b>195,437</b>

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

Note:

(i) The investment commitments of the Group is RMB 9,184 million (2018: RMB 5,553 million).

## Commitments to joint ventures

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

**58 COMMITMENTS** (Continued)

**Exploration and production licenses**

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

The Group is required to make payments of exploration license fees and production right usage fees to the Ministry of Natural Resources annually which are expensed.

Estimated future annual payments are as follows:

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Within one year	123	380
Between one and two years	48	79
Between two and three years	29	33
Between three and four years	27	28
Between four and five years	28	28
Thereafter	837	852
<b>Total</b>	<b>1,092</b>	<b>1,400</b>

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

**59 CONTINGENT LIABILITIES**

- (a) The Company has been advised by its PRC lawyers that, except for liabilities constituting or arising out of or relating to the business assumed by the Company in the Reorganisation, no other liabilities were assumed by the Company, and the Company is not jointly and severally liable for other debts and obligations incurred by Sinopec Group Company prior to the Reorganisation.
- (b) At 30 June 2019 and 31 December 2018, the guarantees by the Group in respect of facilities granted to the parties below are as follows:

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
Joint ventures	6,174	5,033
Associates (i)	11,492	12,168
Others	7,434	7,197
<b>Total</b>	<b>25,100</b>	<b>24,398</b>

Note:

- (i) The Group provided a guarantee in respect to standby credit facilities granted to Zhongtian Synergetic Energy by banks amount to RMB 17,050 million. At 30 June 2019, the amount withdrawn by Zhongtian Synergetic Energy from banks and guaranteed by the Group was RMB 11,492 million (2018: RMB 12,168 million).

The Group monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss will occur, and recognises any such losses under guarantees when those losses are reliably estimable. At 30 June 2019 and 31 December 2018, the Group estimates that there is no need to pay for the guarantees. Thus no liabilities have been accrued for a loss related to the Group's obligation under these guarantee arrangements.

**59 CONTINGENT LIABILITIES** (Continued)**Environmental contingencies**

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

The Group recognised normal routine pollutant discharge fees of approximately RMB 3,593 million in the consolidated financial statements for the six-month period ended 30 June 2019 (2018: RMB 3,008 million).

**Legal contingencies**

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

**60 SEGMENT REPORTING**

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

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

- (i) Exploration and production — which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Group and external customers.
- (ii) Refining — which processes and purifies crude oil, which is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Group and external customers.
- (iii) Marketing and distribution — which owns and operates oil depots and service stations in the PRC, and distributes and sells refined petroleum products (mainly gasoline and diesel) in the PRC through wholesale and retail sales networks.
- (iv) Chemicals — which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products to external customers.
- (v) Corporate and others — which largely comprise the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

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

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

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

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



## 60 SEGMENT REPORTING (Continued)

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

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
<b>Assets</b>		
<b>Segment assets</b>		
Exploration and production	396,629	321,686
Refining	314,328	271,356
Marketing and distribution	404,508	317,641
Chemicals	165,487	156,865
Corporate and others	173,377	152,799
<b>Total segment assets</b>	<b>1,454,329</b>	<b>1,220,347</b>
Cash at bank and on hand	163,147	167,015
Long-term equity investments	148,016	145,721
Deferred tax assets	18,526	21,694
Other unallocated assets	40,827	37,531
<b>Total assets</b>	<b>1,824,845</b>	<b>1,592,308</b>
<b>Liabilities</b>		
<b>Segment liabilities</b>		
Exploration and production	170,977	93,874
Refining	81,947	103,709
Marketing and distribution	230,367	159,028
Chemicals	48,962	37,380
Corporate and others	174,974	144,138
<b>Total segment liabilities</b>	<b>707,227</b>	<b>538,129</b>
Short-term loans	76,742	44,692
Non-current liabilities due within one year	42,097	17,450
Long-term loans	67,359	61,576
Debentures payable	22,975	31,951
Deferred tax liabilities	5,843	5,948
Other non-current liabilities	28,523	27,276
Other unallocated liabilities	5,767	7,627
<b>Total liabilities</b>	<b>956,533</b>	<b>734,649</b>
<b>Capital expenditure</b>		
Exploration and production	20,064	10,762
Refining	8,779	4,610
Marketing and distribution	8,071	5,373
Chemicals	5,674	2,635
Corporate and others	290	307
	<b>42,878</b>	<b>23,687</b>
<b>Depreciation, depletion and amortisation</b>		
Exploration and production	24,357	27,302
Refining	9,751	9,320
Marketing and distribution	10,519	8,010
Chemicals	6,907	6,398
Corporate and others	1,150	872
	<b>52,684</b>	<b>51,902</b>
<b>Impairment losses on long-lived assets</b>		
Refining	—	116
Chemicals	17	—
	<b>17</b>	<b>116</b>

	Six-month period ended 30 June 2019 RMB million	2018 RMB million
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Exploration and production	20,064	10,762
Refining	8,779	4,610
Marketing and distribution	8,071	5,373
Chemicals	5,674	2,635
Corporate and others	290	307
	<b>42,878</b>	<b>23,687</b>

Exploration and production	24,357	27,302
Refining	9,751	9,320
Marketing and distribution	10,519	8,010
Chemicals	6,907	6,398
Corporate and others	1,150	872
	<b>52,684</b>	<b>51,902</b>

Refining	—	116
Chemicals	17	—
	<b>17</b>	<b>116</b>

## 60 SEGMENT REPORTING (Continued)

## (2) Geographical information

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

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
<b>External sales</b>		
Mainland China	1,084,497	993,231
Singapore	192,006	159,709
Others	222,493	147,312
	<b>1,498,996</b>	<b>1,300,252</b>

	At 30 June	At 31 December
	2019	2018
	RMB million	RMB million
<b>Non-current assets</b>		
Mainland China	1,182,028	989,668
Others	53,201	50,892
	<b>1,235,229</b>	<b>1,040,560</b>

## 61 FINANCIAL INSTRUMENTS

## Overview

Financial assets of the Group include cash at bank and on hand, financial assets held for trading, derivative financial assets, bills receivable, accounts receivable, other receivables and other equity instrument investments. Financial liabilities of the Group include



## 61 FINANCIAL INSTRUMENTS (Continued)

## Credit risk (Continued)

## (ii) Impairment of financial assets

The Group's primary type of financial assets that are subject to the expected credit loss model is accounts receivable and other receivables.

The Group's cash deposits are placed only with large financial institutions with acceptable credit ratings, and there is no material impairment loss identified.

For accounts receivable, the Group applies the "No.22 Accounting Standards for Business Enterprises - Financial instruments: recognition and measurement" simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable.

To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2019 or 1 January 2019, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The detailed analysis of accounts receivable is listed in Note 9.

The Group's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses. The Group considers "low credit risk" for other receivables when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

## Liquidity risk

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

At 30 June 2019, the Group has standby credit facilities with several PRC financial institutions which provide the Group to borrow up to RMB 388,388 million (2018: RMB 387,748 million) on an unsecured basis, at a weighted average interest rate of 3.75% per annum (2018: 3.87%). At 30 June 2019, the Group's outstanding borrowings under these facilities were RMB 24,556 million (2018: RMB 21,236 million) and were included in loans.

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

	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	At 30 June 2019			
			Within one year or on demand RMB million	More than one year but less than two years RMB million	More than two years but less than five years RMB million	More than five years RMB million
Short-term loans	76,742	77,845	77,845	—	—	—
Non-current liabilities due within one year	42,097	42,728	42,728	—	—	—
Long-term loans	67,359	75,562	923	42,525	13,284	18,830
Debentures payable	22,975	28,746	906	4,815	16,837	6,188
Lease liabilities	182,309	315,524	—	14,076	39,584	261,864
Derivative financial liabilities	1,986	1,986	1,986	—	—	—
Bills payable	6,749	6,749	6,749	—	—	—
Accounts payable	225,017	225,017	225,017	—	—	—
Other payables and employee benefits payable	93,199	93,199	93,199	—	—	—
<b>Total</b>	<b>718,433</b>	<b>867,356</b>	<b>449,353</b>	<b>61,416</b>	<b>69,705</b>	<b>286,882</b>

## 61 FINANCIAL INSTRUMENTS (Continued)

## Liquidity risk (Continued)

	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	At 31 December 2018			
			Within one year or on demand RMB million	More than one year but less than two years RMB million	More than two years but less than five years RMB million	More than five years RMB million
Short-term loans	44,692	45,040	45,040	—	—	—
Non-current liabilities due within one year	17,450	18,053	18,053	—	—	—
Long-term loans	61,576	66,387	792	40,885	13,807	10,903
Debentures payable	31,951	38,674	1,269	14,030	17,124	6,251
Derivative financial liabilities	13,571	13,571	13,571	—	—	—
Bills payable	6,416	6,416	6,416	—	—	—
Accounts payable	186,341	186,341	186,341	—	—	—
Other payables and employee benefits payable	84,775	84,775	84,775	—	—	—
<b>Total</b>	<b>446,772</b>	<b>459,257</b>	<b>356,257</b>	<b>54,915</b>	<b>30,931</b>	<b>17,154</b>

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's short-term and long-term capital requirements.

## Market risk

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

## (a) Currency risk

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

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

## The Group

	At 30 June 2019 million	At 31 December 2018 million
<b>Gross exposure arising from loans and lease liabilities</b>		
US Dollar	1,029	668
Singapore Dollar	25	—

A 5 percent strengthening/weakening of Renminbi against the following currencies at 30 June 2019 and 31 December 2018 would have increased/decreased net profit for the period of the Group by the amounts shown below. This analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the foreign currency balances to which the Group has significant exposure as stated above, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

## The Group

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
US Dollar	265	172
Singapore Dollar	5	—

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

## (b) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term and long-term loans. Loans carrying interest at variable interest rates and at fixed interest rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of short-term and long-term loans of the Group are disclosed in Note 23 and Note 31, respectively.

At 30 June 2019, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the period by approximately RMB 609 million (at 31 December 2018: decrease/increase RMB 424 million). This sensitivity analysis has been determined assuming that the change of interest rates was applied to the Group's debts outstanding at the balance sheet date with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2018.

**61 FINANCIAL INSTRUMENTS** (Continued)

**Market risk** (Continued)

**(c) Commodity price risk**

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

At 30 June 2019, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as qualified cash flow hedges and economic hedges. At 30 June 2019, the fair value of such derivative hedging financial instruments is derivative financial assets of RMB 3,656 million (2018: RMB 7,844 million) and derivative financial liabilities of RMB 1,976 million (2018: RMB 13,568 million).

At 30 June 2019, it is estimated that a general increase/decrease of USD 10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would decrease/increase the Group's net profit for the period by approximately RMB 1,060 million (2018: decrease/increase RMB 197 million), and increase/decrease the Group's other comprehensive income by approximately RMB 3,601 million (2018: increase/decrease RMB 6,850 million). This sensitivity analysis has been determined assuming that the change in prices had occurred at the balance sheet date and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk. The analysis is performed on the same basis for 2018.

**Fair values**
**(i) Financial instruments carried at fair value**

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

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

**At 30 June 2019**
**The Group**

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>Assets</b>				
Financial assets held for trading:				
- Structured deposits	—	—	19,413	19,413
- Equity investments (listed and at quoted market price)	126	—	—	126
Derivative financial assets:				
- Derivative financial assets	2,131	1,559	—	3,690
Other equity instrument investments:				
- Other Investments	103	—	1,323	1,426
	<b>2,360</b>	<b>1,559</b>	<b>20,736</b>	<b>24,655</b>
<b>Liabilities</b>				
Derivative financial liabilities:				
- Derivative financial liabilities	220	1,766	—	1,986
	<b>220</b>	<b>1,766</b>	<b>—</b>	<b>1,986</b>

## 61 FINANCIAL INSTRUMENTS (Continued)

## Fair values (Continued)

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

At 31 December 2018

## The Group

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>Assets</b>				
Financial assets held for trading:				
- Structured deposits	—	—	25,550	25,550
- Equity investments (listed and at quoted market price)	182	—	—	182
Derivative financial assets:				
- Derivative financial assets	874	7,013	—	7,887
Other equity instrument investments:				
- Other investment	127	—	1,323	1,450
	<b>1,183</b>	<b>7,013</b>	<b>26,873</b>	<b>35,069</b>
<b>Liabilities</b>				
Derivative financial liabilities:				
- Derivative financial liabilities	5,500	8,071	—	13,571
	<b>5,500</b>	<b>8,071</b>	<b>—</b>	<b>13,571</b>

During the six-month period ended 30 June 2019, there was no transfer between instruments in Level 1 and Level 2.

Management of the Group uses discounted cash flow model with inputted interest rate and commodity index, which were influenced by historical fluctuation and the probability of market fluctuation, to evaluate the fair value of the structured deposits classified as Level 3 financial assets.

**62 BASIC AND DILUTED EARNINGS PER SHARE**
**(i) Basic earnings per share**

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

	Six-month period ended 30 June	
	2019	2018
Net profit attributable to equity shareholders of the Company (RMB million)	31,338	41,600
Weighted average number of outstanding ordinary shares of the Company (million)	121,071	121,071
<b>Basic earnings per share (RMB/share)</b>	<b>0.259</b>	<b>0.344</b>

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

	Six-month period ended 30 June	
	2019	2018
Weighted average number of outstanding ordinary shares of the Company at 1 January (million)	121,071	121,071
<b>Weighted average number of outstanding ordinary shares of the Company at 30 June (million)</b>	<b>121,071</b>	<b>121,071</b>

**(ii) Diluted earnings per share**

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

	Six-month period ended 30 June	
	2019	2018
Net profit attributable to equity shareholders of the Company (diluted) (RMB million)	31,338	41,599
Weighted average number of outstanding ordinary shares of the Company (diluted) (million)	121,071	121,071
<b>Diluted earnings per share (RMB/share)</b>	<b>0.259</b>	<b>0.344</b>

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

	Six-month period ended 30 June	
	2019	2018
Weighted average number of the ordinary shares issued at 30 June (million)	121,071	121,071
<b>Weighted average number of the ordinary shares issued at 30 June (diluted) (million)</b>	<b>121,071</b>	<b>121,071</b>

**63 RETURN ON NET ASSETS AND EARNINGS PER SHARE**

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

Six-month period ended 30 June	2019			2018		
	Weighted average return on net assets (%)	Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)	Weighted average return on net assets (%)	Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profit attributable to the Company's ordinary equity shareholders	4.28	0.259	0.259	5.74	0.344	0.344
Net profit deducted extraordinary gains and losses attributable to the Company's ordinary equity shareholders	4.16	0.252	0.252	5.49	0.329	0.329



(B) FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
 For the six-month period ended 30 June 2019  
 (Amounts in million, except per share data)

	Note	Six-month period ended 30 June	
		2019	2018
		RMB	RMB
<b>Turnover and other operating revenues</b>			
Turnover	3	1,466,833	1,268,803
Other operating revenues		32,163	31,449
		<b>1,498,996</b>	<b>1,300,252</b>
<b>Operating expenses</b>			
Purchased crude oil, products and operating supplies and expenses		(1,207,182)	(994,797)
Selling, general and administrative expenses		(24,765)	(31,332)
Depreciation, depletion and amortisation		(52,684)	(51,902)
Exploration expenses, including dry holes		(4,347)	(4,362)
Personnel expenses		(38,221)	(37,340)
Taxes other than income tax	4	(120,246)	(118,721)
Other operating expense, net		(2,413)	(222)
<b>Total operating expenses</b>		<b>(1,449,858)</b>	<b>(1,238,676)</b>
<b>Operating profit</b>		<b>49,138</b>	<b>61,576</b>
<b>Finance costs</b>			
Interest expense		(8,920)	(3,972)
Interest income		3,861	3,507
Foreign currency exchange (losses)/gains, net		(104)	202
<b>Net finance costs</b>		<b>(5,163)</b>	<b>(263)</b>
Investment income		231	840
Share of profits less losses from associates and joint ventures		5,875	6,618
<b>Profit before taxation</b>		<b>50,081</b>	<b>68,771</b>
Income tax expense	5	(10,140)	(14,586)
<b>Profit for the period</b>		<b>39,941</b>	<b>54,185</b>
<b>Attributable to:</b>			
Shareholders of the Company		32,206	42,386
Non-controlling interests		7,735	11,799
<b>Profit for the period</b>		<b>39,941</b>	<b>54,185</b>
<b>Earnings per share:</b>			
Basic	7	<b>0.266</b>	<b>0.350</b>
Diluted	7	<b>0.266</b>	<b>0.350</b>

Notes to the financial statements on pages 109 to 134 are parts of the interim condensed consolidated financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the period are set out in Note 6.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2019

(Amounts in million)

	Note	Six-month period ended 30 June	
		2019 RMB	2018 RMB
<b>Profit for the period</b>		<b>39,941</b>	<b>54,185</b>
<b>Other comprehensive income:</b>			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Equity investments at fair value through other comprehensive income		(20)	(17)
<b>Total items that may not be reclassified subsequently to profit or loss</b>		<b>(20)</b>	<b>(17)</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive income of associates and joint ventures		(509)	(113)
Cash flow hedges		4,791	(508)
Foreign currency translation differences		306	896
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>4,588</b>	<b>275</b>
<b>Total other comprehensive income</b>		<b>4,568</b>	<b>258</b>
<b>Total comprehensive income for the period</b>		<b>44,509</b>	<b>54,443</b>
<b>Attributable to:</b>			
Shareholders of the Company		36,784	42,389
Non-controlling interests		7,725	12,054
<b>Total comprehensive income for the period</b>		<b>44,509</b>	<b>54,443</b>

Financial Statements (International)  
(Unaudited)

Notes to the financial statements on pages 109 to 134 are parts of the interim condensed consolidated financial statements.



# UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

(Amounts in million)

	Note	30 June 2019 RMB	31 December 2018 RMB
<b>Non-current assets</b>			
Property, plant and equipment, net	8	601,278	617,762
Construction in progress	9	148,116	136,963
Right-of-use assets	10, 22	269,362	—
Goodwill		8,680	8,676
Interest in associates		92,029	89,537
Interest in joint ventures		55,987	56,184
Financial assets at fair value through other comprehensive income		1,426	1,450
Deferred tax assets		18,526	21,694
Lease prepayments		—	64,514
Long-term prepayments and other assets	11	84,583	91,408
<b>Total non-current assets</b>		<b>1,279,987</b>	<b>1,088,188</b>
<b>Current assets</b>			
Cash and cash equivalents		92,782	111,922
Time deposits with financial institutions		70,365	55,093
Financial assets at fair value through profit or loss		19,539	25,732
Derivative financial assets		3,690	7,887
Trade accounts receivable	12	72,455	56,993
Bills receivable	12	6,986	7,886
Inventories		222,891	184,584
Prepaid expenses and other current assets		56,150	54,023
<b>Total current assets</b>		<b>544,858</b>	<b>504,120</b>
<b>Current liabilities</b>			
Short-term debts	13	67,508	29,462
Loans from Sinopec Group Company and fellow subsidiaries	13	34,353	31,665
Lease liabilities	14, 22	15,489	—
Derivative financial liabilities		1,986	13,571
Trade accounts payable	15	225,017	186,341
Bills payable	15	6,749	6,416
Contract liabilities		130,002	124,793
Other payables		122,184	166,151
Income tax payable		2,147	6,699
<b>Total current liabilities</b>		<b>605,435</b>	<b>565,098</b>
<b>Net current liabilities</b>		<b>60,577</b>	<b>60,978</b>
<b>Total assets less current liabilities</b>		<b>1,219,410</b>	<b>1,027,210</b>
<b>Non-current liabilities</b>			
Long-term debts	13	46,568	51,011
Loans from Sinopec Group Company and fellow subsidiaries	13	43,766	42,516
Lease liabilities	14, 22	182,309	—
Deferred tax liabilities		5,843	5,948
Provisions		44,089	42,800
Other long-term liabilities		29,619	28,400
<b>Total non-current liabilities</b>		<b>352,194</b>	<b>170,675</b>
		<b>867,216</b>	<b>856,535</b>
<b>Equity</b>			
Share capital	16	121,071	121,071
Reserves		602,381	596,213
<b>Total equity attributable to shareholders of the Company</b>		<b>723,452</b>	<b>717,284</b>
<b>Non-controlling interests</b>		<b>143,764</b>	<b>139,251</b>
<b>Total equity</b>		<b>867,216</b>	<b>856,535</b>

These financial statements have been approved and authorised for issue by the board of directors on 23 August 2019.

**Dai Houliang**  
Chairman  
(Legal representative)

**Ma Yongsheng**  
President

**Wang Dehua**  
Chief Financial Officer

Notes to the financial statements on pages 109 to 134 are parts of the interim condensed consolidated financial statements.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2018

(Amounts in million)

	Share capital RMB	Capital reserve RMB	Share premium RMB	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total equity attributable to shareholders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 31 December 2017	121,071	26,326	55,850	82,682	117,000	(2,934)	326,125	726,120	126,770	852,890
Change in accounting policy	—	—	—	—	—	(12)	12	—	—	—
Balance at 1 January 2018	121,071	26,326	55,850	82,682	117,000	(2,946)	326,137	726,120	126,770	852,890
Profit for the period	—	—	—	—	—	—	42,386	42,386	11,799	54,185
Other comprehensive income	—	—	—	—	—	3	—	3	255	258
Total comprehensive income for the period	—	—	—	—	—	3	42,386	42,389	12,054	54,443
Transactions with owners, recorded directly in equity:										
Contributions by and distributions to owners:										
Final dividend for 2017 (Note 6)	—	—	—	—	—	—	(48,428)	(48,428)	—	(48,428)
Contributions to subsidiaries from non-controlling interests	—	—	—	—	—	—	—	—	448	448
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(3,092)	(3,092)
Total contributions by and distributions to owners	—	—	—	—	—	—	(48,428)	(48,428)	(2,644)	(51,072)
Transaction with non-controlling interests	—	32	—	—	—	—	—	32	(119)	(87)
Total transactions with owners	—	32	—	—	—	—	(48,428)	(48,396)	(2,763)	(51,159)
Others	—	—	—	—	—	864	(864)	—	4	4
Balance at 30 June 2018	121,071	26,358	55,850	82,682	117,000	(2,079)	319,231	720,113	136,065	856,178

Financial Statements (International)  
(Unaudited)

Notes to the financial statements on pages 109 to 134 are parts of the interim condensed consolidated financial statements.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six-month period ended 30 June 2019

(Amounts in million)

	Share capital RMB	Capital reserve RMB	Share premium RMB	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total equity attributable to shareholders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 1 January 2019	121,071	26,053	55,850	86,678	117,000	(4,477)	315,109	717,284	139,251	856,535
Profit for the period	—	—	—	—	—	—	32,206	32,206	7,735	39,941
Other comprehensive income	—	—	—	—	—	4,578	—	4,578	(10)	4,568
Total comprehensive income for the period	—	—	—	—	—	4,578	32,206	36,784	7,725	44,509
Amounts transferred to initial carrying amount of hedged items	—	—	—	—	—	808	—	808	55	863
Transactions with owners, recorded directly in equity:										
Contributions by and distributions to owners:										
Final dividend for 2018 (Note 6)	—	—	—	—	—	—	(31,479)	(31,479)	—	(31,479)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(3,705)	(3,705)
Contributions to subsidiaries from non-controlling interests	—	—	—	—	—	—	—	—	437	437
Total contributions by and distributions to owners	—	—	—	—	—	—	(31,479)	(31,479)	(3,268)	(34,747)
Total transactions with owners	—	—	—	—	—	—	(31,479)	(31,479)	(3,268)	(34,747)
Others	—	55	—	—	—	972	(972)	55	1	56
Balance at 30 June 2019	121,071	26,108	55,850	86,678	117,000	1,881	314,864	723,452	143,764	867,216

Note:

- The usage of the discretionary surplus reserve is similar to that of statutory surplus reserve.
- As at 30 June 2019, the amount of retained earnings available for distribution was RMB 124,049 million (2018: RMB 149,150 million), being the amount determined in accordance with CASs. According to the Articles of Association of the Company, the amount of retained earnings available for distribution to shareholders of the Company is lower of the amount determined in accordance with the accounting policies complying with CASs and the amount determined in accordance with the accounting policies complying with International Financial Reporting Standards ("IFRS").
- The capital reserve represents (i) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation (Note 1); and (ii) the difference between the considerations paid over or received the amount of the net assets of entities and related operations acquired from or sold to Sinopec Group Company and non-controlling interests.
- The application of the share premium account is governed by Sections 167 and 168 of the PRC Company Law.

Notes to the financial statements on pages 109 to 134 are parts of the interim condensed consolidated financial statements.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2019

(Amounts in million)

	Note	Six-month period ended 30 June	
		2019	2018
		RMB	RMB
<b>Net cash generated from operating activities</b>	<b>(a)</b>	<b>32,918</b>	<b>71,620</b>
<b>Investing activities</b>			
Capital expenditure		(41,935)	(32,548)
Exploratory wells expenditure		(4,318)	(2,536)
Purchase of investments, investments in associates and investments in joint ventures		(1,758)	(2,840)
Payments for financial assets at fair value through profit or loss		(10,200)	(4,000)
Proceeds from sale of financial assets at fair value through profit or loss		16,350	48,000
Payment for acquisition of subsidiary, net of cash acquired		—	(3,188)
Proceeds from disposal of investments and investments in associates		669	1,244
Proceeds from disposal of property, plant, equipment and other non-current assets		107	7,480
Increase in time deposits with maturities over three months		(53,813)	(38,617)
Decrease in time deposits with maturities over three months		38,541	40,004
Interest received		3,246	2,650
Investment and dividend income received		4,038	3,609
<b>Net cash (used in)/generated from investing activities</b>		<b>(49,073)</b>	<b>19,258</b>
<b>Financing activities</b>			
Proceeds from bank and other loans		331,459	317,798
Repayments of bank and other loans		(293,992)	(308,961)
Contributions to subsidiaries from non-controlling interests		1,570	502
Dividends paid by the Company		(31,479)	(48,428)
Distributions by subsidiaries to non-controlling interests		(648)	(7,250)
Interest paid		(3,214)	(2,956)
Payments made to acquire non-controlling interests		—	(13)
Repayments of lease liabilities		(6,891)	—
Proceeds from other financing activities		250	—
<b>Net cash used in financing activities</b>		<b>(2,945)</b>	<b>(49,308)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(19,100)</b>	<b>41,570</b>
Cash and cash equivalents at 1 January		111,922	113,218
Effect of foreign currency exchange rate changes		(40)	(34)
<b>Cash and cash equivalents at 30 June</b>		<b>92,782</b>	<b>154,754</b>

Financial Statements (International)  
(Unaudited)

Notes to the financial statements on pages 109 to 134 are parts of the interim condensed consolidated financial statements.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2019

(Amounts in million)

## (a) Reconciliation from profit before taxation to net cash generated from operating activities

	Six-month period ended 30 June	
	2019	2018
	RMB	RMB
<b>Operating activities</b>		
Profit before taxation	50,081	68,771
Adjustments for:		
Depreciation, depletion and amortisation	52,684	51,902
Dry hole costs written off	2,978	3,608
Share of profits from associates and joint ventures	(5,875)	(6,618)
Investment income	(231)	(840)
Interest income	(3,861)	(3,507)
Interest expense	8,920	3,972
Loss on foreign currency exchange rate changes and derivative financial instruments	333	1,484
Loss/(Gain) on disposal of property, plant, equipment and other non-currents assets, net	238	(218)
Impairment losses on assets	82	137
Credit impairment losses	13	(38)
	<b>105,362</b>	<b>118,653</b>
<b>Net changes from:</b>		
Accounts receivable and other current assets	(26,883)	(5,694)
Inventories	(38,372)	(38,891)
Accounts payable and other current liabilities	6,186	19,773
	<b>46,293</b>	<b>93,841</b>
Income tax paid	(13,375)	(22,221)
<b>Net cash generated from operating activities</b>	<b>32,918</b>	<b>71,620</b>

Notes to the financial statements on pages 109 to 134 are parts of the interim condensed consolidated financial statements.

## 1 PRINCIPAL ACTIVITIES AND ORGANISATION

### Principal activities

China Petroleum & Chemical Corporation (the "Company") is an energy and chemical company that, through its subsidiaries (hereinafter collectively referred to as the "Group"), engages in oil and gas and chemical operations in the People's Republic of China (the "PRC"). Oil and gas operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil and natural gas by pipelines; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products. Chemical operations include the manufacture and marketing of a wide range of chemicals for industrial uses.

### Organisation

The Company was established in the PRC on 25 February 2000 as a joint stock limited company as part of the reorganisation (the "Reorganisation") of China Petrochemical Corporation ("Sinopec Group Company"), the ultimate holding company of the Group and a ministry-level enterprise under the direct supervision of the State Council of the PRC. Prior to the incorporation of the Company, the oil and gas and chemical operations of the Group were carried on by oil administration bureaux, petrochemical and refining production enterprises and sales and marketing companies of Sinopec Group Company.

As part of the Reorganisation, certain of Sinopec Group Company's core oil and gas and chemical operations and businesses together with the related assets and liabilities were transferred to the Company. On 25 February 2000, in consideration for Sinopec Group Company transferring such oil and gas and chemical operations and businesses and the related assets and liabilities to the Company, the Company issued 68.8 billion domestic state-owned ordinary shares with a par value of RMB 1.00 each to Sinopec Group Company. The shares issued to Sinopec Group Company on 25 February 2000 represented the entire registered and issued share capital of the Company on that date. The oil and gas and chemical operations and businesses transferred to the Company were related to (i) the exploration, development and production of crude oil and natural gas, (ii) the refining, transportation, storage and marketing of crude oil and petroleum products, and (iii) the production and sales of chemicals.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting'.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Group during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards and interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had changed its accounting policies as a result of adopting IFRS 16 Leases ("New Lease Standard").

The impact of the adoption of the lease standard and the new accounting policies are disclosed in Note 22. The other standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

## 3 TURNOVER

Turnover primarily represents revenue from the sales of crude oil, refined petroleum products, chemical products and natural gas.

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Crude oil	305,092	202,938
Gasoline	346,549	341,910
Diesel	292,115	268,259
Basic chemical feedstock	112,606	119,108
Kerosene	90,788	71,335
Synthetic resin	60,804	61,078
Natural gas	23,939	20,206
Synthetic fiber monomers and polymers	48,342	36,979
Others (i)	186,598	146,990
	<b>1,466,833</b>	<b>1,268,803</b>

(i) Others are primarily liquefied petroleum gas and other refinery and chemical by-products and joint products.

## 4 TAXES OTHER THAN INCOME TAX

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Consumption tax	100,332	96,919
City construction tax	8,125	8,941
Education surcharge	5,908	6,731
Resources tax	2,978	2,892
Others	2,903	3,238
	<b>120,246</b>	<b>118,721</b>

## 5 INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Current tax		
– Provision for the period	8,580	19,028
– Adjustment of prior years	(230)	43
Deferred taxation	1,790	(4,485)
	<b>10,140</b>	<b>14,586</b>

## 6 DIVIDENDS

Dividends payable to shareholders of the Company attributable to the period represent:

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Interim dividends declared after the balance sheet date of RMB 0.12 per share (2018: RMB 0.16 per share)	<b>14,529</b>	<b>19,371</b>

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 23 August 2019, the directors authorised to declare the interim dividends for the year ending 31 December 2019 of RMB 0.12 (2018: RMB 0.16) per share totalling RMB 14,529 million (2018: RMB 19,371 million). Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

Dividends payable to shareholders of the Company attributable to the previous financial year, approved during the period represent:

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Final cash dividends in respect of the previous financial year, approved during the period of RMB 0.26 per share (2018: RMB 0.40 per share)	<b>31,479</b>	<b>48,428</b>

Pursuant to the shareholders' approval at the Annual General Meeting on 9 May 2019, a final dividend of RMB 0.26 per share totalling RMB 31,479 million according to total shares on 10 June 2019 was approved. All dividends have been paid in June 2019.

Pursuant to the shareholders' approval at the Annual General Meeting on 15 May 2018, a final dividend of RMB 0.40 per share totalling RMB 48,428 million according to total shares on 4 June 2018 was approved. All dividends have been paid in June 2018.

**7 BASIC AND DILUTED EARNINGS PER SHARE**

The calculation of basic earnings per share for the six-month period ended 30 June 2019 is based on the profit attributable to ordinary shareholders of the Company of RMB 32,206 million (2018: RMB 42,386 million) and the weighted average number of shares of 121,071,209,646 (2018: 121,071,209,646) during the period.

The calculation of diluted earnings per share for the six-month period ended 30 June 2019 is based on the profit attributable to ordinary shareholders of the Company (diluted) of RMB 32,206 million (2018: RMB 42,386 million) and the weighted average number of shares of 121,071,209,646 (2018: 121,071,209,646) calculated as follows:

**(i) Profit attributable to ordinary shareholders of the Company (diluted)**

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Profit attributable to ordinary shareholders of the Company	32,206	42,386
After tax effect of employee share option scheme of Shanghai Petrochemical	—	(0)
<b>Profit attributable to ordinary shareholders of the Company (diluted)</b>	<b>32,206</b>	<b>42,386</b>

**(ii) Weighted average number of shares (diluted)**

	Six-month period ended 30 June	
	2019	2018
	Number of shares	Number of shares
Weighted average number of shares at 30 June	121,071,209,646	121,071,209,646
<b>Weighted average number of shares (diluted) at 30 June</b>	<b>121,071,209,646</b>	<b>121,071,209,646</b>



8 PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings RMB million	Oil and gas, properties RMB million	Equipment, machinery and others RMB million	Total RMB million
<b>Cost:</b>				
Balance at 1 January 2018	120,013	667,657	940,312	1,727,982
Additions	101	745	1,377	2,223
Transferred from c0 l3.017IS7and gas,				

## 9 CONSTRUCTION IN PROGRESS

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
Balance at 1 January	136,963	118,645
Additions	41,285	21,637
Dry hole costs written off	(2,978)	(3,608)
Transferred to property, plant and equipment	(25,271)	(14,594)
Reclassification to other long-term assets	(1,863)	(3,115)
Impairment losses for the period	(17)	—
Disposals	(4)	(9)
Exchange adjustments	1	1
<b>Balance at 30 June</b>	<b>148,116</b>	<b>118,957</b>

As at 30 June 2019, the amount of capitalised cost of exploratory wells included in construction in progress related to the exploration and production segment was RMB 7,155 million (2018: RMB 7,296 million). The geological and geophysical exploration costs paid during the period ended 30 June 2019 were RMB 1,257 million (2018: RMB 1,031 million).

## 10 RIGHT-OF-USE ASSETS

	Land	Others	Total
	RMB million	RMB million	RMB million
<b>Cost:</b>			
Balance at 31 December 2018	—	—	—
Change in accounting policy	244,588	27,381	271,969
Balance at 1 January 2019	244,588	27,381	271,969
Movement	1,268	3,374	4,642
<b>Balance at 30 June 2019</b>	<b>245,856</b>	<b>30,755</b>	<b>276,611</b>
<b>Accumulated depreciation</b>			
Balance at 31 December 2018	—	—	—
Balance at 1 January 2019	—	—	—
Movement	4,575	2,674	7,249
<b>Balance at 30 June 2019</b>	<b>4,575</b>	<b>2,674</b>	<b>7,249</b>
<b>Impairment loss</b>			
Balance at 31 December 2018	—	—	—
Balance at 1 January 2019	—	—	—
Movement	—	—	—
<b>Balance at 30 June 2019</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net book value:</b>			
Balance at 30 June 2019	241,281	28,081	269,362
Balance at 31 December 2018	—	—	—

## 11 LONG-TERM PREPAYMENTS AND OTHER ASSETS

	30 June 2019 RMB million	31 December 2018 RMB million
Operating rights of service stations	34,264	34,934
Long-term receivables from and prepayment to Sinopec Group Company and fellow subsidiaries	26,566	26,513
Prepayments for construction projects to third parties	7,210	5,502
Others (i)	16,543	24,459
	<b>84,583</b>	<b>91,408</b>

Note:

(i) Others mainly comprise catalyst expenditures and improvement expenditures of property, plant and equipment.

The cost of operating rights of service stations is charged to expense on a straight-line basis over the respective periods of the rights. The movement of operating rights of service stations is as follows:

	Six-month period ended 30 June	
	2019 RMB million	2018 RMB million
<b>Operating rights of service stations</b>		
<b>Cost:</b>		
Balance at 1 January	52,216	48,613
Additions	515	448
Decreases	(64)	(153)
<b>Balance at 30 June</b>	<b>52,667</b>	<b>48,908</b>
<b>Accumulated amortisation:</b>		
Balance at 1 January	17,282	14,345
Additions	1,138	1,064
Decreases	(17)	(28)
<b>Balance at 30 June</b>	<b>18,403</b>	<b>15,381</b>
<b>Net book value at 30 June</b>	<b>34,264</b>	<b>33,527</b>

## 12 TRADE ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

	30 June 2019 RMB million	31 December 2018 RMB million
Amounts due from third parties	62,653	50,108
Amounts due from Sinopec Group Company and fellow subsidiaries	4,261	3,170
Amounts due from associates and joint ventures	6,141	4,321
	<b>73,055</b>	<b>57,599</b>
Less: Impairment losses for bad and doubtful debts	(600)	(606)
Trade accounts receivable, net	<b>72,455</b>	<b>56,993</b>
Bills receivable	6,986	7,886
	<b>79,441</b>	<b>64,879</b>

The ageing analysis of trade accounts receivable (net of impairment losses for bad and doubtful debts) is as follows:

	30 June 2019 RMB million	31 December 2018 RMB million
Within one year	72,114	56,431
Between one and two years	225	353
Between two and three years	88	124
Over three years	28	85
	<b>72,455</b>	<b>56,993</b>

Impairment losses for bad and doubtful debts are analysed as follows:

	Six-month period ended 30 June 2019 RMB million	2018 RMB million
Balance at 1 January	606	612
Provision for the period	35	16
Written back for the period	(33)	(37)
Written off for the period	(8)	(1)
Others	—	2
<b>Balance at 30 June</b>	<b>600</b>	<b>592</b>

Sales are generally on a cash term. Credit is generally only available for major customers with well-established trading records. Amounts due from Sinopec Group Company and fellow subsidiaries are repayable under the same terms.

Trade accounts receivable and bills receivable (net of impairment losses for bad and doubtful debts) primarily represent receivables that are neither past due nor impaired. These receivables relate to a wide range of customers for whom there is no recent history of default.

Information about the impairment of trade accounts receivable and the Group's exposure to credit risk can be found in Note 20.

## 13 SHORT-TERM AND LONG-TERM DEBTS AND LOANS FROM SINOPEC GROUP COMPANY AND FELLOW SUBSIDIARIES

Short-term debts represent:

	30 June 2019 RMB million	31 December 2018 RMB million
<b>Third parties' debts</b>		
<b>Short-term bank loans</b>	<b>46,770</b>	<b>17,088</b>
RMB denominated	43,547	13,201
US Dollar ("USD") denominated	3,223	3,887
<b>Short-term other loans</b>	<b>40</b>	<b>300</b>
RMB denominated	40	300
<b>Current portion of long-term bank loans</b>	<b>11,698</b>	<b>12,074</b>
RMB denominated	11,663	12,039
USD denominated	35	35
<b>Current portion of long-term corporate bonds</b>	<b>9,000</b>	<b>—</b>
RMB denominated	9,000	—
	<b>20,698</b>	<b>12,074</b>
	<b>67,508</b>	<b>29,462</b>
<b>Loans from Sinopec Group Company and fellow subsidiaries</b>		
<b>Short-term loans</b>	<b>29,932</b>	<b>27,304</b>
RMB denominated	1,565	3,061
USD denominated	27,421	22,780
Hong Kong Dollar ("HKD") denominated	931	1,441
EUR denominated	15	22
<b>Current portion of long-term loans</b>	<b>4,421</b>	<b>4,361</b>
RMB denominated	4,421	4,361
	<b>34,353</b>	<b>31,665</b>
	<b>101,861</b>	<b>61,127</b>

The Group's weighted average interest rates on short-term loans were 3.26% (2018: 3.37%) per annum at 30 June 2019. The above borrowings are unsecured.

## 13 SHORT-TERM AND LONG-TERM DEBTS AND LOANS FROM SINOPEC GROUP COMPANY AND FELLOW SUBSIDIARIES (Continued)

Long-term debts represent:

Interest rate and final maturity		30 June 2019 RMB million	31 December 2018 RMB million
<b>Third parties' debts</b>			
<b>Long-term bank loans</b>			
RMB denominated	Interest rates ranging from 1.08% to 4.66% per annum at 30 June 2019 with maturities through 2034	35,195	31,025
USD denominated	Interest rates ranging from 1.55% to 4.29% per annum at 30 June 2019 with maturities through 2031	96	109
		<b>35,291</b>	<b>31,134</b>
<b>Corporate bonds (i)</b>			
RMB denominated	Fixed interest rates ranging from 3.70% to 4.90% per annum at 30 June 2019 with maturity through 2022	20,000	20,000
USD denominated	Fixed interest rates ranging from 3.13% to 4.25% per annum at 30 June 2019 with maturities through 2043	11,975	11,951
		<b>31,975</b>	<b>31,951</b>
<b>Total third parties' long-term debts</b>		<b>67,266</b>	<b>63,085</b>
Less: Current portion		(20,698)	(12,074)
		<b>46,568</b>	<b>51,011</b>
<b>Long-term loans from Sinopec Group Company and fellow subsidiaries</b>			
RMB denominated	Interest rates ranging from interest free to 4.99% per annum at 30 June 2019 with maturities through 2034	48,187	46,877
Less: Current portion		(4,421)	(4,361)
		<b>43,766</b>	<b>42,516</b>
		<b>90,334</b>	<b>93,527</b>

Short-term and long-term bank loans, short-term other loans and loans from Sinopec Group Company and fellow subsidiaries are primarily unsecured and carried at amortised cost.

Note:

- (i) These corporate bonds are carried at amortised cost. At 30 June 2019, RMB 11,975 million (2018: RMB 11,951 million) (USD denominated corporate bonds) are guaranteed by Sinopec Group Company.

## 14 LEASE LIABILITIES

	30 June 2019 RMB million	1 January 2019 RMB million
<b>Lease liabilities</b>		
Current	15,489	13,894
Non-current	182,309	184,670
	<b>197,798</b>	<b>198,564</b>

## 15 TRADE ACCOUNTS PAYABLE AND BILLS PAYABLE

	30 June 2019	31 December 2018
	RMB million	RMB million
Amounts due to third parties	205,144	170,818
Amounts due to Sinopec Group Company and fellow subsidiaries	10,114	9,142
Amounts due to associates and joint ventures	9,759	6,381
	<b>225,017</b>	<b>186,341</b>
Bills payable	6,749	6,416
<b>Trade accounts and bills payables measured at amortised cost</b>	<b>231,766</b>	<b>192,757</b>

The ageing analysis of trade accounts payable is as follows:

	30 June 2019	31 December 2018
	RMB million	RMB million
Within 1 month or on demand	216,429	181,035
Between 1 month and 6 months	2,197	2,154
Over 6 months	6,391	3,152
	<b>225,017</b>	<b>186,341</b>

## 16 SHARE CAPITAL

	30 June 2019	31 December 2018
	RMB million	RMB million
<b>Registered, issued and fully paid</b>		
95,557,771,046 listed A shares (2018: 95,557,771,046) of RMB 1.00 each	95,558	95,558
25,513,438,600 listed H shares (2018: 25,513,438,600) of RMB 1.00 each	25,513	25,513
	<b>121,071</b>	<b>121,071</b>

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

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

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

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

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

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

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

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

**16 SHARE CAPITAL** (Continued)

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

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

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

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

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

**Capital management**

Management optimises the structure of the Group's capital, which comprises of equity and debts. In order to maintain or adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans. Management monitors capital on the basis of the debt-to-capital ratio, which is calculated by dividing long-term loans (excluding current portion), including long-term debts and loans from Sinopec Group Company and fellow subsidiaries, by the total of equity attributable to shareholders of the Company and long-term loans (excluding current portion), and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. Management's strategy is to make appropriate adjustments according to the Group's operating and investment needs and the changes of market conditions, and to maintain the debt-to-capital ratio and the liability-to-asset ratio of the Group at a range considered reasonable. As at 30 June 2019, the debt-to-capital ratio and the liability-to-asset ratio of the Group were 11.1% (2018: 11.5%) and 52.5% (2018: 46.2%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Note 13 and 17, respectively.

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

**17 COMMITMENTS AND CONTINGENT LIABILITIES****Capital commitments**

At 30 June 2019 and 31 December 2018, capital commitments of the Group are as follows:

	30 June 2019 RMB million	31 December 2018 RMB million
Authorised and contracted for (i)	96,301	141,045
Authorised but not contracted for	85,254	54,392
	<b>181,555</b>	<b>195,437</b>

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

Note:

(i) The investment commitments of the Group is RMB 9,184 million (2018: RMB 5,553 million).

**Commitments to joint ventures**

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

**Exploration and production licenses**

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

The Group is required to make payments of exploration license fees and production right usage fees to the Ministry of Natural Resources annually which are expensed.



## 17 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

## Exploration and production licenses (Continued)

Estimated future annual payments are as follows:

	30 June 2019 RMB million	31 December 2018 RMB million
Within one year	123	380
Between one and two years	48	79
Between two and three years	29	33
Between three and four years	27	28
Between four and five years	28	28
Thereafter	837	852
	<b>1,092</b>	<b>1,400</b>

## Contingent liabilities

At 30 June 2019 and 31 December 2018, the guarantees by the Group in respect of facilities granted to the parties below are as follows:

	30 June 2019 RMB million	31 December 2018 RMB million
Joint ventures	6,174	5,033
Associates (ii)	11,492	12,168
Others	7,434	7,197
	<b>25,100</b>	<b>24,398</b>

Management monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss will occur, and recognises any such losses under guarantees when those losses are reliably estimable. At 30 June 2019 and 31 December 2018, the Group estimates that there is no need to pay for the guarantees. Thus no liability has been accrued for a loss related to the Group's obligation under these guarantee arrangements.

Note:

- (ii) The Group provided a guarantee in respect to standby credit facilities granted to Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic Energy") by banks amount to RMB 17,050 million. At 30 June 2019, the amount withdrawn by Zhongtian Synergetic Energy and guaranteed by the Group was RMB 11,492 million (31 December 2018: RMB 12,168 million).

## Environmental contingencies

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect management's ability to estimate the ultimate cost of remediation efforts. These

## 18 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control or common control. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

## (a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures

The Group is part of a larger group of companies under Sinopec Group Company, which is controlled by the PRC government, and has significant transactions and relationships with Sinopec Group Company and fellow subsidiaries. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

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

	Note	Six-month period ended 30 June	
		2019	2018
		RMB million	RMB million
Sales of goods	(i)	140,187	125,146
Purchases	(ii)	92,849	107,415
Transportation and storage	(iii)	3,615	3,314
Exploration and development services	(iv)	10,453	5,430
Production related services	(v)	12,827	6,912
Ancillary and social services	(vi)	1,544	3,255
Operating lease charges for land	(vii)	—	4,027
Operating lease charges for buildings	(vii)	—	219
Other operating lease charges	(vii)	—	308
Agency commission income	(viii)	56	52
Interest income	(ix)	497	435
Interest expense	(x)	782	431
Net deposits (placed with)/withdrawn from related parties	(ix)	(8,414)	2,377
Net funds obtained from related parties	(xi)	15,260	21,476

The amounts set out in the table above in respect of the six-month periods ended 30 June 2019 and 2018 represent the relevant costs and income as determined by the corresponding contracts with the related parties.

Included in the transactions disclosed above, for the six-month period ended 30 June 2019 are: a) purchases by the Group from Sinopec Group Company and fellow subsidiaries amounting to RMB 66,026 million (2018: RMB 63,211 million) comprising purchases of products and services (i.e. procurement, transportation and storage, exploration and development services and production related services) of RMB 57,863 million (2018: RMB 55,044 million), ancillary and social services provided by Sinopec Group Company and fellow subsidiaries of RMB 1,544 million (2018: RMB 3,255 million), lease charges for land, buildings and others paid by the Group of RMB 5,386 million, RMB 252 million and RMB 199 million (2018: RMB 4,027 million, RMB 219 million and RMB 235 million), respectively and interest expenses of RMB 782 million (2018: RMB 431 million); and b) sales by the Group to Sinopec Group Company and fellow subsidiaries amounting to RMB 31,250 million (2018: RMB 23,608 million), comprising RMB 30,743 million (2018: RMB 23,164 million) for sales of goods, RMB 497 million (2018: RMB 435 million) for interest income and RMB 10 million (2018: RMB 9 million) for agency commission income.

For the six-month period ended 30 June 2019, no individually significant right-of-use assets were leased from Sinopec Group Company and fellow subsidiaries, associates and joint ventures by the Group. The interest expense recognised for the six-month period ended 30 June 2019 on lease liabilities in respect of amounts due to Sinopec Group Company and fellow subsidiaries, associates and joint ventures was RMB 4,319 million.

For the six-month period ended 30 June 2019, the amount of rental the Group paid to Sinopec Group Company and fellow subsidiaries, associates and joint ventures for land, buildings and others are RMB 5,386 million, RMB 270 million and RMB 217 million (2018: RMB 3,446 million, RMB 306 million and RMB 309 million).

As at 30 June 2019 and 31 December 2018 there was no guarantee given to banks by the Group in respect of banking facilities to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, except for the disclosure set out in Note 17. Guarantees given to banks by the Group in respect of banking facilities to associates and joint ventures are disclosed in Note 17.

Note:

- (i) Sales of goods represent the sale of crude oil, intermediate petrochemical products, petroleum products and ancillary materials.
- (ii) Purchases represent the purchase of materials and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.
- (iii) Transportation and storage represent the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.

## 18 RELATED PARTY TRANSACTIONS (Continued)

## (a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures (Continued)

Note: (Continued)

- (iv) Exploration and development services comprise direct costs incurred in the exploration and development such as geophysical, drilling, well testing and well measurement services.
- (v) Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, firefighting, security, product quality testing and analysis, information technology, design and engineering, construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management and environmental protection and management services.
- (vi) Ancillary and social services represent expenditures for social welfare and support services such as educational facilities, media communication services, sanitation, accommodation, canteens and property maintenance.
- (vii) Operating lease charges represent the rental incurred for operating leases in respect of land, buildings and equipment leased from Sinopec Group Company and fellow subsidiaries, associates and joint ventures. No lease charges have incurred during the current period because of the adoption of the new lease standard.
- (viii) Agency commission income represents commission earned for acting as an agent in respect of sales of products and purchase of materials for certain entities owned by Sinopec Group Company.
- (ix) Interest income represents interest received from deposits placed with Sinopec Finance Company Limited ("Sinopec Finance") and Sinopec Century Bright Capital Investment Limited, finance companies controlled by Sinopec Group Company. The applicable interest rate is determined in accordance with the prevailing saving deposit rate. The balance of deposits at 30 June 2019 was RMB 49,471 million (2018: RMB 41,057 million).
- (x) Interest expense represents interest charges on the loans obtained from Sinopec Group Company and fellow subsidiaries.
- (xi) The Group obtained loans, discounted bills and others from Sinopec Group Company and fellow subsidiaries.

In connection with the Reorganisation, the Company and Sinopec Group Company entered into a number of agreements under which 1) Sinopec Group Company will provide goods and products and a range of ancillary, social and supporting services to the Group and 2) the Group will sell certain goods to Sinopec Group Company. These agreements impacted the operating results of the Group for the six-month period ended 30 June 2019. The terms of these agreements are summarised as follows:

- The Company has entered into a non-exclusive "Agreement for Mutual Provision of Products and Ancillary Services" ("Mutual Provision Agreement") with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain ancillary production services, construction services, information advisory services, supply services and other services and products. While each of Sinopec Group Company and the Company is permitted to terminate the Mutual Provision Agreement upon at least six months notice, Sinopec Group Company has agreed not to terminate the agreement if the Group is unable to obtain comparable services from a third party. The pricing policy for these services and products provided by Sinopec Group Company to the Group is as follows:
  - (1) the government-prescribed price;
  - (2) where there is no government-prescribed price, the government-guidance price;
  - (3) where there is neither a government-prescribed price nor a government-guidance price, the market price; or
  - (4) where none of the above is applicable, the price to be agreed between the parties, which shall be based on a reasonable cost incurred in providing such services plus a profit margin not exceeding 6%.
- The Company has entered into a non-exclusive "Agreement for Provision of Cultural and Educational, Health Care and Community Services" with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain cultural, educational, health care and community services on the same pricing terms and termination conditions as described in the above Mutual Provision Agreement.
- The Company has entered into a series of lease agreements with Sinopec Group Company to lease certain lands and buildings effective on 1 January 2000. The lease term is 40 or 50 years for lands and 20 years for buildings, respectively. The Company and Sinopec Group Company can renegotiate the rental amount every three years for land. The Company and Sinopec Group Company can renegotiate the rental amount for buildings every year. However such amount cannot exceed the market price as determined by an independent third party.
- The Company has entered into agreements with Sinopec Group Company effective from 1 January 2000 under which the Group has been granted the right to use certain trademarks, patents, technology and computer software developed by Sinopec Group Company.
- The Company has entered into a service stations franchise agreement with Sinopec Group Company effective from 1 January 2000 under which its service stations and retail stores would exclusively sell the refined products supplied by the Group.
- On the basis of a series of continuing connected transaction agreements signed in 2000, the Company and Sinopec Group Company have signed the Fifth Supplementary Agreement and the Fourth Revised Memorandum of land use rights leasing contract on 24 August 2018, which took effect on 1 January 2019 and made adjustment to "Mutual Supply Agreement", "Agreement for Provision of Cultural and Educational, Health Care and Community Services", "Buildings Leasing Contract", "Intellectual Property Contract" and "Land Use Rights Leasing Contract" etc.

## 18 RELATED PARTY TRANSACTIONS (Continued)

## (a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures (Continued)

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures included in the following accounts captions are summarised as follows:

	30 June 2019 RMB million	31 December 2018 RMB million
Trade accounts receivable	10,394	7,481
Bills receivable	331	74
Prepaid expenses and other current assets	13,123	7,665
Long-term prepayments and other assets	23,819	23,482
<b>Total</b>	<b>47,667</b>	<b>38,702</b>
Trade accounts payable	19,873	15,523
Bills payable	1,789	2,007
Contract liabilities	4,291	3,273
Other payables	18,177	18,160
Other long-term liabilities	12,780	12,470
Short-term loans and current portion of long-term loans from Sinopec Group Company and fellow subsidiaries	34,353	31,665
Long-term loans excluding current portion from Sinopec Group Company and fellow subsidiaries	43,766	42,516
Lease liabilities	176,840	—
<b>Total</b>	<b>311,869</b>	<b>125,614</b>

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, other than short-term loans and long-term loans, bear no interest, are unsecured and are repayable in accordance with normal commercial terms. The terms and conditions associated with short-term loans and long-term loans payable to Sinopec Group Company and fellow subsidiaries are set out in Note 13.

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

As at and for the six-month period ended 30 June 2019, and as at and for the year ended 31 December 2018, no individually significant impairment losses for bad and doubtful debts were recognised in respect of amounts due from Sinopec Group Company and fellow subsidiaries, associates and joint ventures.

## (b) Key management personnel emoluments

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

	Six-month period ended 30 June	
	2019 RMB'000	2018 RMB'000
Short-term employee benefits	5,353	2,718
Retirement scheme contributions	225	150
	<b>5,578</b>	<b>2,868</b>

**18 RELATED PARTY TRANSACTIONS** (Continued)**(c) Contributions to defined contribution retirement plans**

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. As at 30 June 2019 and 31 December 2018, the accrual for the contribution to post-employment benefit plans was not material.

**(d) Transactions with other state-controlled entities in the PRC**

The Group is a state-controlled energy and chemical enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred as "state-controlled entities").

Apart from transactions with Sinopec Group Company and fellow subsidiaries, the Group has transactions with other state-controlled entities, include but not limited to the followings:

- sales and purchases of goods and ancillary materials;
- rendering and receiving services;
- lease of assets;
- depositing and borrowing money; and
- uses of public utilities.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

**19 SEGMENT REPORTING**

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

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

- (i) Exploration and production, which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Group and external customers.
- (ii) Refining, which processes and purifies crude oil, that is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Group and external customers.
- (iii) Marketing and distribution, which owns and operates oil depots and service stations in the PRC, and distributes and sells refined petroleum products (mainly gasoline and diesel) in the PRC through wholesale and retail sales networks.
- (iv) Chemicals, which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products mainly to external customers.
- (v) Corporate and others, which largely comprise the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

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

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

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

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for interest in associates and joint ventures, investments, deferred tax assets, cash and cash equivalents, time deposits with financial institutions and other unallocated assets. Segment liabilities exclude short-term debts, income tax payable, long-term debts, loans from Sinopec Group Company and fellow subsidiaries, deferred tax liabilities and other unallocated liabilities.

## 19 SEGMENT REPORTING (Continued)

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

Information of the Group's reportable segments is as follows:

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
<b>Turnover</b>		
Exploration and production		
External sales	54,495	41,145
Inter-segment sales	44,993	42,607
	<b>99,488</b>	<b>83,752</b>
Refining		
External sales	69,905	69,665
Inter-segment sales	525,368	521,193
	<b>595,273</b>	<b>590,858</b>
Marketing and distribution		
External sales	672,739	648,949
Inter-segment sales	1,906	2,623
	<b>674,645</b>	<b>651,572</b>
Chemicals		
External sales	225,366	218,806
Inter-segment sales	27,843	30,057
	<b>253,209</b>	<b>248,863</b>
Corporate and others		
External sales	444,328	290,238
Inter-segment sales	324,986	294,555
	<b>769,314</b>	<b>584,793</b>
Elimination of inter-segment sales	(925,096)	(891,035)
<b>Turnover</b>	<b>1,466,833</b>	<b>1,268,803</b>
<b>Other operating revenues</b>		
Exploration and production	4,316	4,172
Refining	2,524	2,469
Marketing and distribution	17,197	16,753
Chemicals	7,279	7,405
Corporate and others	847	650
<b>Other operating revenues</b>	<b>32,163</b>	<b>31,449</b>
<b>Turnover and other operating revenues</b>	<b>1,498,996</b>	<b>1,300,252</b>
<b>Result</b>		
<b>Operating profit/(loss)</b>		
By segment		
- Exploration and production	6,243	(412)
- Refining	19,090	38,932
- Marketing and distribution	14,709	17,186
- Chemicals	11,895	15,764
- Corporate and others	(2,555)	(4,454)
- Elimination	(244)	(5,440)
<b>Total segment operating profit</b>	<b>49,138</b>	<b>61,576</b>
<b>Share of profits/(losses) from associates and joint ventures</b>		
- Exploration and production	1,736	1,087
- Refining	(509)	487
- Marketing and distribution	1,670	1,125
- Chemicals	1,873	3,137
- Corporate and others	1,105	782
<b>Aggregate share of profits from associates and joint ventures</b>	<b>5,875</b>	<b>6,618</b>
<b>Investment (losses)/income</b>		
- Exploration and production	(2)	2
- Refining	25	12
- Marketing and distribution	51	11
- Chemicals	9	13
- Corporate and others	148	802
<b>Aggregate investment income</b>	<b>231</b>	<b>840</b>
<b>Net finance costs</b>	<b>(5,163)</b>	<b>(263)</b>
<b>Profit before taxation</b>	<b>50,081</b>	<b>68,771</b>

## 19 SEGMENT REPORTING (Continued)

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

Information of the Group's reportable segments is as follows (Continued):

	At 30 June 2019 RMB million	At 31 December 2018 RMB million
<b>Assets</b>		
<b>Segment assets</b>		
- Exploration and production	396,629	321,686
- Refining	314,328	271,356
- Marketing and distribution	404,508	317,641
- Chemicals	165,487	156,865
- Corporate and others	173,377	152,799
<b>Total segment assets</b>	<b>1,454,329</b>	<b>1,220,347</b>
Interest in associates and joint ventures	148,016	145,721
Financial assets at fair value through other comprehensive income	1,426	1,450
Deferred tax assets	18,526	21,694
Cash and cash equivalents, time deposits with financial institutions	163,147	167,015
Other unallocated assets	39,401	36,081
<b>Total assets</b>	<b>1,824,845</b>	<b>1,592,308</b>
<b>Liabilities</b>		
<b>Segment liabilities</b>		
- Exploration and production	176,740	94,170
- Refining	84,443	103,809
- Marketing and distribution	237,468	159,536
- Chemicals	49,173	37,413
- Corporate and others	176,381	144,216
<b>Total segment liabilities</b>	<b>724,205</b>	<b>539,144</b>
Short-term debts	67,508	29,462
Income tax payable	2,147	6,699
Long-term debts	46,568	51,011
Loans from Sinopec Group Company and fellow subsidiaries	78,119	74,181
Deferred tax liabilities	5,843	5,948
Other unallocated liabilities	33,239	29,328
<b>Total liabilities</b>	<b>957,629</b>	<b>735,773</b>
<b>Capital expenditure</b>		
Exploration and production	20,064	10,762
Refining	8,779	4,610
Marketing and distribution	8,071	5,373
Chemicals	5,674	2,635
Corporate and others	290	307
	<b>42,878</b>	<b>23,687</b>
<b>Depreciation, depletion and amortisation</b>		
Exploration and production	24,357	27,302
Refining	9,751	9,320
Marketing and distribution	10,519	8,010
Chemicals	6,907	6,398
Corporate and others	1,150	872
	<b>52,684</b>	<b>51,902</b>
<b>Impairment losses on long-lived assets</b>		
Refining	—	116
Chemicals	17	—
	<b>17</b>	<b>116</b>

	Six-month period ended 30 June 2019 RMB million	2018 RMB million
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<b>Capital expenditure</b>		
Exploration and production	20,064	10,762
Refining	8,779	4,610
Marketing and distribution	8,071	5,373
Chemicals	5,674	2,635
Corporate and others	290	307
	<b>42,878</b>	<b>23,687</b>

<b>Depreciation, depletion and amortisation</b>		
Exploration and production	24,357	27,302
Refining	9,751	9,320
Marketing and distribution	10,519	8,010
Chemicals	6,907	6,398
Corporate and others	1,150	872
	<b>52,684</b>	<b>51,902</b>

<b>Impairment losses on long-lived assets</b>		
Refining	—	116
Chemicals	17	—
	<b>17</b>	<b>116</b>

## 19 SEGMENT REPORTING (Continued)

## (2) Geographical information

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

	Six-month period ended 30 June	
	2019	2018
	RMB million	RMB million
<b>External sales</b>		
Mainland China	1,084,497	993,231
Singapore	192,006	159,709
Others	222,493	147,312
	<b>1,498,996</b>	<b>1,300,252</b>
	30 June	31 December
	2019	2018
	RMB million	RMB million
<b>Non-current assets</b>		
Mainland China	1,182,028	989,668
Others	53,201	50,892
	<b>1,235,229</b>	<b>1,040,560</b>

## 20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

## Overview

Financial assets of the Group include cash and cash equivalents, time deposits with financial institutions, financial assets at fair value through profit or loss, derivative financial assets, bills receivable, trade accounts receivable, amounts due from Sinopec Group Company and fellow subsidiaries, amounts due from associates and joint ventures, other receivables and financial assets at fair value through other comprehensive income. Financial liabilities of the Group include short-term debts, loans from Sinopec Group Company and fellow subsidiaries, derivative financial liabilities, bills payable, trade accounts payable, amounts due to Sinopec Group Company and fellow subsidiaries, amounts due to associates and joint ventures, other payables, long-term debts and lease liabilities.

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

- credit risk;
- liquidity risk; and
- market risk.

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

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



## 20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

## Credit risk (Continued)

## (ii) Impairment of financial assets

The Group's primary type of financial assets that are subject to the expected credit loss model is trade accounts receivable and other receivables.

The Group's cash deposits are placed only with large financial institutions with acceptable credit ratings, and there is no material impairment loss identified.

For trade accounts receivable, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade accounts receivable.

To measure the expected credit losses, trade accounts receivable has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2019 or 1 January 2019, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The detailed analysis of trade accounts receivable, based on which the Group generated its payment profile is listed in Note 12.

All of the entity's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The Group considers 'low credit risk' for other receivables when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

## Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management prepares monthly cash flow budget to ensure that the Group will always have sufficient liquidity to meet its financial obligations as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the Group's liquidity risk.

As at 30 June 2019, the Group has standby credit facilities with several PRC financial institutions which provide borrowings up to RMB 388,388 million (2018: RMB 387,748 million) on an unsecured basis, at a weighted average interest rate of 3.75% per annum (2018: 3.87%). As at 30 June 2019, the Group's outstanding borrowings under these facilities were RMB 24,556 million (2018: RMB 21,236 million) and were included in debts.

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

	30 June 2019					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Lease liabilities	197,798	331,011	15,487	14,076	39,584	261,864
Short-term debts	67,508	68,974	68,974	—	—	—
Long-term debts	46,568	59,073	1,607	9,386	26,369	21,711
Loans from Sinopec Group Company and fellow subsidiaries	78,119	79,858	34,845	37,954	3,752	3,307
Derivative financial liabilities	1,986	1,986	1,986	—	—	—
Trade accounts payable	225,017	225,017	225,017	—	—	—
Bills payable	6,749	6,749	6,749	—	—	—
Other payables	94,688	94,688	94,688	—	—	—
	<b>718,433</b>	<b>867,356</b>	<b>449,353</b>	<b>61,416</b>	<b>69,705</b>	<b>286,882</b>

## 20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

## Liquidity risk (Continued)

	Carrying amount RMB million	Total contractual undiscouted cash flow RMB million	31 December 2018			
			Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	29,462	30,123	30,123	—	—	—
Long-term debts	51,011	61,809	1,889	16,938	27,190	15,792
Loans from Sinopec Group Company and fellow subsidiaries	74,181	75,207	32,127	37,977	3,741	1,362
Derivative financial liabilities	13,571	13,571	13,571	—	—	—
Trade accounts payable	186,341	186,341	186,341	—	—	—
Bills payable	6,416	6,416	6,416	—	—	—
Other payables	85,790	85,790	85,790	—	—	—
	<b>446,772</b>	<b>459,257</b>	<b>356,257</b>	<b>54,915</b>	<b>30,931</b>	<b>17,154</b>

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's short-term and long-term capital requirements.

## Market risk

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

## (a) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's currency risk exposure primarily relates to short-term and long-term debts and loans from Sinopec Group Company and fellow subsidiaries denominated in USD and lease liabilities denominated in SGD. The Group enters into foreign exchange contracts to manage its currency risk exposure.

Included primarily in short-term and long-term debts and loans from Sinopec Group Company and fellow subsidiaries of the Group and lease liabilities are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	30 June 2019 Million	31 December 2018 Million
<b>Gross exposure arising from loans and lease liabilities</b>		
USD	1,029	668
SGD	25	—

A 5 percent strengthening/weakening of RMB against the following currencies at 30 June 2019 and 31 December 2018 would have increased/decreased net profit for the period of the Group by the amounts shown below. This analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the foreign currency balances to which the Group has significant exposure as stated above, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	30 June 2019 RMB million	31 December 2018 RMB million
USD	265	172
SGD	5	—

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

**20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)**
**Market risk (Continued)**
**(b) Interest rate risk**

The Group's interest rate risk exposure arises primarily from its short-term and long-term debts and loans from Sinopec Group Company and fellow subsidiaries. Debts bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of short-term and long-term debts, and loans from Sinopec Group Company and fellow subsidiaries of the Group are disclosed in Note 13.

As at 30 June 2019, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the period by approximately RMB 609 million (2018: decrease/increase by approximately RMB 424 million). This sensitivity analysis has been determined assuming that the change of interest rates was applied to the Group's debts outstanding at the balance sheet date with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2018.

**(c) Commodity price risk**

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

As at 30 June 2019, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as qualified cash flow hedges and economic hedges. As at 30 June 2019, the fair value of such derivative hedging financial instruments is derivative financial assets of RMB 3,656 million (2018: RMB 7,844 million) and derivative financial liabilities of RMB 1,976 million (2018: RMB 13,568 million).

As at 30 June 2019, it is estimated that a general increase/decrease of USD 10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would decrease/increase the Group's profit for the period by approximately RMB 1,060 million (2018: decrease/increase RMB 197 million), and increase/decrease the Group's other reserves by approximately RMB 3,601 million (2018: increase/decrease RMB 6,850 million). This sensitivity analysis has been determined assuming that the change in prices had occurred at the balance sheet date and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk. The analysis is performed on the same basis for 2018.

**Fair values**
**(i) Financial instruments carried at fair value**

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, 'Financial Instruments: Disclosures', with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

**At 30 June 2019**

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Structured deposits	—	—	19,413	19,413
- Equity investments (listed and at quoted market price)	126	—	—	126
Derivative financial assets:				
- Derivative financial assets	2,131	1,559	—	3,690
Financial assets at fair value through other comprehensive income:				
- Equity investments	103	—	1,323	1,426
	<b>2,360</b>	<b>1,559</b>	<b>20,736</b>	<b>24,655</b>
<b>Liabilities</b>				
Derivative financial liabilities:				
- Derivative financial liabilities	220	1,766	—	1,986
	<b>220</b>	<b>1,766</b>	<b>—</b>	<b>1,986</b>

## 20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

## Fair values (Continued)

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

At 31 December 2018

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Structured deposits	—	—	25,550	25,550
- Equity investments (listed and at quoted market price)	182	—	—	182
Derivative financial assets:				
- Derivative financial assets	874	7,013	—	7,887
Financial assets at fair value through other comprehensive income:				
- Equity investments	127	—	1,323	1,450
	<b>1,183</b>	<b>7,013</b>	<b>26,873</b>	<b>35,069</b>
<b>Liabilities</b>				
Derivative financial liabilities:				
- Derivative financial liabilities	5,500	8,071	—	13,571
	<b>5,500</b>	<b>8,071</b>	<b>—</b>	<b>13,571</b>

During the six-month period ended 30 June 2019, there was no transfer between instruments in Level 1 and Level 2.

Management of the Group uses discounted cash flow model with inputted interest rate and commodity index, which were influenced by historical fluctuation and the probability of market fluctuation, to evaluate the fair value of the structured deposits classified as Level 3 financial assets.

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

The disclosures of the fair value estimates, and their methods and assumptions of the Group's financial instruments, are made to comply with the requirements of IFRS 7 and IFRS 9 and should be read in conjunction with the Group's condensed consolidated financial statements and related notes. The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair values of the Group's financial instruments carried at other than fair value (other than long-term indebtedness and investments in unquoted equity securities) approximate their carrying amounts due to the short-term maturity of these instruments. The fair values of long-term indebtedness are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristic and maturities range from 2.69% to 4.90% (2018: 2.76% to 4.90%). The following table presents the carrying amount and fair value of the Group's long-term indebtedness other than loans from Sinopec Group Company and fellow subsidiaries at 30 June 2019 and 31 December 2018:

	30 June 2019 RMB million	31 December 2018 RMB million
Carrying amount	67,266	63,085
Fair value	65,013	62,656

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

Except for the above items, the financial assets and liabilities of the Group are carried at amounts not materially different from their fair values at 30 June 2019 and 31 December 2018.

## 21 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of such policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the interim consolidated financial statements. Management believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the interim consolidated financial statements.

### Oil and gas properties and reserves

The accounting for the exploration and production's oil and gas activities is subject to accounting rules that are unique to the oil and gas industry. There are two methods to account for oil and gas business activities, the successful efforts method and the full cost method. The Group has elected to use the successful efforts method. The successful efforts method reflects the volatility that is inherent in exploring for mineral resources in that costs of unsuccessful exploratory efforts are charged to expense as they are incurred. These costs primarily include dry hole costs, seismic costs and other exploratory costs. Under the full cost method, these costs are capitalised and written-off or depreciated over time.

Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimates of proved and proved developed reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in relation to depreciation rates. Oil and gas reserves have a direct impact on the assessment of the recoverability of the carrying amounts of oil and gas properties reported in the financial statements. If proved reserves estimates are revised downwards, earnings could be affected by changes in depreciation expense or an immediate write-down of the property's carrying amount.

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

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

### Impairment of long-lived assets

If circumstances indicate that the net book value of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 'Impairment of Assets'. The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. For goodwill, the recoverable amount is estimated annually. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets or cash-generating units are not readily available. In determining the value in use, expected cash flows generated by the asset or the cash-generating units are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price, amount of operating costs and discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price, amount of operating costs and discount rate.

### Depreciation

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

**21 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**
**Measurement of expected credit losses**

The Group measures and recognises expected credit losses, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions. The Group regularly monitors and reviews the assumptions used for estimating expected credit losses.

**Allowance for diminution in value of inventories**

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

**22 CHANGES IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and the new accounting policies that have been applied from 1 January 2019 is disclosed in Note 22(b) below.

The Group has adopted IFRS 16 from 1 January 2019 and applied the simplified transition approach. The comparative financial statements of 2018 have not been restated. The reclassifications and adjustments arising from adopting new lease standard are therefore recognised in the financial statements on 1 January 2019.

**(a) Adjustments on adoption of IFRS 16**

On adoption of IFRS 16, the Group recognised the lease liabilities based on the remaining lease payment and the incremental borrowing interest rate as at 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was from 4.35% to 4.90%.

	RMB million
Operating lease commitments disclosed as at 31 December 2018	352,794
Preset value by discounted using the lessee's incremental borrowing rate of at the date of initial application	200,867
(Less): short-term leases and low-value leases recognised on a straight-line basis as expense	(2,303)
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>198,564</b>
Of which are:	
Current lease liabilities	13,894
Non-current lease liabilities	184,670
	<b>198,564</b>

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The right-of-use assets recognised relate to the following types of assets:

	30 June 2019 RMB million	1 January 2019 RMB million
Land	241,281	244,588
Others	28,081	27,381
<b>Total right-of-use assets</b>	<b>269,362</b>	<b>271,969</b>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increased by RMB 271,969 million
- lease prepayments – decreased by RMB 64,514 million
- prepaid expenses and other current assets – decreased by RMB 766 million
- long-term prepayments and other assets – decreased by RMB 8,125 million
- lease liabilities – increased by RMB 198,564 million.

**22 CHANGES IN ACCOUNTING POLICIES** (Continued)

**(a) Adjustments recognised on adoption of IFRS 16** (Continued)

**(i) Impact on segment reporting**

Both segment assets and segment liabilities for June 2019 increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in accounting policy:

	Segment assets RMB million	Segment liabilities RMB million
Exploration and production	80,542	79,640
Refining	32,394	38,727
Marketing and distribution	120,839	63,745
Chemicals	19,526	1,239
Corporate and others	16,061	14,447
	<b>269,362</b>	<b>197,798</b>

**(ii) Practical expedients applied**

On the initial application of IFRS 16, the following practical expedients permitted by the standard were adopted by the Group:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

**(b) IFRS 16 'Leases' - Accounting policies applied from 1 January 2019**

A lease is a contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**(i) As lessee**

The Group recognises a right-of-use asset at the commencement date, and recognises the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease. Variable payments that are a percentage of sales is not included in lease payments, and should be recognised in profit or loss when incurred. Lease liabilities to be paid within one year (including one year) after balance sheet date is presented in current liabilities.

Right-of-use assets of the Group mainly comprise land. Right-of-use assets are measured at cost, the cost of the right-of-use assets comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, less any lease incentives received. The Group depreciates the right-of-use assets on straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When the recoverable amount of a right-of-use asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

For short-term leases with lease term of 12 months or less, or leases for which the underlying assets are individually of low value when it is new, the Group recognises the lease payments associated with those leases as an expense on straight-line basis over the lease term or as cost of relevant assets, instead of recognising as right-of-use assets and lease liabilities.

**(ii) As lessor**

The Group classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases are classified as operating lease.

When the Group leases self-owned plants and buildings, equipment and machinery, lease income from an operating lease is recognised on a straight-line basis over the period of the lease. The Group recognises variable lease payment which is based on a certain percentage of sales as lease income when it actually occurs.

**(c) Accounting policy applied until 31 December 2018**
**Operating leases**

Operating lease payments are charged to the consolidated income statement on a straight-line basis over the period of the respective leases.

## (C) DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE ACCOUNTING POLICIES COMPLYING WITH CASs AND IFRS (UNAUDITED)

Other than the differences in the classifications of certain financial statements captions and the accounting for the items described below, there are no material differences between the Group's consolidated financial statements prepared in accordance with the accounting policies complying with CASs and IFRS. The reconciliation presented below is included as supplemental information, is not required as part of the basic financial statements and does not include differences related to classification, presentation or disclosures. Such information has not been subject to independent audit or review. The major differences are:

### (i) GOVERNMENT GRANTS

Under CASs, grants from the government are credited to capital reserve if required by relevant governmental regulations. Under IFRS, government grants relating to the purchase of fixed assets are recognised as deferred income and are transferred to the income statement over the useful life of these assets.

### (ii) SAFETY PRODUCTION FUND

Under CASs, safety production fund should be recognised in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS, payments are expensed as incurred, or capitalised as fixed assets and depreciated according to applicable depreciation methods.

Effects of major differences between the shareholders' equity under CASs and the total equity under IFRS are analysed as follows:

	Note	30 June 2019 RMB million	31 December 2018 RMB million
Shareholders' equity under CASs		868,312	857,659
Adjustments:			
Government grants	(i)	(1,096)	(1,124)
<b>Total equity under IFRS*</b>		<b>867,216</b>	<b>856,535</b>

Effects of major differences between the net profit under CASs and the profit for the period under IFRS are analysed as follows:

	Note	Six-month period ended 30 June 2019 RMB million	2018 RMB million
Net profit under CASs		38,956	53,281



The following documents will be available for inspections during the normal business hours after 23 August 2019 (Friday) at the legal address of Sinopec Corp. upon the requests by the relevant regulatory authorities and shareholders in accordance with the *Articles of Association* of Sinopec Corp. or relevant laws or regulations:

- 1 The original interim report for the first half of 2019 signed by Mr. Dai Houliang, Chairman of the Board;
- 2 The original financial statements and consolidated financial statements of Sinopec Corp. for the six-month period ended 30 June 2019 prepared in accordance with IFRS and the CASs, signed by Mr. Dai Houliang, Chairman of the Board, Mr. Ma Yongsheng, President and Mr. Wang Dehua, Chief Financial Officer and head of accounting department;
- 3 The original report on review of the above financial statements signed by the auditors; and
- 4 Copies of disclosure documents published by Sinopec Corp. in the newspapers designated by the CSRC during the reporting period.

By Order of the Board  
**Dai Houliang**  
*Chairman*


Beijing, PRC, 23 August 2019

If there is any inconsistency between the Chinese and English version of this interim report, the Chinese version shall prevail.



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