



中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 0386)

First Quarter Results Announcement for 2005

Highlights of the results of the Company for the first quarter ended 31 March 2005

During this reporting period, income from principal operations and net profit of China Petroleum & Chemical Corporation ("Sinopec Corp.") and its subsidiaries (the "Company") under the PRC Accounting Rules and Regulations amounted to RMB 169,040 million and RMB 9,004 million respectively. Turnover and other operating revenues and profit attributable to shareholders of Sinopec Corp. under International Financial Reporting Standards ("IFRS") amounted to RMB 174,127 million and RMB 9,637 million respectively.

This quarterly results announcement is prepared in accordance with the Regulations on Disclosure of Information in Quarterly Reports for Listed Companies issued by the China Securities Regulatory Commission ("CSRC"). This announcement is published simultaneously in Shanghai and Hong Kong and the contents of the announcements published in Shanghai and Hong Kong are the same. Financial information set out in this quarterly results announcement has been prepared in accordance with the PRC Accounting Rules and Regulations. Although it is not required by CSRC, Sinopec Corp. has also included in this announcement the relevant financial information prepared in accordance with IFRS.

This announcement is made pursuant to the disclosure requirement under Rule 13.09 of the Listing Rules for its publication in Hong Kong.

1. Important Notice

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

1.2 This quarterly results announcement has been reviewed and approved at the seventeenth meeting of the Second Session of the Board of Directors of Sinopec Corp.

1.3 The financial statements contained in this announcement have not been audited.

1.4 Mr. Chen Tonghai, Chairman of the Board of Sinopec Corp., Mr. Wang Tianpu, President of Sinopec Corp., Mr. Zhang Jiaren, Director, Senior Vice President and Chief Financial Officer of Sinopec Corp., and Mr. Liu Yun, Head of the Accounting Division of Sinopec Corp., hereby declare that the authenticity and completeness of the financial statements contained in this quarterly results announcement are warranted.

2. Basic Information of Sinopec Corp.

2.1 Summary of the information of Sinopec Corp.

Stock name	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP	中国石化
Stock code	0386	SNP	SNP	600028
Place of listing	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	Shanghai Stock Exchange
Name	Authorised Representatives Mr. Wang Jiming Mr. Chen Ge	Mr. Chen Ge	Mr. Chen Ge	Secretary to the Board of Directors Mr. Huang Wensheng
Address	6A Huixindong Street, Chaoyang District, Beijing, China			
Postcode	100029			
Tel	86-10-64990060	86-10-64990060	86-10-64990060	86-10-64990060
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E-mail	ir@sinopec.com.cn / media@sinopec.com.cn			

2.2 Financial Information

2.2.1 Principal accounting data and financial indicators

2.2.1.1 Principal accounting data and financial indicators prepared in accordance with the PRC Accounting Rules and Regulations

	Three-month period ended 31 March	
	2005	2004
	RMB millions	RMB millions
Revaluation of land use rights	8	8
Amortisation of Goodwill	7	—
Government grants	1	—
Disposal of oil and gas properties net of depreciation effect	(103)	572
Effects of the above adjustments on taxation	(120)	(412)
Effects of the above adjustments on minority interests	(7)	(1)
Profit attributable to shareholders of the parent under IFRS	9,637	8,306

The table below shows segmental information prepared in accordance with IFRS:

By segments or by products	Operating revenues		Operating expenses		Operating profit/(loss)		Percentage of operating profit/(loss) over operating revenues (%)
	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	
Exploration and production	21,278	12,508	6,394	30.05			
Refining	101,826	100,131	1,671	1.64			
Marketing and distribution	95,061	91,519	3,542	3.73			
Chemicals	42,620	36,709	5,911	13.87			
Corporate and others	23,825	24,463	(638)	-2.68			
Elimination of inter-segment sales	(110,483)	(108,083)	N/A	N/A			
Total	174,127	157,247	16,880	9.69			

2.2.1.2 Changes at the end of this reporting period compared with data at the end of the preceding year end (%)

	At 31 March 2005	At 31 December 2004	Changes at the end of this reporting period compared with data at the end of the preceding year end (%)
Total assets (RMB millions)	481,785	460,081	4.72
Shareholders' funds (excluding minority interests) (RMB millions)	195,417	186,350	4.87
Net assets per share (RMB)	2.254	2.149	4.87
Adjusted net assets per share (RMB)	2.206	2.102	4.95

2.2.3.2 Effects of major differences between the PRC Accounting Rules and Regulations and IFRS on the shareholders' funds are analysed as follows:

	At 31 March 2005	At 31 December 2004
	RMB millions	RMB millions
Shareholders' funds under the PRC Accounting Rules and Regulations	195,417	186,350
Adjustments:		
Pre-operating expenditures	—	(457)
Depreciation of oil and gas properties	11,884	11,694
Capitalisation of general borrowing costs	1,778	1,670
Acquisition of Sinopec National Star	(2,666)	(2,666)
Revaluation of land use rights	(1,303)	(1,311)
Goodwill	7	—
Government grants	(604)	(605)
Disposal of oil and gas properties	3,280	3,383
Impairment losses on long-lived assets	(113)	(113)
Effects of the above adjustments on taxation	(5,166)	(5,046)
Effects of the above adjustments on minority interests	163	170
Shareholders' funds attributable to shareholders of the parent under IFRS	202,677	193,040

3.1.2 Seasonal or periodic nature of the Company's operations

applicable not applicable

3.1.3 The composition of the profits during this reporting period (significant changes in the profit from principal operations, profit from other operations, period expenses, investment income, subsidy income and net non-operating income/expenses as a percentage of profit before taxation are listed and explained below in accordance with the PRC Accounting Rules and Regulations)

applicable not applicable

Item	Three-month period ended 31 March 2005		Year ended 31 December 2004		Change in percentage of profit before taxation
	Amount (RMB millions)	Percentage (%)	Amount (RMB millions)	Percentage (%)	
Profit from principal operations	28,646	189.78	115,222	215.23	-25.45
Profit from other operations	320	1.92	1,102	2.06	-0.06
Period expenses	(13,678)	(90.62)	(53,371)	(99.69)	-9.07
Investment income	143	0.95	1,088	2.03	-1.08
Net non-operating income/expenses	337	2.23	10,506	19.62	-17.39
Profit before taxation	15,094	100.00	53,335	100.00	—

3.1.4 Significant changes in, and explanations of, the principal operations and their structures as compared with those during the previous reporting period

applicable not applicable

3.1.5 Significant changes in, and explanations of, the profitability (gross profit ratio) of principal operations as compared with those during the previous reporting period prepared in accordance with the PRC Accounting Rules and Regulations

applicable not applicable

3.2 Significant events and their impacts as well as the analysis and explanations for the solutions

applicable not applicable

3.2.1 Connected transactions

The aggregate amount of connected transactions actually occurred in relation to the Company during the reporting period was RMB 32,529 billion, of which, incoming trade amounted to RMB 15,710 billion, and outgoing trade amounted to RMB 16,819 billion (including RMB 16,798 billion of sales of products and services, RMB 9 million of interest earned, RMB 12 million of income from agency fee). During the reporting period, the products and services provided by Sinopec Group (purchase, storage and transportation, exploration and production services and production-related services) to the Company amounted to RMB 14,261 billion, representing 9.1% of the Company's operating expenses of the reporting period; the ancillary and social services provided by Sinopec Group to the Company amounted to RMB 433 million, representing 0.3% of operating expenses of the reporting period; the product sales from the Company to Sinopec Group and other connected parties amounted to RMB 16,798 billion, representing 9.6% of the Company's operating revenue, all of which were within expectation. During the reporting period, profit from principal operations resulted from connected transactions amounted to RMB 1,431 billion, representing 5.0% of the Company's profit from principal operations. The nature and pricing policies of connected transactions did not have any significant change compared with 2004.

2.2.1.2 Changes at the end of this reporting period compared with data at the end of the preceding year end (%)

	Three-month period ended 31 March 2005	Three-month period ended 31 March 2004	Changes in this reporting period compared with data at the end of the preceding year end (%)
Net cash flow from operating activities (RMB millions)	14,854	11,208	32.53
Earnings per share (RMB)	0.104	0.086	20.93
Return on net assets (%)	4.608	4.363	0.25 percentage point
Return (adjusted for non-operating profits/losses) on net assets (%)	4.681	4.852	(0.17) percentage point

2.3 Top ten shareholders with tradable shares

Number of shareholders of Sinopec Corp. as at 31 March 2005: 266,547, including 256,195 holders of A shares and 10,352 holders of H Shares.

Name of shareholders	Number of shares held at the end of the reporting period (10,000 shares)		Nature (A, B, H share or others)
	2005	2004	
HKSCC (Nominees) Limited	1,667,892.8	—	H Share
EFUND 50 Securities Investment Fund	7,226.1	—	A Share
Xinghe Securities Investment Fund	6,521.9	—	A Share
Harvest Service Sector Fund	6,148.8	—	A Share
Qingdao Port Authority	6,000.0	—	A Share
CITIC Classic Securities Co., Ltd.	5,870.5	—	A Share
China Fund SSE S0ETF Investment Fund	5,706.7	—	A Share
Haifutong Profits Securities	4,703.9	—	A Share
Xinghua Securities Investment Fund	3,950.0	—	A Share
China Southern Sustaining Growth Fund	3,620.0	—	A Share

2.4 Business review

In the first quarter of 2005, the Chinese economy continued to maintain growth and domestic demand for refined oil products and petrochemical products remained strong. International prices of crude oil had fluctuated at a fairly high level. By adopting various measures to increase production volume and optimise operations in response to the changing market, the Company obtained reasonably good operating results in various areas, including oil and gas production, processing volume of crude oil, sales volume of refined oil products and ethylene production.

Exploration and Production Segment: The Company has made further efforts in exploration and development. Significant achievements have been made in exploration of concealed oil and gas reserves in the mature oil fields in eastern China. The exploration in the Tahe oilfield in western China has shown good discoveries. During the period, the Company accelerated the pace of construction for the increase of production capacity in major areas. Oil production was stable and gas production increased over the same period last year.

Refining Segment: Under the backdrop of pricing control over oil products in domestic market, the Company optimised refining process and resources allocation, adjusted product mix and increased the production of high value-added products. In addition, resources allocation and transportation were optimized and the price difference between sour and sweet crude oil was taken advantage of, processing volume of sour crude oil was increased and stable operation of the refining facilities which had been operated at a high utilization rate was maintained.

Marketing and Distribution Segment: The Company coordinated production and sales closely in an effort to meet the strong demand for oil products in domestic market, which resulted in an increase in its domestic sales volume of refined oil products. At the same time, the Company took measures to raise its retail and distribution volume, which resulted in the steady increase in the proportion of retail and distribution sales as a percentage of total domestic sales.

Chemicals Segment: The Company adhered to the marketing strategy of "focusing on market, full-load production and low inventories". It also strives to adjust its product mix and optimise its marketing structure. During the period, the production of major chemical products such as synthetic resin, synthetic rubber, monomer and polymers for synthetic fibers has increased significantly. The production volume of high value-added products such as performance compound resin and differential fibers also experienced further increase. In the first quarter of 2005, production has been commissioned for the Secco ethylene project.

3.2.2 Interest of corporate bonds

On 8 March 2004, Sinopec Corp. successfully issued domestic 10-year term corporate bonds which amounted to RMB 3.5 billion with a fixed coupon rate of 4.61%. On 28 September 2004, the corporate bonds were listed on the Shanghai Stock Exchange. On 2 February 2005, Sinopec Corp. repaid coupon interests for the first year in full. For further details, please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities, and Securities Times in Mainland China, and South China Morning Post and Hong Kong Economic Times in Hong Kong on 24 February 2004, 28 September 2004 and 18 February 2005.

3.2.3 Acquisition of 40.5% shares held by Hong Kong Huarun in Qingdao Qirun

Sinopec Corp. and Hong Kong Huarun Petrochemical (Group) Company Limited ("Hong Kong Huarun") entered into a share transfer agreement on 17 November 2004, pursuant to which Sinopec Corp. acquired 30% interest in Qingdao Qirun Petrochemical and Chemical Company Limited ("Qingdao Qirun") from Hong Kong Huarun. On 21 January 2005, the parties entered into another share transfer agreement pursuant to which Sinopec Corp. acquired the remaining 10.5% interest held by Hong Kong Huarun in Qingdao Qirun. The shares transfer represented an aggregate of 40.5% interest in Qingdao Qirun and the total consideration for the transfer amounted to RMB 480 million.

3.2.4 Merger by absorption of Beijing Yanhua

Sinopec Corp. proposed to privatise Beijing Yanhua Petrochemical Company Limited (Beijing Yanhua) by way of merger by absorption through Beijing Yanhua Petrochemical Company Limited (Beijing Yanhua) to a wholly-owned subsidiary of Sinopec Corp., established for the purpose of such merger. Pursuant to the agreement entered into between Beijing Feitian and Beijing Yanhua on 29 December 2004, Beijing Feitian will purchase the listed shares of Beijing Yanhua from its shareholders at a unit price of HKD 3.80 per share in cash, the total consideration involved amounts to approximately RMB 1,431 million. The proposed merger has been approved by relevant shareholders and independent shareholders at the general meeting of independent shareholders of Beijing Yanhua, the general meeting of shareholders of Beijing Feitian, and by domestic and overseas regulators. Beijing Yanhua is applying for the de-listing from the overseas stock exchanges. Please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities and Securities Times in Mainland China and South China Morning Post and Hong Kong Economic Times in Hong Kong on 30 December 2004 and 7 March 2005 for details.

3.2.5 Changes in senior management

At the sixteenth meeting of the Second Session of the Board of Directors of Sinopec Corp., the Board approved the resignation application of Mr. Wang Jiming from the President position and Mr. Mou Shuling from the Senior Vice President position. The Board of Directors also approved the appointment of Mr. Wang Tianpu as President, and Mr. Zhang Jianhua and Mr. Wang Zhigang as Senior Vice President of Sinopec Corp.

3.3 Disclosure and explanations as to the changes in accounting policies, accounting estimates and scope of consolidation and fundamental errors

applicable not applicable

3.3.1 Financial statements for the first quarter ended 31 March 2005 prepared under the PRC Accounting Rules and Regulations

There is no significant change in the accounting policies, accounting estimates and scope of consolidation adopted in preparing the financial statements for the first quarter of 2005 by the Company as compared to those adopted in preparing the financial statements for the year of 2004. There has been no retrospective adjustment resulting from fundamental accounting errors reflected in the financial statements for the first quarter of 2005.

3.3.2 Financial statements for the first quarter ended 31 March 2005 prepared under IFRS

3.3.2.1 Basis of presentation

Pursuant to the resolutions passed at the Extraordinary General Meeting held on 21 December 2004, the Company acquired the equity interests of Sinopec Group Tianjin Petrochemical Company ("Tianjin Petrochemical"), Sinopec Group Luoyang Petrochemical General Plant ("Luoyang Petrochemical"), Zhongyuan Petrochemical Company Limited ("Zhongyuan Petrochemical"), Sinopec Group Guangzhou Petrochemical General Plant ("Guangzhou Petrochemical") and certain catalyst plants ("Catalyst Plants") from Sinopec Group Company (hereinafter referred to as the "Acquisition of Petrochemical and Catalyst Assets").

As the Company, Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical, Guangzhou Petrochemical and Catalyst Plants are under the common control of Sinopec Group Company, the Acquisition of Petrochemical and Catalyst Assets are considered as "combination of entities under common control" which are accounted in a manner similar to a pooling-of-interests ("as-if pooling-of-interests accounting"). Accordingly, the assets and liabilities acquired from Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical, Guangzhou Petrochemical and Catalyst Plants have been accounted for at historical cost and the financial statements of the Company for periods prior to the combination have been restated to include the results of operations of Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical, Guangzhou Petrochemical and Catalyst Plants on a combined basis. In connection with these acquisitions, certain assets, primarily property, plant and equipment and construction in progress, were retained by Sinopec Group Company. The assets retained by Sinopec Group Company were reflected as a distribution in the shareholders' funds. The considerations for these acquisitions were treated as equity transactions.

The summarised results of operations previously reported by the Company for the first quarter ended 31 March 2004 have been restated to include the results of operations of Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical, Guangzhou Petrochemical and Catalyst Plants (collectively the "Acquired Group") as set out below:

	The Company without the Acquired Group	The Acquired Group	Combined
	RMB millions	RMB millions	RMB millions
Results of operations:			
Operating revenues	128,363	1,245	129,608
Profit attributable to shareholders of the parent	8,008	298	8,306

For the period presented, all significant balances and transactions between the Company and the Acquired Group have been eliminated.

3.3.2.2 Accounting policies

The International Accounting Standards Board has issued a number of new and revised IFRS and International Accounting Standards (collectively the "new IFRS") effective from 1 January 2005. The Company has amended the Company's accounting policies according to the new IFRS in preparation of the financial statements for the first quarter ended 31 March 2005. According to the newly effective IFRS No. 3 "Business Combinations", goodwill is no longer amortised and instead reviewed for impairment during reporting period. Except for the accounting policy for goodwill as stated above, the new IFRS has no significant impact on the results of operations and financial condition of the Company for the reporting period.

3.4 Relevant explanations made by the Board of Directors and the Supervisory Committee after the audit and presentation of "non-standard opinion"

applicable not applicable

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

applicable not applicable

3.6 Adjustments to the annual business plan or budget which have been disclosed

applicable not applicable

3.7 This quarterly results announcement is published in both Chinese and English languages. The Chinese version shall prevail.

By Order of the Board
Chen Tonghai
Chairman

As at the date of this announcement, the directors of Sinopec Corp. are Messrs. Chen Tonghai, Wang Jiming, Mou Shuling, Zhang Jiaren, Gao Jianzhong, Liu Yueshan, Tian and Fan Yiqin; the independent non-executive directors of the Company are Messrs. Chen Qingli, Hu Yu Kwong, Charles, Shi Wopeng and Zhang Youcai; and the employee representative director of the Company is Mr. Cao Yaofeng.

2.2.1.2 Changes at the end of this reporting period compared with data at the end of the preceding year end (%)

	At 31 March 2005	At 31 December 2004	Changes at the end of this reporting period compared with data at the end of the preceding year end (%)
Total assets (RMB millions)	497,046	474,594	4.73
Shareholders' funds attributable to shareholders of the parent (excluding minority interests) (RMB millions)	202,677	193,040	4.99
Net assets per share (RMB)	2.294	2.187	4.89
Adjusted net assets per share (RMB)	2.294	2.187	4.89

2.2.1.2 Changes at the end of this reporting period compared with data at the end of the preceding year end (%)

	Three-month period ended 31 March 2005	Three-month period ended 31 March 2004	Changes in this reporting period compared with data at the end of the preceding year end (%)
Net cash flow from operating activities (RMB millions)	12,793	9,874	29.56
Earnings per share (RMB)	0.111	0.096	15.63
Return on net assets (%)	4.755	4.612	0.14 percentage point

Note: The data for the first quarter ended 31 March 2004 was restated, please refer to Section 3.3.2 to this quarterly results announcement for more details.

2.2.2 Income statements

This section includes the income statements for the first quarter ended 31 March 2005 prepared in accordance with both the PRC Accounting Rules and Regulations and IFRS with comparative figures for the same period of 2004.

2.2.2.1 Income statements prepared in accordance with the PRC Accounting Rules and Regulations

Item	Three-month period ended 31 March 2005		Three-month period ended 31 March 2004	
	The Group (Note 1)	The Company (Note 1)	The Group (Note 1)	The Company (Note 1)
	RMB millions	RMB millions	RMB millions	RMB millions
1. Income from principal operations	169,040	114,331	123,490	86,063
Less: Cost of sales	136,187	98,798	94,583	71,740
Less: Sales taxes and surcharges	4,207	2,766	3,835	2,290
2. Profit from principal operations	28,646	12,767	25,072	12,033
Add: Profit/(loss) from other operations	320	15	149	(138)
Less: Selling expenses	4,880	3,140	4,203	2,732
Administrative expenses	6,056	3,555	5,065	3,358
Financial expenses	1,372	954	1,162	926
Exploration expenses, including dry-holes	1,370	1,070	1,454	911
3. Operating profit	15,288	4,063	13,337	3,968
Add: Investment income	143	9,513	141	8,088
Less: Non-operating income	90	31	72	52
Less: Non-operating expenses	427	258	1,590	1,446
4. Profit before taxation	15,094	13,349	11,960	10,662
Less: Taxation	4,629	4,345	3,456	3,299
Less: Minority interests	1,398	—	1,141	—
Add: Unrecognised investment losses (Note 2)	(63)	—	67	—
5. Net profit	9,004	9,004	7,430	7,363

Note: (1) "Company" means China Petroleum & Chemical Corporation; "The Group" means China Petroleum & Chemical Corporation and its subsidiaries;

(2) This item represents the (written back) unrecognised investment losses exceeding the carrying value of long-term equity investments.

2.2.2.2 Consolidated income statements prepared in accordance with IFRS

Item	Three-month period ended 31 March	
	2005	2004
	RMB millions	RMB millions
1. Turnover and other operating revenues		