



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 2006**

**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 twenty-sixth 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 Jaren, Director, and Chief Financial Officer of Sinopec Corp., and Mr. Liu Yan, 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
Authorised Representatives		Secretary to the Board of Directors	Representative on Securities Matters	
Name	Mr. Wang Jiming	Mr. Chen Ge	Mr. Chen Ge	Mr. Huang Wensheng
Address	6A Huixindong Street, Chaoyang District, Beijing, China			
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**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**

	At 31 March 2006	At 31 December 2005	Changes at the end of this reporting period compared with data at the end of the preceding year (%)
Total assets (RMB millions)	539,927	520,572	3.72
Shareholders' funds (excluding minority interests) (RMB millions)	224,764	215,623	4.24
Net assets per share (RMB)	2.592	2.487	4.24
Adjusted net assets per share (RMB)	2.526	2.426	4.12
Net cash flow from operating activities (RMB millions)	3,463	14,854	(79.69)
Earnings per share (RMB)	0.105	0.104	0.96
Return on net assets (%)	4.062	4.608	(0.55) percentage point
Return (adjusted for non-operating profits/losses) on net assets (%)	4.118	4.681	(0.56) percentage point

	Three-month period ended 31 March 2006	Three-month period ended 31 March 2005	Changes in this reporting period compared to the same period of the preceding year (%)
Net cash flow from operating activities (RMB millions)	3,463	14,854	(79.69)
Earnings per share (RMB)	0.105	0.104	0.96
Return on net assets (%)	4.062	4.608	(0.55) percentage point
Return (adjusted for non-operating profits/losses) on net assets (%)	4.118	4.681	(0.56) percentage point

**2.2.1.2 Principal accounting data and financial indicators prepared in accordance with IFRS**

	At 31 March 2006	At 31 December 2005	Changes at the end of this reporting period compared with data at the end of the preceding year (%)
Total assets (RMB millions)	557,382	537,321	3.73
Total equity attributable to equity shareholders of the Company (RMB millions)	232,844	223,556	4.15
Net assets per share (RMB)	2.686	2.578	4.15
Adjusted net assets per share (RMB)	2.620	2.518	4.05
Net cash flow from operating activities (RMB millions)	1,612	12,793	(87.40)
Earnings per share (RMB)	0.107	0.111	(3.60)
Return on net assets (%)	3.989	4.755	(0.77) percentage point

**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 2006		Three-month period ended 31 March 2005	
	The Group	The Company	The Group	The Company
1. Income from principal operations	222,699	178,340	169,040	114,331
Less: Cost of sales	191,137	152,235	136,187	98,798
2. Profit from principal operations	4,419	3,413	4,207	2,766
Add: Profit from other operations	27,143	22,692	28,646	12,767
Less: Selling expenses	248	35	320	15
Administrative expenses	5,189	3,308	4,880	3,140
Financial expenses	5,720	4,649	6,056	3,555
Exploration expenses, including dry holes	1,606	1,172	1,372	954
3. Operating profit	13,383	12,124	15,288	4,063
Add: Investment income	172	1,214	143	9,513
Non-operating income	52	18	90	31
Less: Non-operating expenses	251	177	427	258
4. Profit before taxation	13,356	13,179	15,094	13,349
Less: Taxation	4,156	4,056	4,629	4,345
Minority interests	59	—	1,398	—
Add: Reversal of unrecognised investment losses	(11)	—	(63)	—
5. Net profit	9,130	9,123	9,004	9,004

Notes: The "Company" represents China Petroleum & Chemical Corporation; The "Group" represents China Petroleum & Chemical Corporation and its subsidiaries.

**2.2.2.2 Consolidated income statements prepared in accordance with IFRS**

Item	Three-month period ended 31 March 2006		Three-month period ended 31 March 2005	
	RMB millions	RMB millions	RMB millions	RMB millions
1. Turnover and other operating revenues	227,195	174,127	169,040	114,331
Including: Turnover	222,699	169,040	169,040	114,331
Other operating revenues	4,496	5,087	—	—
2. Operating expenses	(212,333)	(157,247)	(136,187)	(98,798)
Including: Purchased crude oil, products and operating supplies and expenses	(185,949)	(131,349)	(136,187)	(98,798)
Selling, general and administrative expenses	(7,920)	(7,577)	—	—
Depreciation, depletion and amortisation	(7,991)	(8,090)	—	—
Exploration expenses, including dry-holes	(1,493)	(1,370)	—	—
Personnel expenses	(4,362)	(4,317)	—	—
Taxes other than income tax	(4,419)	(4,207)	—	—
Other operating expenses, net	(199)	(337)	—	—
3. Operating profit	14,862	16,880	33,853	15,533
4. Finance costs	(1,469)	(1,239)	—	—
Including: Interest expense	(1,672)	(1,330)	—	—
Interest income	98	78	—	—
Foreign exchange losses	(59)	(25)	—	—
Foreign exchange gains	164	38	—	—
5. Investment income	27	33	—	—
6. Share of profits less losses from associates	185	117	—	—
7. Profit before taxation	13,605	15,791	33,853	15,533
8. Taxation	(4,266)	(4,749)	—	—
9. Profit for the period	9,339	11,042	33,853	15,533
Attributable to:				
Equity shareholders of the Company	9,288	9,637	33,853	15,533
Minority interests	51	1,405	—	—
10. Profit for the period	9,339	11,042	33,853	15,533

2.2.3 Differences between the net profit for the first quarter of 2006 and shareholders' funds as at 31 March 2006 under the PRC Accounting Rules and Regulations and IFRS

**2.2.3.1 Effects of major differences between the net profit under the PRC Accounting Rules and Regulations and the profit for the year under IFRS are analysed as follows:**

	Three-month period ended 31 March 2006	Three-month period ended 31 March 2005
	RMB millions	RMB millions
Net profit under the PRC Accounting Rules and Regulations	9,130	9,004
Adjustments:		
Depreciation of oil and gas properties	185	186
Capitalisation of general borrowing costs, net of depreciation effect	—	—
Equity investment differences	101	108
Acquisition of Sinopec National Star	29	29
Unrecognised investment losses	11	63
Reduced amortisation on revaluation of land use rights	6	5
Reduced depreciation on government grants	3	1
Pre-operating expenditures	(7)	457
Disposal of oil and gas properties, net of depreciation effect	(100)	(103)
Effects of the above adjustments on taxation	(110)	(120)
Profit attributable to equity shareholders of the Company under IFRS	9,288	9,637
Minority interests	51	1,405
Profit for the period under IFRS	9,339	11,042

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

	At 31 March 2006	At 31 December 2005
	RMB millions	RMB millions
Shareholders' funds under the PRC Accounting Rules and Regulations	224,764	215,623
Adjustments:		
Depreciation of oil and gas properties	12,418	12,233
Capitalisation of general borrowing costs	2,213	2,112
Equity investment differences	240	200
Acquisition of Sinopec National Star	(2,549)	(2,578)
Revaluation of land use rights	(947)	(953)
Government grants	(585)	(588)
Pre-operating expenditures	(29)	(22)
Disposal of oil and gas properties	2,960	3,060
Effects of the above adjustments on taxation	(5,641)	(5,531)
Total equity attributable to equity shareholders of the Company under IFRS	232,844	233,556
Minority interests	29,491	29,440
Total equity under IFRS	262,335	262,996

**2.3 Top ten shareholders with tradable shares**

Number of shareholders as at 31 March 2006	Number of shareholders of Sinopec Corp. as at 31 March 2006
215,598	204,786 holders of A shares and 8,812 holders of H shares.

**Top ten shareholders with tradable shares**

Name of shareholders	Number of shares held at the end of the reporting period (10,000 shares)	Type of shares (A, B, H share or others)
HKSCC (Nominees) Limited	1,668,510.2	H Share
Haifutong Profits Securities	4,760.0	A Share
Jingfu Fund Management Co.,LTD	4,597.5	A Share
Qingdao Port Authority	4,328.0	A Share
Boshi Fund Management Co.,LTD	3,693.1	A Share
China Fund SSE 50ETF Investment Fund	3,598.1	A Share
Citygroup Global Markets Limited	3,553.4	A Share
EFUND 50 Securities Investment Fund	3,530.9	A Share
Jinxin Fund Management Co.,LTD	3,470.0	A Share
Jinghong Fund Management Co.,LTD	3,410.7	A Share

**2.4. Business review**

In the first quarter of 2006, the Chinese economy continued to grow at a fast pace, and domestic demand for refined oil products and petrochemical products continued its growth. International prices of crude oil maintained at a high level. By actively working to optimize resources allocation and products mix, and by striving to expand its operational base, the Company secured continuous increase, amongst others, in production of oil and gas, the volume of crude oil processed, sales volume of refined oil products, and production of ethylene and synthetic resin.

**Exploration and Production:** Through continuous efforts over the past five years, the Company has discovered the largest and most abundant marine gas field in China - Puguang Gas field, which is located in Northeast Sichuan Province. Also in the first quarter, the Company has made significant progress in the exploration and development in Tahe oilfields in western China and Ordos basin. Production capacity construction of crude oil and natural gas has made smooth progress. Output of crude oil and natural gas in the first quarter increased by 2.81% and 23.4%, respectively, as against the same period last year.

**Refining:** The Company actively optimized resource allocation and transportation and made full use of the potentials of the refining facilities which operated stably and safely under high loads. Meanwhile, the facility operation has also been optimized and the Company has made effort to increase production which was well received by the market. Diesel to gasoline ratio and light yield have shown an increase. The processing volume of the crude oil and output of the refined oil products of the Company in the first quarter increased by 2.45% and 1.36%, respectively, over the same period last year.

**Marketing and Distribution:** The Company gathered resources through various channels in an effort to satisfy the demand for refined oil products in China, while optimizing the resource allocation of the refined products and reducing the cost of storage and transportation. The Company's domestic sales and retail volume of refined oil products in the first quarter increased by 7.87% and 23.85%, respectively, as against the same period last year.

**Chemicals:** The major chemical production facilities of the Company continued stable operation. The sales system remained improved. Oil-chemical products retained their market share. Domestic sales to production ratio of 100%. The Company's production of ethylene and synthetic resin in the first quarter increased by 34.94% and 23.29%, respectively, as against the same period last year.

**Summary of Principal Operating Results for the First Quarter**

Operating Data	Unit	Three-month period ended 31 March		Changes (%)
		2006	2005	
<b>Exploration and Production</b>				
Crude oil production	thousand tonnes	9,798.7	9,530.5	2.81
Natural gas production	million cubic meters	1,813	1,469	23.42
Realised crude oil price	RMB/tonne	3,112.81	2,127.29	46.33
Realised natural gas price	RMB/thousand cubic meters	745.10	655.36	13.69
<b>Refining</b>				
Crude processing volume	thousand tonnes	35,170	34,330	2.45
Gasoline, diesel and kerosene production	thousand tonnes	20,890	20,610	1.36
Of which: Gasoline	thousand tonnes	5,530	5,820	(4.98)
Diesel	thousand tonnes	13,820	13,110	5.42
Kerosene	thousand tonnes	1,540	1,680	(8.33)
Light chemical feedstock	thousand tonnes	5,770	4,990	15.63
Light yield	%	74.81	73.48	1.33 percentage point
Refining yield	%	93.64	92.63	1.01 percentage point
<b>Marketing and Distribution</b>				
Total domestic sales of refined oil products	thousand tonnes	26,030	24,130	7.87
Of which: Retail	thousand tonnes	16,670	13,460	23.85
Distribution	thousand tonnes	4,910	5,350	(8.22)
Wholesale	thousand tonnes	4,450	5,320	(16.38)
Total number of petrol stations	stations	29,744	30,164	(1.39)
Of which: Owned and self-operated	stations	27,464	26,682	2.93
Franchised	stations	2,280	3,482	(34.52)
Through per petrol station (Note 1)	tonne/station	2,428	2,018	20.32
<b>Chemicals (Note 2)</b>				
Ethylene	thousand tonnes	1,514	1,122	34.94
Synthetic resins	thousand tonnes	2,075	1,683	23.29
Synthetic rubbers	thousand tonnes	161	158	1.90
Monomers and polymers for synthetic fibers	thousand tonnes	1,782	1,596	11.65
Synthetic fibers	thousand tonnes	390	400	(2.50)
Urea	thousand tonnes	441	388	13.66

Notes: 1. Throughput per petrol station data is an annualized average; 2. BASF-YPC and Shanghai Secco were put into commercial operations in the late June of 2005, the operating results of ethylene and synthetic resin for the three-month period ended 31 March 2006 included 100% output of BASF-YPC and Shanghai Secco.

**Capital Expenditure:**

In the first quarter of 2006, capital expenditure of the Company aggregated at RMB 14,390 million, of which the capital expenditure of the Exploration and Production Segment was RMB 5,372 million; newly-built production capacity of crude oil reached 1.27 million ton per annum and newly-built production capacity of natural gas reached 469 million cubic meters per annum. Capital expenditure of the Refining Segment was RMB 2,821 million, the expansion and upgrading projects in Guangzhou and Yanshan and refining as well as some of the secondary processing units under technical innovation progressed smoothly. Capital expenditure of the Chemical Segment was RMB 1,725 million, which expenditure was mainly used for the second phase of Maoming ethylene reconstruction project, ethylene glycol unit of Shanghai Petrochemical Company Limited, aromatics and PTA reconstruction of Sinopec Yangzi Petrochemical Company Ltd. and coal gasification projects for the three sets of chemical fertilizer facilities. Capital expenditure of the Marketing and Distribution Segment was RMB 4,136 million, which expenditure was mainly used for establishing logistics system and purchasing gas stations. Nitrogen gas stations were added during the reporting period. Capital expenditure of the Company's headquarters and others was RMB 336 million.

**3 Management's Discussion and Analysis**

**3.1 Brief analysis of the Company's general operating activities during the reporting period**

Based on the PRC Accounting Rules and Regulations, income from principal operations of the Company for the first quarter of 2006 amounted to RMB 222,699 billion, representing an increase of 31.74% over the same period of last year, and the net profit amounted to RMB 9,130 billion, representing an increase of 1.4% over the same period of last year.

Based on IFRS, the turnover and other operating revenues of the Company for the first quarter of 2006 amounted to RMB 227,195 billion, representing an increase of 30.48% over the same period of last year. Profit attributable to equity shareholders of the Company amounted to RMB 9,288 billion, representing a decrease of 3.62% over the same period of last year.

**3.1.1 Principal segments or products accounting for over 10% of income or profit from principal operations**

□ applicable □ not applicable

The table below shows segmental information prepared in accordance with the PRC Accounting Rules and Regulations:

By segments or by products	Income from principal operations		Profit from principal operations		Gross profit margin (%)
	RMB millions	Costs of sales	RMB millions	RMB millions	
Exploration and production	30,342	9,552	19,544	64.41	
Refining	126,913	130,342	(6,637)	(5.23)	
Marketing and distribution	126,045	117,254	8,665	6.87	
Chemicals	45,537	40,180	5,028	11.04	
Corporate and others	40,621	40,068	543	1.34	
Elimination of inter-segment sales	(146,759)	(146,259)	N/A	N/A	
Total	222,699	191,137	27,143	12.19	
Of which related party transactions	19				