

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)

# Third Quarterly Results for 2005

During the third quarter of 2005, income from principal operations and net profit of China Petroleum & Chemical Corporation and its subsidiaries (the "Company") under the PRC Accounting Rules and Regulations amounted to RMB217,742 million and RMB8,432 million respectively. Turnover & other operating revenues and profit attributable to equity holders of Sinopec Corp. under International Financial Reporting Standards ("IFRS") amounted to RMB 224,134 million and RMB 8,596 million respectively.

This quarterly report 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 announ 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. puncements published in Shanghai and Hong Kong This announcement is made pursuant to the disclosure requirement under Rule 13.09(2) of the Listing Rules for its publication in Hong Kong.

Item

2.2.3

## **Important Notice**

- 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 report. 1.1
- 1.2
- This quarterly results announcement has been reviewed and approved at the twentieth meeting of the second session of the Board of Directors of Sinopec Corp. The financial statements contained in this announcement are not audited.
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- 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 Department of Sinopec Corp., hereby warrant the authenticity and completeness of the financial statements contained in this quarterly results announcement.

#### Bas nformation

basic i	information				
2.1	<b>Basic</b> information	of Sinopec Corp.			
	Stock name	SINOPEC CORP.	SINOPEC CORP.	SINOPEC CORP.	SINOPEC CORP.
	Stock code	386	SNP	SNP	600028
	Place of listing	Hong Kong Stock Exchange Authorized Represe	New York Stock Exchange	London Stock Exchange Secretary to the Board of Directors	Shanghai Stock Exchange Representative on Securities Matters
	Name	Mr. Wang Jiming		Mr. Chen Ge	Mr. Huang Wensheng
	Address	6A Huixindong Stre	eet, Chaoyang District	SNP London Stock Exchange Secretary to the Board of Directors Mr. Chen Ge , Beijing, PRC 64990060 64990022	e
	Post Code	100029	5 SNP SNP ng Kong Stock New York Stock London : Shange Exchange Exchange thorized Representatives Board of . Wang Jiming Mr. Chen Ge Mr. Chen Huixindong Street, Chaoyang District, Beijing, I 1029		
	Tel	64990060	64990060	64990060	64990060
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#### Financial Information 2.2

- Principal accounting data and financial indicators 2.2.1
- 2.2.1.1 Principal accounting data and financial indicators prepared in accordance with the PRC Accounting

2.2.1.1	Rules and Regulations	and mane	ai muicai	ors prepared in acc	ordance w	itii tiic r KC	Accounting
	-		At 30 S	eptember At 31 D 2005	ecember 2004		mpared with the ing year-end (%)
	Total assets (RMB million			500,696	460,081		8.83
	Shareholders' funds (exclu minority interests) (RMI			202,582	186,350		8.71
	Net assets per share (RME	3)		2.337	2.149		8.75
	Adjusted net assets per sh			2.262	2.102		7.61
			30 Sep	periods ended tember eptember) Changes compared with the same period		30 Sep	September) Changes compared with the same
		2005	2004	of the preceding year (%)	2005	2004	period of the preceding year (%)
	Net cash flow from						
	operating activities (RMB millions)	22,201	23,543	(5.70)	47,245	45,237	4.44
	Earnings per share (RMB)	0.097	0.104	(6.73)	0.305	0.277	10.11
	Return on net assets (%)	4.16	5.06	(0.9)	13.07	13.52	(0.45)
	Return on net assets			percentage point			percentage point
	before non-operating profits/losses						
	(Fully diluted) (%)	4.65	5.88	(1.23) percentage point	13.67	15.06	(1.39)
	(Weighted average) (%)	4.66	6.04	(1.38)	14.03	15.49	percentage point (1.46)
				percentage point		Nine-mo	percentage point nth period ended
	Non-operating profits/los	ses					September 2005 (RMB millions)
	Gain on disposal of long-t Written back of provisions Non-operating expenses (e provided in accordance Business Enterprises) Of which: Loss on disp Donations Employee re	s on assets excluding n with the A osal of fixe	provided ormal pro ecounting ed assets	in previous years visions on assets			(11) (516) 1,222 131 147 106
	Non-operating income Tax effect Total						(250) (147) 298
2.2.1.2	Principal accounting data	and financi	al indicat	ors prepared in acc	ordance wi	ith IFRS	
				Septem	30 ber 005	At 31 December 2004	Changes compared with the preceding year-end (%)
	Total assets (RMB million	s)		517,	080	474,594	8.95
	Total equity attributable to		lders of t	he			
	parent (RMB millions) Net assets per share (RME	3)		210,	885 432	193,040 2.226	9.24 9.25
	Adjusted net assets per sh			2.	364	2.187	8.09
			30 Sep	period ended tember		30 Sept	
			(July to S	eptember) Changes compared with	(,	January to	September) Changes compared with
		2005	2004	the same period of the preceding	2005	2004	the same period of the
		2003	2004	year (%)	2005	2004	preceding year (%)
	Net cash flow from						
	operating activities (RMB millions)	19,677	22,024	(10.66)	40,759	42,722	(4.59)
	Earnings per share (RMB)	0.099	0.124	(20.16)	0.326	0.318	2.52
	Return on net assets (%)	4.08	5.69	(1.61)	13.40	14.51	(1.11)

		2005	2004	2005	2004
	Including: Interest expense	(1,523)	(1, 120)	(4,368)	(3,392)
	Interest income	107	87	275	266
	Foreign exchange losses	(138)	(35)	(178)	(64)
	Foreign exchange gains	687	43	838	86
5.	Investment income	14	12	76	12
6.	Share of profits less losses from				
	associates	209	225	745	680
7.	Profit before taxation	12,850	17,044	44,564	43,982
8.	Taxation	(3,984)	(4, 820)	(13, 929)	(12, 837)
9.	Profit for the period	8,866	12,224	30,635	31,145
	Attributable to:				
10.	Equity holders of the parent	8,596	10,794	28,249	27,540
11.	Minority interests	270	1,430	2,386	3,605
12.	Profit for the period	8,866	12,224	30,635	31,145
PRC	rences between the net profit for the first the Accounting Rules and Regulations and IFR	S			

Three-month periods ended Nine-month periods ended

30 September (July to September) (July to September) RMB millions RMB millions RMB millions RMB millions

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

	Nine-month periods ended 30 September	
	2005	2004
	RMB millions	RMB millions
Net profit under the PRC Accounting Rules and Regulations Adjustments:	26,476	24,042
Equity investment differences	1.175	
Depreciation of oil and gas properties	648	541
Pre-operating expenditures	441	(147)
Capitalisation of general borrowing costs, net of depreciation		
effect	377	405
Unrecognised losses of subsidiaries	160	(220)
Acquisition of Sinopec National Star	87	87
Acquisition of Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical and		
Catalyst Plants	_	1,345
Reduced amortization on revaluation of land use rights	14	14
Reduced depreciation on government grants	2	
Impairment losses on revalued assets	-	760
Disposal of oil and gas properties, net of depreciation effect	(299)	2,234
Effects of the above adjustments on taxation	(832)	(1,521)
Minority interests	2,386	3,605
Profit for the period under IFRS	30,635	31,145
Effects of major differences between the shareholders' funds under	the PRC Accountin	o Rules and

2.2.3.2 Eft Regulations and the total equity under IFRS are analyzed as follows: At 30 September At 31 December

		2005 RMB millions	2004 RMB millions				
		KMD millions	KMB millions				
	Shareholders' funds under the PRC Accounting Rules and						
	Regulations	202,582	186,350				
	Adjustments:						
	Equity investment differences	1,175	_				
	Depreciation of oil and gas properties	12,243	11,595				
	Pre-operating expenditures	(16)	(457)				
	Capitalisation of general borrowing costs	1,982	1,605				
	Acquisition of Sinopec National Star	(2,608)	(2,695)				
	Revaluation of land use rights	(963)	(977)				
	Government grants	(590)	(592)				
	Disposal of oil and gas properties	3,071	3,370				
	Impairment losses on long-lived assets	(113)	(113)				
	Effects of the above adjustments on taxation	(5,878)	(5,046)				
	Minority interests	29,000	31,046				
	Total equity under IFRS	239,885	224,086				
2.3	As at the end of this reporting period, the total number 250,004 holders of domestic A-shares, and 9,866 holders						
	List of the top 10 shareholders of tradable shares as at the	List of the top 10 shareholders of tradable shares as at the end of this reporting period:					
	Top 10 holders of tradable shares and the quantities of t	heir respective shareholdir	igs				

Shareholder's name (full name)	Quantity of tradable shares in possession as at the end of this reporting period (10,000 shares)	Nature of Shareholders	
HKSCC (Nominees) Limited	1,667,614.2	Н	
Qingdao Port (Group) Co., Ltd.	6000.0	А	
China 50 ETF	5781.2	А	3.1.4
Fortis Haitong income Investment management	5000.0	А	
King Fook Securities Investment Fund	4450.3	А	
E Fund 50 Securities Investment Fund	4022.8	А	
Citic Classical Allocation Fund	3555.0	А	3.1.5
Boshi Select Securities Investment Fund	3230.0	А	
Social Security Fund	3053.7	А	
Orient Securities	2861.0	Α	3.2

2.4 **Business Review and Prospects** 

2.4.1 **Business Review** 

Justifiess Review In the first three quarters of 2005, China's economy maintained a rapid growth with GDP growing by 9.4% in the third quarter. Domestic demand for petroleum and petrochemical products kept increasing. In the first three quarters, while the international crude prices fluctuated at a high level, the Chinese government continued to exert tight control over domestic oil product prices, further widening the price gap between domestic and international market. Petrochemical product prices remained high. The Company optimized production and operation, and realized volume growth in oil and gas production, refining throughput, sales volume of oil products and ethylene production. Good results have been achieved.

According to the PRC Accounting Rules and Regulations, the Company's income from principal operations and net profit for the first three quarters of 2005 amounted to RMB 576.990 billion and RMB 26.476 billion, respectively (the Company's income from principal operations and net profit for the third quarter of 2005 were RMB 217.742 billion and RMB 8.432 billion, respectively). According to IFRS, turnover and other operating revenues, and profit attributable to equity holders of the Company for the first three quarters of 2005 amounted to RMB 592.588 billion and RMB 2.4249 billion, respectively). Evaluating revenues, and profit attributable to equity holders of the Company for the third quarter of 2005 were RMB 224.134 billion and RMB 8.596 billion, respectively).

Exploration and Production Segment: The Company seized the opportunity of high crude price, carefully organized oil and gas production, focused on enhancing oil recovery in mature oil fields and improving the overall development level, steadily pushed on capacity buildup in Tahe Oil Field and other new blocks, and realized a stable growth in oil and gas production.

turnover and other operating revenue of the Company amounted to RMB 224.1 billion, representing an increase of 40% over the same period of the preceding year. Profit attributable to shareholders of the Company amounted to RMB 8.6 billion, representing a decrease of 20.4% over the same period of the preceding year. Principal segments or products accounting for over 10% of income or profit from principal operations

√ Applicable □ Not applicable The table below sets out segmental information prepared in accordance with the PRC Accounting Rules and

operations (RMB millions)	Cost of sales (RMB millions)	operations (RMB millions)	margin (%) (Note)
28,905	10,149	16,833	58.24
126,086	130,918	(5,124)	(4.06)
120,784	112,471	8,313	6.88
51,798	45,648	6,150	11.87
38,267	37,635	632	1.65
(148,098)	(145,883)	_	_
217,742	190,938	26,804	12.31
14.156	11.779	2.377	16.79
	28,905 126,086 120,784 51,798 38,267 (148,098) 217,742	28,905     10,149       126,086     130,918       120,784     112,471       51,798     45,648       38,267     37,635       (148,098)     (145,883)       217,742     190,938	$\begin{array}{cccccccccccccccccccccccccccccccccccc$

	By segments	Operating revenue (RMB millions)	<b>Operating</b> <b>expenses</b> (RMB millions)	Operating profit/ (loss) (RMB millions)	operating profit / (loss) over operating revenue (%)
	Exploration and production	31,215	15,251	14,041	44.98
	Refining	127,123	133,461	(6,630)	(5.22)
	Marketing and distribution	121,236	118,503	2,733	2.25
	Chemicals	54,047	50,215	3,832	7.09
	Others	38,611	39,093	(482)	(1.25)
	Elimination of inter- segment sales Total	(148,098) 224,134	(145,883) 210,640	13,494	6.02
3.1.2	Seasonal or periodic nature	of the operations of	of the Company		

□ Applicable  $\checkmark$  Not applicable

The composition of the profits during the 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 total profit compared with that in the preceding reporting period (from January to June) are listed and explained below in accordance with the PRC Accounting Rules and Regulations) 3.1.3

√ Applicable □ Not applicabl

Item	Three-month 1 30 Septem (July to Se	ber 2005	30 June (January	2005	Change in percentage of total profit (percentage
	Amount (RMB millions)	total profit (%)	Amount (RMB millions)	total profit (%)	
Profit from principal operations	26,804	214.43	57,863	196.64	17.79
Profit from other operations	159	1.27	447	1.52	(0.25)
Period expenses	(14,002)	(112.02)	(27, 166)	(92.32)	(19.70)
Investment income	218	1.74	(742)	(2.52)	4.26
Net non-operating income/expenses	(679)	(5.43)	(976)	(3.32)	(2.11)
Total profit	12,500	100.00	29,426	100.00	0.00

Significant changes and explanations:

Profit from principal operations: The percentage of profit from principal operations to total profit was 214.43%, representing an increase of 17.79 percentage points when compared with 196.64% recorded in the first half of 2005. This was mainly due to the difference in extent of the decrease in the total profit and profit from principal operations of the Company during the reporting period despite efforts by the Company to minimize the effects of the significant increase in crude oil prices and the control imposed by the government over prices of refined oil products as a result of the macro-economy control measures. Total profit and profit from principal operations of the Company experienced a decrease of 15.04% and 7.35%, respectively, when compared with the quarterly averages in the first half of profit of the Company. Period expenses

# Period expenses

3.2.1

3.2.2

Changes compared

3.1.1

The percentage of period expenses to total profit was 112.02%, representing an increase of 19.7 percentage points when compared with 92.32% recorded in the first half of 2005. This is mainly due to the period expenses of the Company almost equated with the quarterly average in the first half of 2005 and total profit of the Company experienced a decrease of 15.04% when compared with the quarterly average in the first half of the year.

Significant changes in, and explanations of, the principal operations and their structures as compared with those during the preceding reporting period (January to June) □ Applicable √ Not applicable

- Significant changes in, and explanations of, the profitability (gross profit margin) of principal operations as compared with those during the preceding reporting period (January to June)
- √ Not applicable □ Applicable
- Significant events and their impacts as well as the analysis and explanations for the solutions
- / Applicable □ Not applicable Connected transactions entered into by the Company in the first three quarters of 2005

Connected transactions entered into by the Company in the first three quarters of 2005 In the first three quarters of 2005, the aggregate amount of connected transactions entered into by the Company amounted to RMB 110.768 billion, of which, incoming trade amounted to RMB 53.211 billion, and outgoing trade amounted to RMB 57.557 billion (including RMB 57.483 billion of sales of products and services, RMB 39 million of interest income, and RMB 35 million of agency commission income). The aggregate amount of products and services (including purchases, storage and transportation, exploration and development services, and other production-related services) provided by Sinopee Group to the Company was RMB 48.702 billion, representing 10.1% of the total amount of similar transactions, and 8.9% of the operating expenses of the Company was RMB 1.36 billion, representing 0.2% of the operating expenses of the Company in the first three quarters. The amount of ancillary & social services provided by Sinopee Group to the Company in the first three quarters. The amount of products and services provided by the Company to Sinopee Group was RMB 57.483 billion, representing 9.7% of the total amount of similar transactions, and 10.5% of the operating revenue of the Company in the first three quarters. The pricing policy for connected transactions is: (1) Government-prescribed price and government-guided price are adopted for products or services if such prices are available; (2) Where there is no government-guided price for products on services, the market price (inclusive of bidding price) will apply; or (3) Where none of the above is applicable, the price will be decided based on the cost incurred plus reasonable profit margin of not more than 6%. The transfer of state-owned shares from China Development Bank and China Cinda Asset Management

The transfer of state-owned shares from China Development Bank and China Cinda Asset Management Corporation to Sinopec Group Company

This section includes the income statements for the third quarter ended 30 September 2005 prepared in accordance with both the PRC Accounting Rules and Regulations and IFRS with comparative figures for the corresponding period in 2004.

Income statements

2.2.2

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

Note: The data for the third quarter ended 30 September 2004 prepared in accordance with IFRS was restated, please refer to Section 3.3.2 to this quarterly results announcement for more details.

percentage point

percentage poir

(1)	Income statements for the three-month periods ended 30 September (July to September)							
Item		30 Septe (July to S	periods ended mber 2005 September)	Three-month periods ended 30 September 2004 (July to September)				
		(Note 1)	The Company (Note 1) RMB millions	(Note 1)	The Company (Note 1) RMB millions			
1.	Income from principal							
	operations	217,742	155,331	151,986	102,886			
Less:	Cost of sales	186,433	144,342	116,956	86,593			
	Sales taxes and							
	surcharges	4,505	2,916	4,222	2,540			
2.	Profit from principal							
	operations	26,804	8,073	30,808	13,753			
Add:	Profit/(loss) from other							
	operations	159	77	134	(157			
Less:	Selling expenses	5,368	3,461	4,992	3,697			
	Administrative expenses	6,341	4,508	5,141	2,943			
	Financial expenses	1,064	801	1,067	665			
	Exploration expenses,							
	including dry holes	1,229	923	1,629	1,291			
3.	Operating profit/(loss)	12,961	(1,543)	18,113	5,000			
Add:	Investment income	218	14,029	272	10,869			
_	Non-operating income	117	40	88	63			
Less:	Non-operating expenses	796	302	3,885	3,143			
4.	Profit before taxation	12,500	12,224	14,588	12,789			
Less:	Taxation	3,759	3,798	4,162	3,786			
	Minority interests	262	—	1,399				
Add:	Unrecognised investment							
-	losses (Note 2)	(47)		(24)				
5.	Net profit	8,432	8,426	9,003	9,003			

The "Company" means China Petroleum & Chemical Corporation. The "Group" means China Petroleum & Chemical Corporation and its subsidiaries on a consolidated basis.

- 2. This item represents the written back of unrecognised investment losses exceeding the investment costs of long-term investments.
- Income statements for the nine-month periods ended 30 September (January to (2)

	September)				
Item		30 Septe	periods ended mber 2005 o September) The Company (Note 1) RMB millions	30 Septer	periods ended mber 2004 September) The Company (Note 1) RMB millions
1.	Income from principal operations	576,990	396,671	417,695	286,722
Less:	Cost of sales	479.614	357.068	323.054	241.271
	Sales taxes and surcharges	12,709	8,302	11,998	7,201
2.	Profit from principal operations	84,667	31,301	82,643	38,250
Add:	Profit/(loss) from other operations	606	252	750	(128)
Less:	Selling expenses	15,727	10,070	13,656	9,287
	Administrative expenses	16,941	10,649	16,006	10,147
	Financial expenses	3,916	2,653	3,161	1,952
	Exploration expenses, including dry holes	4,584	3,601	4,104	3,122
3.	Operating profit	44,105	4,580	46,466	13,614
Add:	Investment (loss)/income	(524)	34,963	788	27,509
	Non-operating income	250	139	269	175
Less:	Non-operating expenses	1,905	734	8,837	6,695
4.	Profit before taxation	41,926	38,948	38,686	34,603
Less:	Taxation	12,927	12,492	11,316	10,318
	Minority interests	2,363	_	3,811	_
Add:	Unrecognised investment losses (Note 2)	(160)	—	483	—
5.	Net profit	26,476	26,456	24,042	24,285

Note: 1. The "Company" means China Petroleum & Chemical Corporation. The "Group" means China Petroleum & Chemical Corporation and its subsidiaries on a consolidated basis. This item represents the written back of unrecognised investment losses exceeding the investment costs of long-term investments.
Solidated income statements prepared in accordance with IEPS

2.2.2.2.6

2.2.2	Consolidated income statements prepared in accordance with IFRS								
	Item		Three-month periods ended 30 September (July to September)		30 September (January to September)				
			RMB millions 2005	RMB millions 2004	RMB millions 2005	RMB millions 2004			
	1.	Turnover and other operating							
		revenues	224,134	160,207	592,588	439,652			
		Including: Turnover	217,742	153,932	576,990	423,533			
		Other operating revenues		6,275	15,598	16,119			
	2.	Operating expenses	(210,640)	(142,375)	(545,412)	(393,258)			
		Including: Expenses on purchase of crude oil, products							
		and operating supplies Selling, general and	(183,618)	(113,833)	(466,654)	(311,991)			
		administrative expense Depreciation, depletion	s (8,745)	(8,134)	(24,255)	(22,993)			
		and amortisation Exploration expenses,	(7,686)	(7,956)	(22,841)	(23,355)			
		including dry holes	(1,229)	(1,629)	(4,584)	(4,104)			
		Personnel expenses Employee reduction	(4,178)	(4,469)	(12,714)	(13,185)			
		expenses Taxes other than income	(6)	-	(106)	(412)	3.		
		tax Other operating	(4,505)	(4,252)	(12,709)	(12,085)			
		expenses, net	(673)	(2,102)	(1,549)	(5,133)			
	3.	Operating profit	13,494	17,832	47,176	46,394			
	4.	Net finance costs	(867)						

Refining Segment: In view of the increasing crude price and tight control over domestic oil products, the Company fully leveraged production capacity, optimized processing plans and maintained safe, stable, long-term and full-load operation, and furth-reincreased its refining throughput. The Company also improved product mix and increased the production of high value-added products.

Marketing and Distribution Segment: According to the supply and demand in domestic oil product market, the Company acquired resources from various channels to guarantee market supply. Total oil product sales volume, especially retail and direct-sale volume, kept rapid growth.

Chemicals Segment: With chemical business still in the up cycle, the Company fully leveraged the newly-built production capacity, enhanced operation management, maintained full-load operation of major chemical plants, and as a result realized production growth of all major chemical products. Product mix was further improved and the production of high value-added products, such as performance compound and differential fiber, was significantly increased.

## Summary of Principal Operating Results for the first three quarters of 2005

Operating Results			Nine-month p	eriods ended 0 September	with the same period of the	
		Unit		- September) 2004	preceding year (%)	
Exploration	and Production					
Crude oil pr	oduction	'000 tonne	29,188.7	28,802.2	1.34%	
Natural gas	production	Billion cubic meter	4.529	4.310	5.08%	3.2.4
Crude oil re	alized price	RMB/ton	2525.89	1838.21	37.41%	
Refining	realized price	RMB/'000 cubic meter	657.92	604.48	8.84%	
Refining thr		'000 tonne	104,073.1	98,678.2	5.47%	
	of gasoline, diese					
oil and ke		'000 tonne	62,903.2	59,886.9	5.04%	
Of which:	Gasoline	'000 tonne	17,233.7	17,480.9	(1.41%)	
	Diesel	'000 tonne	40,488.1	37,762.8	7.22%	
	Kerosene	'000 tonne	5,179.4	4,643.2	11.55%	
	ical feedstock	'000 tonne	15,503.0	13,021.7	19.06%	3.2.5
Light produ-	cts yield	%	74.20	73.94	0.26	0.2.0
Refining yie	ld	%	93.23	92.93	percentage point 0.30	
					percentage point	
	and Distribution					
Total domes						
refined oi		'000 tonne	77,498.5	70,187.4	10.42%	
Of which:	Retail	'000 tonne	46,184.3	38,571.4	19.74%	3.3
	Distribution	'000 tonne	15,424.0	15,025.1	2.66%	
	Wholesale	'000 tonne	15,890.2	16,591.1	(4.23%)	
Total numbe	r of petrol					
stations		Station	30,583	31,030	(1.44%)	3.3.1
Of which:	Self-operated	Station	27,048	25,654	5.43%	
	Franchised	Station	3,535	5,376	(34.24%)	
station	ughput per petrol					
(Note 1)		tonne/station	2,277	2,005	13.57%	
Chemicals (	Note 2)					3.3.2
Ethylene		'000 tonne	3,848.7	2,996.3	28.45%	5.5.2
Synthetic re		'000 tonne	5,546.6	4,504.2	23.14%	
Of which: P		2000 4	2 550 2	2 206 5	15 00/7	
compound		'000 tonne	2,559.3	2,206.5	15.99%	
Synthetic ru		'000 tonne	467.9	414.6	12.86%	
	ber monomers and		4 0 2 8 7	1 165 2	10.38%	
polymers Synthetic fil	are.	'000 tonne '000 tonne	4,928.7	4,465.2 1,238.6	(6.28%)	
	oers Differential fibers		1,160.8	535.6		
Uf which: L Urea	interential fibers	'000 tonne	567.5		5.96%	
orea		'000 tonne	1,450.1	2,151.6	(32.60%)	

Notes: 1. Throughput per petrol station data was an annualized average

2. Operational data of 2005 includes 100% production of YPC-BASF and Shanghai Secco

## Capital Expenditure:

**Lapital Expenditure:** During the first three quarters of 2005, the Company's total capital expenditure was RMB 36.483 billion. The capital expenditure for the Exploration and Production Segment was RMB 15.013 billion: 2.98 million tonnes/year of oil production capacity and 570 million cubic meters/year of gas production capacity were added. The capital expenditure for the Refining Segment was RMB 6.839 billion: constructions of refining expansion projects were expedited. The capital expenditure for the Refining Segment was RMB 6.839 billion: constructions of refining expansion projects, including Maoming Ethylene, were progressing smoothly. The capital expenditure for the Marketing and Distribution Segment was RMB 9.182 billion: constructions of oil product pipeline in southwest China is close to completion and 742 stations were added to the number of the Company's self-owned petrol stations. The capital expenditure of the Marketing and others was RMB 6.72 million.

In addition, the capital expenditure for jointly controlled entities such as Shanghai Secco and YPC-BASF was RMB 2.313 billion.

2.4.2 Business Prospects

> For the fourth quarter of 2005, it is expected that domestic demand for oil and chemical products will remain strong, international prices of crude oil will continue to fluctuate at a high level and the chemical industry will remain at a cyclical upturn. The Company will closely monitor market changes, make appropriate adjustments to productions and business operations, and focus on the following areas:

> Exploration and Production Segment: The Company will seize the favorable opportunities arising from the high oil prices by increasing production volume. The Company will make further efforts in exploration and development, in particular, the exploration and development of the new blocks in western China, aiming at achieving a 100% reserve replacement and in preparation for reserves and production growth in the following year.

Refining Segment: The Company will further optimize crude oil resource allocation, make appropriate adjustments to the product mix based on market conditions, reinforce the management of production and business operations, and ensure safe, stable, long-term, full-load and optimal operation of its facilities.

Marketing and Distribution Segment: The Company will procure sources from various sources, make efforts to increase the total sales volume of oil products. The Company will also accelerate the construction of oil products graduate adjust the deployment of oil depots, increase the coverage of the oil products retail network, and further consummate the construction of the oil products sales network.

Chemicals Segment: The Company will maintain full-load operation of major chemical facilities and fully realize the potentials of the chemical products sales company.

By adopting the above measures, the Company aims at exceeding the production and operation targets for 3.8 the whole year.

## Management's discussion and analysis:

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

According to the PRC Accounting Rules and Regulations, income from principal operations of the Company for the third quarter of 2005 amounted to RMB 217.7 billion, representing an increase of 43.2% over the same period of the preceding year. Net profit to fthe Company for the reporting period amounted to RMB 8.4 billion, representing a decrease of 6.7% over the same period of the preceding year. According to IFRS,

Corporation to Sinopec Group Company The Company's shareholders, namely China Development Bank ("CDB") and China Cinda Asset Management Corporation ("Cinda") entered into separate share transfer agreements with China Petrochemical Corporation ("Sinopec Group Company") on 26 August 2005 and 6 July 2005, respectively, pursuant to which CDB transferred 2,000,000,000 state-owned shares (representing 2.31% of the total issued shares of the Company), and Cinda transferred 871,763,776 state-owned shares (representing 1.01% of the total issued shares of the Company) to Sinopec Group Company. The total considerations for the share transfers were RMB 4,200,000,000 and RMB 1,830,703,929.6, respectively, and will be paid in cash by Sinopec Group Company to CDB and Cinda.

#### 3.2.3 Issuance of short-term financial paper

Issuance of short-term financial paper On 19 September 2005, Sinopec Corp, held its first extraordinary general meeting for 2005 ("EGM"). The EGM approved the following special resolution in respect of the issuance of short-term financial paper: (1) An approval to be given to Sinopec Corp, to issue in one or multiple tranches a short-term commercial paper of an aggregate principal amount up to 10% of the net asset value as shown in Sinopec Corp.'s latest audited consolidated financial statements prepared in accordance with PRC Accounting Rules and Regulations and up to the maximum amount for issue of short-term commercial paper as approved by the People's Bank of China (the "PBOC") after shareholders' approval, pursuant to the Administrative Measures on Short-term Commercial Papers promulgated by the PBOC and any other applicable regulations; and (2) an unconditional general mandate to be given to the Board or any two or more directors to determine the terms and conditions and any relevant matters in relation to the issue of short-term commercial paper in view of the demand of Sinopec Corp. and the market conditions, including but not limited to the final principal amount, interest rate and term of maturity of the short-term commercial paper as set out in (1) and the preparation and execution of all necessary documents. For detailed information, please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities, Scurities in Mainland China, and South China Morning Post and Hong Kong Economic Times in Hong Kong on 20 September 2005. Transfer of the state-owned shares of China Phoenix by Sinopec Corp.

.4 Transfer of the state-owned shares of China Phoenix by Sinopec Corp.

Iransfer of the state-owned shares of China Phoenix by Sinopec Corp. On 18 October 2005, Sinopec Corp. entered into a share transfer agreement with China Changjiang Shipping (Group) Corporation ("Changhang Group"), pursuant to which Sinopec Corp. transferred 211,423,651 state-owned shares, representing 40.72% of the total share capital of Sinopec Wuhan Phoenix Co., Ltd. ("China Phoenix"), to Changhang Group. The transfer price was RMB 578,110,600. For further details, please refer to the "Report on Change of Shareholding" published by Sinopec Corp. in China Securities, Shanghai Securities, Securities Times in Mainland China on 20 October 2005. On 18 October 2005. Changhang Group entered into an assets swap agreement with China Phoenix, pursuant to which Changhang Group swapped its shipping assets with the petrochemical assets of China Phoenix, For further details, please refer to the "Report of the Board of Directors of Sinopec Wuhan Phoenix Co., Ltd. on significant assets swap/connected transactions"; issued by China Phoenix, on the same day. Ltd. on significant assets swap/connected transactions" issued by China Phoenix on the san

# Distribution of interim dividends of 2005

Pursuant to the "Articles of Association" of Sinopec Corp. and as approved at the 19th meeting of the Second Session of the Board of Directors of Sinopec Corp., the Interim Dividend Distribution Plan for the period ended 30 June 2005 was RMB 0.04 (inclusive of tax) per share, totaling RMB 3,468 million, based on the total number of shares of 86,702.439 million as at 30 June 2005. The interim cash dividend of 2005 was distributed on 30 September 2005 to the shareholders of Sinopec Corp., whose names appear on the register of members of Sinopec Corp. on 20 September 2005. 2005

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

√ Applicable Not applicable

5.1 Financial statements for the third quarter ended 30 September 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 third 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 third quarter of 2005.

.2 Financial statements for the third quarter ended 30 September 2005 prepared under IFRS

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 "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 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. equity transacti

The summarized results of operations previously reported by the Company for the third quarter ended 30 September 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 

	The Company without the Acquired Group RMB millions	The Acquired Group RMB millions	Combined RMB millions
Results of operations: Operating revenues	433,646	6,006	439,652
Profit attributable to shareholders of the parent	26,653	887	27,540

For the nine-month period ended 30 September 2004 presented, all significant transactions between the Company and the Acquired Group have been eliminated.

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

□ applicable √ not applicable

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 the preceding year

 $\checkmark$  not applicable □ applicable

Adjustments to the annual business plan or budget which has been disclosed

□ applicable √ not applicable

3.4

3.5

3.6

3.7

Special commitments made by the original holders of non-tradable shares of the Company pursuant to the share merger reform, and performance of such commitments:

#### □ applicable √ not applicable

This quarterly report is published in both English and Chinese languages. In case of any disparity in construing these two versions, the Chinese version shall prevail.

By Order of The Board Chen Tonghai Chairman

27 October 2005 As at the date of this announcement, the directors of Sinopec Corp. are Messrs. Chen Tonghai, Wang Jiming, Mou Shuling, Zhang Jiaren, Cao Xianghong, Liu Genyuan, Gao Jian and Fan Yifei; the independent non-executive directors of Sinopec Corp. are Messrs. Chen Qingtai, Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai; and the employee representative director of Sinopec Corp. is Mr Cao Yaofeng.