

Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

CHINA PETROLEUM & CHEMICAL CORP  
Form 6-K  
April 28, 2006

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 6-K

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
The Securities Exchange Act of 1934

For the month of April, 2006

CHINA PETROLEUM & CHEMICAL CORPORATION  
A6, Huixindong Street,  
Chaoyang District Beijing, 100029  
People's Republic of China  
Tel: (8610) 6499-0060

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F    
-----

Form 40-F   
-----

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. )

Yes   
-----

No    
-----

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_. )

N/A

This Form 6-K consists of:

The announcement of first quarter results for 2006 of China Petroleum & Chemical Corporation (the "Registrant"), made by the Registrant in English on April 27, 2006.

Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

SIGNATURE

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

China Petroleum & Chemical Corporation

By: /s/ Chen Ge

-----  
Name: Chen Ge

Title: Secretary to the Board of Directors

Date: April 28, 2006

[GRAPHIC OMITTED]

(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 Jiaren, Director, 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.

# Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

## 2. Basic Information of Sinopec Corp.

### 2.1 Summary of the information of Sinopec Corp.

|                  |   |                         |                                     |                                      |
|------------------|---|-------------------------|-------------------------------------|--------------------------------------|
| Stock name       | SINOPEC CORP  | SINOPEC CORP            | SINOPEC CORP                        | [GRAPHIC OMITTED]                    |
| 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 |                         |                                     |                                      |
| Postcode         | 100029  |                         |                                     |                                      |
| Tel              | 86-10-64990060  | 86-10-64990060          | 86-10-64990060                      | 86-10-64990060                       |
| Fax              | 86-10-64990022  | 86-10-64990022          | 86-10-64990022                      | 86-10-64990022                       |
| E-mail           | ir@sinopec.com.cn / media@sinopec.com.cn                |                         |                                     |                                      |

1

## 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

|  |                  |                     |  |   |
|--|------------------|---------------------|--|---|
|  |                  |                     |  | Changes at end of reporting period compared data at end of preceding period |
|  | At 31 March 2006 | At 31 December 2005 |  |   |

Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

|   |         |         |
|---|---------|---------|
| Total assets (RMB millions)                                       | 539,927 | 520,572 |
| Shareholders' funds (excluding minority interests) (RMB millions) | 224,764 | 215,623 |
| Net assets per share (RMB)  | 2.592   | 2.487   |
| Adjusted net assets per share (RMB)                               | 2.526   | 2.426   |

|   | Three-month period ended 31 March 2006 | Three-month period ended 31 March 2005 | Change this report period compared to the preceding period |
|---|--|--|--|
| Net cash flow from operating activities (RMB millions)  | 3,463                                  | 14,854                                 | (7)  |
| Earnings per share (RMB)  | 0.105                                  | 0.104                                  |  |
| Return on net assets (%)  | 4.062                                  | 4.608                                  | (  |
| Return (adjusted for non-operating profits/losses) on net assets (%)  | 4.118                                  | 4.681                                  | perce  |
| Non-operating profits/losses  |  | Three-month p                          | 31 March   |
| Written back of provisions on assets provided in previous years   |  |  | RMB mil  |
| Non-operating expenses (excluding normal provisions on assets provided in accordance with the Accounting Regulation for Business Enterprises) 251 |  |  |  |
| Of which: Losses on disposal of fixed assets  |  |  |  |
| Donations   |  |  |  |
| Non-operating income  |  |  |  |
| Tax effect of the above   |  |  |  |
| Total   |  |  |  |

# Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

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

|  | At 31 March<br>2006                             | At 31 December<br>2005                          | Changes at the<br>end of this reporting<br>period compared<br>with data at the<br>end of the preceding<br>period |
|--|---|---|--|
| Total assets (RMB millions)  | 557,382   | 537,321   |  |
| Total equity attributable to equity<br>shareholders of the Company (RMB<br>millions) | 232,844   | 223,556   |  |
| Net assets per share (RMB)   | 2.686   | 2.578   |  |
| Adjusted net assets per share (RMB)  | 2.620   | 2.518   |  |
|  |   |   |  |
|  | Three-month<br>period ended<br>31 March<br>2006 | Three-month<br>period ended<br>31 March<br>2005 | Changes in<br>reporting period<br>compared to<br>same period<br>of the preceding<br>year                         |
| Net cash flow from operating<br>activities (RMB millions)                            | 1,612   | 12,793  | (8)  |
| Earnings per share (RMB)   | 0.107   | 0.111   | (  |
| Return on net assets (%)   | 3.989   | 4.755   | (<br>percentage  |

## 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.

3

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

| Item | Three-month period<br>ended 31 March 2006 | Three-month period<br>ended 31 March 2005 |
|------|---|---|
|------|---|---|

Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

|  | The<br>Group    | The<br>Company  | The<br>Group    | Co  |
|--|-----------------|-----------------|-----------------|-----|
|  | RMB<br>millions | RMB<br>millions | RMB<br>millions | mil |
| 1. Income from principal operations                | 222,699         | 178,340         | 169,040         | 11  |
| Less: Cost of sales                                | 191,137         | 152,235         | 136,187         | 9   |
| Sales taxes and surcharges                         | 4,419           | 3,413           | 4,207           |     |
| 2. Profit from principal operations                | 27,143          | 22,692          | 28,646          | 1   |
| Add: Profit from other operations                  | 248             | 35              | 320             |     |
| Less: Selling expenses                             | 5,189           | 3,308           | 4,880           |     |
| Administrative expenses                            | 5,720           | 4,649           | 6,056           |     |
| Financial expenses                                 | 1,606           | 1,172           | 1,372           |     |
| Exploration expenses, including<br>dry holes       | 1,493           | 1,474           | 1,370           |     |
| 3. Operating profit                                | 13,383          | 12,124          | 15,288          |     |
| Add: Investment income                             | 172             | 1,214           | 143             |     |
| Non-operating income                               | 52              | 18              | 90              |     |
| Less: Non-operating expenses                       | 251             | 177             | 427             |     |
| 4. Profit before taxation                          | 13,356          | 13,179          | 15,094          | 1   |
| Less: Taxation                                     | 4,156           | 4,056           | 4,629           |     |
| Minority interests                                 | 59              | -               | 1,398           |     |
| Add: Reversal of unrecognised<br>investment losses | (11)            | -               | (63)            |     |
| 5. Net profit                                      | 9,130           | 9,123           | 9,004           |     |

Notes: The "Company" represents China Petroleum & Chemical Corporation;

The "Group" represents China Petroleum & Chemical Corporation and its subsidi

2.2.2.2 Consolidated income statements prepared in accordance with IFRS

Item

Three-month period

Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

|  | ended 31 March |         |
|--|----------------|---------|
|  | 2006           |         |
|  | RMB millions   | RMB mil |
| 1. Turnover and other operating revenues                                     | 227,195        | 17      |
| Including: Turnover  | 222,699        | 16      |
| Other operating revenues   | 4,496          |         |
| 2. Operating expenses  | (212,333)      | (157)   |
| Including: Purchased crude oil, products and operating supplies and expenses | (185,949)      | (131)   |
| Selling, general and administrative expenses                                 | (7,920)        | (7)     |
| Depreciation, depletion and amortisation                                     | (7,991)        | (8)     |
| Exploration expenses, including dry-holes                                    | (1,493)        | (1)     |
| Personnel expenses   | (4,362)        | (4)     |
| Taxes other than income tax  | (4,419)        | (4)     |
| Other operating expenses, net  | (199)          |         |
| 3. Operating profit  | 14,862         | 1       |
| 4. Finance costs   | (1,469)        | (1)     |
| Including: Interest expense  | (1,672)        | (1)     |
| Interest income  | 98             |         |
| Foreign exchange losses  | (59)           |         |
| Foreign exchange gains   | 164            |         |
| 5. Investment income   | 27             |         |
| 6. Share of profits less losses from associates                              | 185            |         |
| 7. Profit before taxation  | 13,605         | 1       |
| 8. Taxation  | (4,266)        | (4)     |
| 9. Profit for the period   | 9,339          | 1       |
| Attributable to:   |                |         |
| Equity shareholders of the Company   | 9,288          |         |
| Minority interests   | 51             |         |
| 10. Profit for the period  | 9,339          | 1       |

2.2.3

Differences between the net profit for the first quarter of 2006

## Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

and shareholders' funds as at 31 March 2006 under the PRC Accounting Rules and Regulations and IFRS

5

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<br>period ended<br>31 March<br>2006 |         |
|---|---|---------|
|   | RMB millions                                    | RMB mil |
| Net profit under the PRC Accounting Rules and Regulations             | 9,130   |         |
| Adjustments:  |   |         |
| Depreciation of oil and gas properties                                | 185   |         |
| Capitalisation of general borrowing costs, net of depreciation effect | 101   |         |
| Equity investment differences   | 40  |         |
| Acquisition of Sinopec National Star                                  | 29  |         |
| Unrecognised investment losses  | 11  |         |
| Reduced amortisation on revaluation of land use rights                | 6   |         |
| Reduced depreciation on government grants                             | 3   |         |
| Pre-operating expenditures  | (7)   |         |
| Disposal of oil and gas properties, net of depreciation effect        | (100)   |         |
| Effects of the above adjustments on taxation                          | (110)   |         |
| Profit attributable to equity shareholders of the Company under IFRS  | 9,288   |         |
| Minority interests  | 51  |         |
|   | -----   | -----   |
| Profit for the period under IFRS                                      | 9,339   | 1       |
|   | =====   | =====   |

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<br>31 March<br>2006 | 31 De  |
|--|------------------------|--------|
|  | RMB millions           | RMB mi |
| Shareholders' funds under the PRC Accounting Rules and Regulations | 224,764                | 2      |
| Adjustments:   |                        |        |
| Depreciation of oil and gas properties                             | 12,418                 |        |
| Capitalisation of general borrowing costs                          | 2,213                  |        |



Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

|  |         |       |
|--|---------|-------|
| Equity investment differences  | 240     |       |
| Acquisition of Sinopec National Star                                       | (2,549) | (     |
| Revaluation of land use rights   | (947)   |       |
| Government grants  | (585)   |       |
| Pre-operating expenditures   | (29)    |       |
| Disposal of oil and gas properties   | 2,960   |       |
| Effects of the above adjustments on taxation                               | (5,641) | (     |
| Total equity attributable to equity shareholders of the Company under IFRS | 232,844 | 2     |
| Minority interests   | 29,491  |       |
|  | -----   | ----- |
| Total equity under IFRS  | 262,335 | 2     |
|  | =====   | ===== |

6

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: 213,598, including 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 (A, B, H or o |
|--------------------------------------|--|-----------------------|
| HKSCC (Nominees) Limited             | 1,668,510.2  | H                     |
| Haifutong Profits Securities         | 4,760.0  | A                     |
| Jingfu Fund Management Co.,LTD       | 4,597.5  | A                     |
| Qingdao Port Authority               | 4,328.0  | A                     |
| Boshi Fund Management Co.,LTD        | 3,693.1  | A                     |
| China Fund SSE 50ETF Investment Fund | 3,598.1  | A                     |
| Citygroup Global Markets Limited     | 3,553.4  | A                     |
| EFUND 50 Securities Investment Fund  | 3,530.9  | A                     |
| Jinxin Fund Management Co.,LTD       | 3,470.0  | A                     |
| Jinghong Fund Management Co.,LTD     | 3,410.7  | A                     |

## Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

### 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 facies 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.

7

**Chemicals:** The major chemical production facilities of the Company continued stable operation. The sales system reform of the chemical products was furthered improved. All chemical products realised 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

---

Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

| Operating Data                               | Unit                      | Three-month period ended |          | Change     |
|--|---------------------------|--------------------------|----------|------------|
|  |                           | 31st March               |          |            |
|  |                           | 2006                     | 2005     |            |
| <b>Exploration and Production</b>            |                           |                          |          |            |
| Crude oil production                         | thousand tonnes           | 9,798.7                  | 9,530.5  |            |
| Natural gas production                       | million cubic meters      | 1,813                    | 1,469    |            |
| Realised crude oil price                     | RMB/tonne                 | 3,112.81                 | 2,127.29 |            |
| Realised natural gas price                   | RMB/thousand cubic meters | 745.10                   | 655.36   |            |
| <b>Refining</b>                              |                           |                          |          |            |
| Crude processing volume                      | thousand tonnes           | 35,170                   | 34,330   |            |
| Gasoline, diesel and kerosene production     | thousand tonnes           | 20,890                   | 20,610   |            |
| Of which: Gasoline                           | thousand tonnes           | 5,530                    | 5,820    |            |
| Diesel                                       | thousand tonnes           | 13,820                   | 13,110   |            |
| Kerosene                                     | thousand tonnes           | 1,540                    | 1,680    |            |
| Light chemical feedstock                     | thousand tonnes           | 5,770                    | 4,990    |            |
| Light yield                                  | %                         | 74.81                    | 73.48    | percentage |
| Refining yield                               | %                         | 93.64                    | 92.63    | percentage |
| <b>Marketing and Distribution</b>            |                           |                          |          |            |
| Total domestic sales of refined oil products | thousand tonnes           | 26,030                   | 24,130   |            |
| Of which: Retail                             | thousand tonnes           | 16,670                   | 13,460   |            |
| Distribution                                 | thousand tonnes           | 4,910                    | 5,350    |            |
| Wholesale                                    | thousand tonnes           | 4,450                    | 5,320    |            |
| Total number of petrol stations              | stations                  | 29,744                   | 30,164   |            |
| Of which: Owned and self-operated            | stations                  | 27,464                   | 26,682   |            |
| Franchised                                   | stations                  | 2,280                    | 3,482    |            |
| Throughput per petrol station (Note 1)       | tonne/station             | 2,428                    | 2,018    |            |
| <b>Chemicals (Note 2)</b>                    |                           |                          |          |            |
| Ethylene                                     | thousand tonnes           | 1,514                    | 1,122    |            |

## Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

|  |                 |       |       |
|--|-----------------|-------|-------|
| Synthetic resins                           | thousand tonnes | 2,075 | 1,683 |
| Synthetic rubbers                          | thousand tonnes | 161   | 158   |
| Monomers and polymers for synthetic fibers | thousand tonnes | 1,782 | 1,596 |
| Synthetic fibers                           | thousand tonnes | 390   | 400   |
| Urea                                       | thousand tonnes | 441   | 388   |

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 resins for the three-month period ended 31 March 2006 included 100% output of BASF-YPC and Shanghai Secco.

8

### 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 constructing and purchasing gas stations. Ninety-seven 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 9.13 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

## Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

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

v applicable i1/4 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 | Costs of sales | Profit from principal operations | Gross profit margin |
|-------------------------------------|----------------------------------|----------------|----------------------------------|---------------------|
|                                     | RMB millions                     | RMB millions   | RMB millions                     |                     |
| Exploration and production          | 30,342                           | 9,552          | 19,544                           |                     |
| 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                              |                     |
| Total                               | 222,699                          | 191,137        | 27,143                           | 12.18%              |
| Of which related party transactions | 19,305                           | 16,834         | 2,424                            | 12.56%              |

Note: Gross profit margin = profit from principal operations/income from principal operations

9

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/revenue |
|----------------------------|--------------------|--------------------|-------------------------|--|
|                            |                    |                    |                         |  |

Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

|                                    | (RMB<br>millions) | (RMB<br>millions) | (RMB<br>millions) |
|------------------------------------|-------------------|-------------------|-------------------|
| Exploration and production         | 31,914            | 14,791            | 16,623            |
| Refining                           | 127,872           | 135,747           | (7,875)           |
| Marketing and distribution         | 126,182           | 122,853           | 3,329             |
| Chemicals                          | 47,254            | 44,119            | 3,135             |
| Corporate and others               | 40,732            | 41,082            | (350)             |
| Elimination of inter-segment sales | (146,759)         | (146,259)         | N/A               |
| Total                              | 227,195           | 212,333           | 14,862            |

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<br>period ended<br>31 March 2006 |  | Year ended<br>31 December 2005 |  | Change<br>percent<br>of pro<br>of pro<br>before<br>taxat<br>(perce<br>point |
|-----------------------------------|--|--|--------------------------------|--|---|
|                                   | Amount<br>(RMB<br>millions)                  | Percentage<br>of profit<br>before<br>taxation<br>(%) | Amount<br>(RMB<br>millions)    | Percentage<br>of profit<br>before<br>taxation<br>(%) |   |
| Profit from principal operations  | 27,143                                       | 203.23   | 113,714                        | 184.95   |   |
| Profit from other operations      | 248  | 1.86   | 839                            | 1.36   |   |
| Periodical expenses               | (14,008)                                     | (104.88)   | (57,697)                       | (93.84)  | (1  |
| Investment income                 | 172  | 1.29   | 813                            | 1.32   | (   |
| Subsidy income                    | -  | -  | 9,415                          | 15.31  | (1  |
| Net non-operating income/expenses | (199)  | (1.49)   | (5,602)                        | (9.11)   |   |
| Profit before taxation            | 13,356                                       | 100.00   | 61,482                         | 100.00   |   |

## Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

Significant changes and explanations:

o Profit from Principal Operations

The percentage of profit from principal operations to the profit before taxation was 203.23%, representing a year on year increase of 18.28 percentage points. This was mainly due to the fact that the prices of crude oil rose continuously and the refining segment suffered a significant loss. As a result, the profit from principal operations fell by 4.52% over the quarterly average of the last year, while the profit before taxation witnessed a decrease of 13.11% over the quarterly average of the previous year. Therefore, the profit

10

from principal operations dropped less than the profit before taxation.

o Periodical expenses

The percentage of the periodical expenses to the profit before taxation was 104.88%, representing an increase of 11.04 percentage points from 93.84% of the previous year. This was mainly due to the fact that the periodical expense of the first quarter dropped by 2.89% over the quarterly average value of the previous year, whereas the profit before taxation dropped by 13.11% over the quarterly average value of the previous year. So the decrease of the periodical expenses was less than that of the profit before taxation.

o Subsidy Income

The Company received a one-off government subsidy of RMB 9,415 million from central finance in 2005.

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 43.721 billion, of which, RMB 21.788 billion was paid out by the Company,

## Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

and RMB 21.933 billion (including, RMB 21.903 billion of sales of products and services, RMB 10 million of interest income and RMB 20 million of income from agency fee) was received by the Company. 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 19.351 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 434 million, representing 0.2% of operating expenses of the reporting period; the product sales from the Company to Sinopec Group and other connected parties amounted to RMB 21.903 billion, representing 10.3% of the Company's operating revenue. During the reporting period, profit from principal operations resulted from connected transactions amounted to RMB 2.424 billion, representing 8.9% of the Company's profit from principal operations. The natures and pricing policies of connected transactions did not have any significant change compared with 2005.

### Other Connected Transactions

When listed in 2000, Sinopec Corp. and Sinopec Group Company executed a series of agreements regarding continuing connected transactions, including the Mutual Supply Agreement, the Community Services Agreement, the Property Leasing Agreement, the Intellectual Property Licence Agreement, the Agency Agreement and the SPI Fund Document. On 24 December, 2003, the Stock Exchange of Hong Kong Limited granted a conditional waiver of three years (from 2004 to 2006) to Sinopec Corp. from strict

11

compliance with relevant requirements of the Hong Kong Listing Rules in relation to the continuing connected transactions. The waiver will expire on 31 December 2006. It is expected that Sinopec Corp. will continue to conduct the related continuing connected transactions after the expiry of the waiver period. Sinopec Corp. has entered into the supplemental agreement to the connected transactions with Sinopec Group Company on 31 March 2006, which served as supplements of certain provisions governing the connected transactions. The relevant supplements will apply to the continuing connected transactions of the Company to be conducted after 1 January, 2007.

The above supplemental agreement to the connected transactions has been approved by the Board of Directors of Sinopec Corp. and announced. Sinopec Corp. will seek the approval of independent shareholders in relation to the amendment of the agreements, major continuing connected transactions, the caps of the major continuing connected transactions and non-major continuing connected transactions in accordance with the requirements of Shanghai Stock Exchange. The circular containing the recommendations of the independent financial adviser, ICEA, details of the continuing connected transactions, letter of the independent directors together with the notice convening of the general meeting of shareholders has been sent to shareholders and is available on the website ([www.sse.com.cn](http://www.sse.com.cn)) of Shanghai Stock Exchange prior to the annual general meeting of shareholders. The matters will be



## Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

submitted to the annual general meeting of shareholders to be held on 24 May 2006 for consideration and approval.

### 3.2.2 The Discovery of Large-scale Marine Facies Gas Field-Puguang Gas field

The Company discovered the largest and most abundant marine facies natural gas field (Puguang Gas Field) in China, which is located in northeast Sichuan Province. According to the appraisal undertaken by the Mineral Resource Reserve Evaluation Center under the Ministry of Land and Resources, reserve in place in the Puguang Gas Field is estimated to be 251.071 billion cubic meters, with technical recoverable reserve of 188.304 billion cubic meters. Puguang Gas field meets the conditions for commercial development. Sinopec Corp. has prepared a phase I Development Plan, which plans to achieve commercial production of more than 4 billion cubic meters per annum of gas by 2008 and 8 billion cubic meters per annum by 2010. In connection with the contemplated project, a natural gas pipeline from northeast Sichuan Province to Jinan, Shandong Province will be constructed. The government has approved Sinopec Corp. to proceed with preparatory work for the project. The discovery of Puguang Gas Field is attributable to the innovations in marine facies exploration theory, exploration methodology exploration technology and management innovation, representing a major breakthrough in marine facies exploration theory and practices in China. The discovery expanded the Company's exploration territory, thereby paving the way for future growth in both reserve and production.

### 3.2.3 Sinopec Corp. Successfully Consolidated for Four A-share Subsidiaries by way of General Offer

On 15 February, 2006, the Twenty-Fourth meeting of the Second Session of the Board of Directors of Sinopec Corp. approved the making of a voluntary general offer for all tradeable shares of Sinopec Qilu Company Ltd. ("Sinopec Qilu") at RMB 10.18 per share, all tradeable shares of Sinopec Yangzi Petrochemical Company Ltd. ("Sinopec Yangzi") at RMB 13.95 per share, all tradeable shares of Sinopec Zhongyuan Petroleum Co., Ltd. ("Sinopec Zhongyuan") at RMB 12.12 per share and all tradeable shares and non-tradeable shares held by other shareholders excluding Sinopec Corp. of Shengli Oil Field Dynamic (Group) Co., Ltd. ("Sinopec Dynamic") at RMB 10.30 (tradeable share) and RMB5.60 (tradeable share) per share, respectively. At the expiration of the offer period ended on 6 April 2006, the number of the tradeable shares of Sinopec Qilu, Sinopec Yangzi, Sinopec Zhongyuan and Sinopec Dynamic which accepted the offer, and have not withdrawn from the acceptance, was 332,199,784 shares, 338,612,282 shares, 234,055,130 shares and 233,828,641 shares, respectively. They all exceeded the minimum number of acceptance required by the conditions of the general offer, thus making the general offer unconditional. At present, the liquidation and share transfers procedures have been completed. The Shenzhen Stock Exchange has approved the termination of trading of the tradeable shares

of Sinopec Yangzi, Sinopec Zhongyuan and Sinopec Dynamic with effect from 21 April 2006. The Shanghai Stock Exchange has approved

## Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

the termination of trading of the tradeable shares of Sinopec Qilu with effect from 24 April 2006. At present, Sinopec Corp. is purchasing the remaining shares of the four subsidiaries, which will last two months. Please refer to the relevant announcements set out in the China Securities Journal, Shanghai Securities News and/or Securities Times on 16 February and 10 April 2006 for details.

### 3.2.4 Delisting of Sinopec Zhenhai Refining and Chemical Company Ltd.

According to the Agreement of Merger by Absorption entered into between Ningbo Yonglian Co., Ltd. ("Ningbo Yonglian"), a wholly owned subsidiary of Sinopec Corp. established for the purpose of such a merger, and Sinopec Zhenhai Refining and Chemical Company Ltd. ("ZRCC") on 12 November 2005, Ningbo Yonglian will purchase the listed H shares of ZRCC from its shareholders at the price of HK\$10.60 per share in cash, the total consideration being HK\$7.672 billion. ZRCC was delisted on 24 March 2006. Please refer to Sinopec Corp.'s announcement published in China Securities Journal, Shanghai Securities News and Securities Times in Mainland China and South China Morning Post and Hong Kong Economic Times in Hong Kong on 14 November 2005 and 1 March 2006, respectively, for details.

### 3.2.5 Increase of Equity Investment on Sinopec Finance Co., Ltd.

On 31 March, 2006 Sinopec Corp. and Sinopec Group have entered into the arrangement ("Arrangement") with Sinopec Finance Co., Ltd. ("Sinopec Finance"). In accordance with the Arrangement, the registered capital of Sinopec Finance will be increased to RMB 6 billion from RMB 2.5 billion. Sinopec Corp. and Sinopec Group Company will inject RMB 1602.3 million and 897.7 million, respectively, into Sinopec Finance. Upon completion of the Arrangement, the equity holding of Sinopec Corp. in Sinopec Finance will increase to 49% from 38.22%, while the equity holding of Sinopec Group Company in Sinopec Finance will decrease to 51% from 61.78%. Please refer to the relevant announcements set out in the China Securities Journal, Shanghai Securities News and Securities Times in Mainland China and Hong Kong Economic Times and South China Morning Post in Hong Kong on 3 April 2006 for details.

### 3.2.6 Special Oil Income Levy

Pursuant to the relevant documents issued by the Ministry of Finance of PRC, the state government imposed a special oil income levy on any income derived from the sale by an oil exploration and production company of locally produced crude oil at a price which exceeds US\$40 per barrel since 26 March, 2006. The special oil income levy will have 5 levels and will be calculated and charged according to the progressive ad valorem rates on the excess amounts. The levy will be calculated on a monthly basis and charged and collected on a quarterly basis. The applicable level of the special oil income levy will be determined based on the weighted average crude oil sale price of a particular month. The level of levy will be determined based on US\$ per barrel which starts at US\$40 per barrel, please refer to the relevant announcements set out in the China Securities Journal, Shanghai Securities News and Securities Times in Mainland China and Hong Kong Economic Times and South China Morning Post in Hong Kong on 4 April 2006 for details.

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

Edgar Filing: CHINA PETROLEUM & CHEMICAL CORP - Form 6-K

applicable  not applicable

- 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

13

- 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

Beijing, PRC, 27 April 2006

As at the date of this announcement, the executive directors of Sinopec Corp. are Wang Jiming, Mou Shuling, Zhang Jiaren, Cao Xianghong; the non-executive directors of Sinopec Corp. are Messrs. Chen Tonghai, 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.

14