# China Petroleum & Chemical Corporation

# The First Quarterly Report for 2018

26 April 2018

Beijing, China

2.1.2 Principal financial data and indicators prepared in accordance with International Financial Reporting standards (IFRS)

Units: RMB million

| Items | As of 31 March 2018 | As of 31 December 2017 | Changes from the end of the preceding year to the end of the reporting period (%) |
|---|---|---|---|
| Total assets | 1,572,527 | 1,595,504 | (1.4) |
| Total equity attributable to owners of the Company | 744,688 | 726,120 | 2.6 |

| Items | Three months | | Changes over the same period of the preceding year (%) |
|---|---|---|---|
| | 2018 | 2017 | |
| Net cash generated from operating activities | 12,052 | 13,276 | (9.2) |
| | | | |
| Operating profit | 29,218 | 25,435 | 14.9 |
| Net profit attributable to owners of the Company | 19,306 | 17,199 | 12.3 |
| Basic earnings per share (RMB) | 0.159 | 0.142 | 12.0 |
| Diluted earnings per share (RMB) | 0.159 | 0.142 | 12.0 |
| Return on net assets (%) | 2.59 | 2.36 | 0.23 percentage points |

2.2 Total number of shareholders and top ten shareholders at the end of the reporting period

| Total number of shareholders at the end of the reporting period | Total number of shareholders was 495,963, including 490,022 holders of domestic A shares and 5,941 holders of overseas H shares. | | | |
|---|---|---|---|---|
| Top ten shareholders | | | | |
| **Name of shareholders** | **Total number of shares held** | **Percentage (%)** | **Number of shares subject to pledge or lock-ups** | **Nature of shareholder** |
| China Petrochemical Corporation | 85,792,671,101 | 70.86 | 0 | State-owned share |
| HKSCC (Nominees) Limited [1] | 25,382,952,346 | 20.97 | Unknown | H share |
| ] -Añ hH =½6Ñ - 9L€ œ ( | 2,405,864,801 | 1.99 | 0 | A share |
| OÉ$_ ] ^5 1Ç 9L€ œ ( | 351,035,394 | 0.29 | 0 | A share |
| ] ^"wH Ct ×1Ñ*6 9L€ CS + œ ( | 322,037,900 | 0.27 | 0 | A share |
| ] - ê / L™6Ñ - 9L€ œ ( É 64Ò É Z ê 64Ò É005L ÉFH002 "Ú | 123,078,870 | 0.10 | 0 | A share |
| ˜ -/n *H 0 0 04ô 8 | 106,162,730 | 0.09 | 0 | A share |
| K¯"•Añ h6Ñ - 9L€ œ ( | 104,088,736 | 0.09 | 0 | A share |
| ÔFJK&>\|6Ñ - 9L€ œ ( É"w ` { ü h1†+•$' 8 »Añ h ÅCt *H | 102,849,475 | 0.08 | 0 | A share |
| ÔFJK&>\|6Ñ - 9L€ œ ( É"w ` { W- 6Ñ/˜ » Añ h ÅCt *H | 92,593,454 | 0.08 | 0 | A share |

Note 1 Sinopec Century Bright Capital Investment Limited, overseas wholly-owned subsidiary of China Petrochemical Corporation, holds 553,150,000 H shares, which is included in the total number of the shares held by HKSCC (Nominees) Limited.

refined oil products, optimised crude oil procurement and resource distribution to realise cost control. In the first quarter, refinery throughput grew by 2.1% and refined oil products production grew by 2.6%, among which gasoline up by 4.7%, kerosene up by 8.6% and diesel down by 1.7% over the same period of last year. Refining Segment realised an operating profit of RMB 19.007 billion.

| Refining[2] | Unit | For three-month period ended 31 March 2018 | 2017 | Changes (%) |
|---|---|---|---|---|
| Refinery throughput | million tonnes | 60.16 | 58.95 | 2.1 |
| Gasoline, diesel and kerosene production | million tonnes | 37.98 | 37.03 | 2.6 |
| Gasoline | million tonnes | 14.98 | 14.31 | 4.7 |
| Diesel | million tonnes | 15.93 | 16.21 | (1.7) |
| Kerosene | million tonnes | 7.07 | 6.51 | 8.6 |
| Light chemical feedstock | million tonnes | 9.94 | 9.97 | (0.3) |
| Light product yield | % | 76.22 | 76.30 | (0.08) Percentage points |
| Refining yield | % | 95.23 | 95.29 | (0.06) Percentage points |

Note 2 Including 100% production of domestic joint ventures.

**Marketing and Distribution:** Faced with intensified competition, the Company took an active part in coping with marketing challenges. We gave full play of our advantages in integrated operation and marketing network by coordinating internal and external resources, optimising resource distribution, and improving capability of service, and realised increase in both total domestic sales and retail volume of refined oil products. We optimised the distribution network, improved environment protection measures for our service stations, and revamped the storage and transportation facilities of refined oil products to improve the marketing network. We further promoted integration of fuel business and non-fuel business, optimised the system for self-owned brand products and accelerated the construction of integrated service stations. Our non-fuel business kept increasing rapidly. In the first quarter, total sales volume of refined oil products was 47.21 million tonnes, among which domestic sales volume recorded 43.35 million tonnes with an increase of 3.4% over the same period of last year. The operating revenues of non-fuel business reached RMB 8.726 billion, up by 21.8% compared with the same period of last year. The Marketing and Distribution Segment realised an operating profit of RMB 8.925 billion.

| Marketing and Distribution | Unit | For three-month period ended 31 March 2018 | 2017 | Changes (%) |
|---|---|---|---|---|
| Total sales volume of refined oil products | million tonnes | 47.21 | 47.44 | (0.5) |

Note 4 Throughput per station was annualised.

**Chemicals**: The Company further optimised product slate, produced customer-oriented and high value-added products. We optimised feedstock mix to reduce cost. We intensified efforts on R&D, production and promotion of high-value-added new products, with the differential ratio of synthetic fiber reaching 89.8% and the ratio of new synthetic resin products and performance compound reaching 63.0%. We put more effort into marketing development and promoted fine chemical products marketing and targeted marketing service. In the first quarter, ethylene production reached 2.995 million tonnes, up by 1.8% and chemical sales volume was 20.458 million tonnes, up by 10.0% over the same period of last year. The Chemicals Segment realised an operating profit of RMB 8.452 billion.

| **Chemicals[5]** | **Unit** | **For three-month period ended 31 March** | | **Changes (%)** |
|---|---|---|---|---|
| | | **2018** | **2017** | |
| Ethylene | thousand tonnes | 2,995 | 2,941 | 1.8 |
| Synthetic resin | thousand tonnes | 4,117 | 4,074 | 1.1 |
| Synthetic rubber | thousand tonnes | 199 | 227 | (12.3) |
| Monomers and polymers for synthetic fiber | thousand tonnes | 2,246 | 2,424 | (7.3) |
| Synthetic fiber | thousand tonnes | 296 | 308 | (3.9) |

Note 5 Including 100% production of domestic joint ventures.

**Capital expenditure:** In the first quarter, the total capital expenditure was RMB 6.414 billion. Capital expenditures for Exploration and Production Segment were RMB 1.597 billion, mainly for capacity construction of shale gas, Hangjinqi natural gas and Shunbei crude oil, as well as for construction of Wen 23 Gas Storage Project, phase pressure boosting project of Sichuan-to-East China Pipeline, phase project of Xinqi Pipeline and overseas oil and gas projects. Capital expenditures for Refining Segment were RMB 1.269 billion, mainly for Zhongke integrated refining and chemical project, structure adjustment in Zhenhai, Maoming and Tianjin subsidiaries, and GB VI standard gasoline and diesel quality upgrading. Capital expenditures for Marketing and Distribution Segment were RMB 2.273 billion, mainly for revamping service stations, construction for pipelines from Zhanjiang to Beihai and Jingmen to Xiangyang etc., as well as building depots and storage and rectifying safety and environmental hazards. Capital expenditures for Chemicals Segment were RMB 1.158 billion, mainly for Zhongke integrated refining and chemical project, the high-efficiency and environmental- friendly aromatics project (phase ) in Hainan refinery, and other resources integrated utilisation projects as well as product structure adjustment projects. Capital expenditures for Corporate and Others were RMB 117 million, mainly for R&D facilities and information technology application projects.

## 3 Significant events

3.1 Significant changes in major items contained in the consolidated financial statements prepared in accordance with ASBE and the reasons for such changes.

| Items of Consolidated Balance Sheet | As of 31 March 2018 | As of 31 December 2017 | Increase/(Decrease) | | Main reasons for changes |
|---|---|---|---|---|---|
| | | | Amount | Percentage | |
| | RMB million | RMB million | RMB million | Ä% Å | |
| Tax Payable | 45,124 | 71,940 | (26,816) | (37.3) | Due to the time difference of tax payment, part of the unpaid tax from the end of last year had been paid during this reporting period. |
| Specific reserve | 1,411 | 888 | 523 | 58.9 | The provision of safety production fund. |

| Items of Consolidated Income Statement | For three-month period ended 31 March | | Increase/(Decrease) | | Main reasons for changes |
|---|---|---|---|---|---|
| | 2018 | 2017 | Amount | Percentage | |
| | RMB Million | RMB Million | RMB Million | Ä% Å | |
| Financial Expense | 455 | 827 | (372) | (45.0) | The appreciation of RMB caused the exchange gain during this accounting period. |
| Impairment Losses | (13) | 303 | (316) | - | The impairment losses of fixed assets decreased compared with the first quarter of last year. |
| Asset disposal income/(loss) | 227 | (16) | 243 | - | The C R P S D Q \ ¶ V J D L Q I disposal of land. |

| Items of consolidated cash flow statement | For three-month period ended 31 March | | Increase/(Decrease) | | Main reasons for changes |
|---|---|---|---|---|---|
| | 2018 | 2017 | Amount | Percentage | |
| | RMB million | RMB million | RMB million | Ä% Å | |
| Refund of tax and levies | 593 | 228 | 365 | 160.1 | The amount of tax refund increased compared with the first quarter of last year. |
| Cash received from disposal of investments | 13,342 | 357 | 12,985 | 3,637.3 | Part of the structured deposit expired and disposed. |
| Other cash received relating to investing activities | 21,325 | 1,455 | 19,870 | 1,365.6 | Fixed term deposit, over three months, expired and recovered. |
| Cash paid for acquisition of investments | (2,241) | (1,668) | 573 | 34.4 | The amount related to structured deposit increased. |
| Other cash paid relating to investing activities | (13,499) | (6,925) | 6,574 | 94.9 | The amount related to fixed term deposit, over |

| | | |
|---|---|---|
| Total current liabilities | 529,753 | 579,446 |
| **Non-current liabilities Ö** | | |
| Long-term loans | 71,724 | 67,754 |
| Debentures payable | 30,944 | 31,370 |
| Provisions | 40,295 | 39,958 |
| Deferred tax liabilities | 6,322 | 6,466 |
| Other non-current liabilities | 16,173 | 16,440 |
| Total non-current liabilities | 165,458 | 161,988 |
| Total liabilities | 695,211 | 741,434 |
| Ö | | |
| Share capital | 121,071 | 121,071 |
| Capital reserve | 119,551 | 119,557 |
| Other comprehensive income | (5,228) | (4,413) |
| Specific reserve | 1,411 | 888 |
| Surplus reserves | 199,682 | 199,682 |
| Retained earnings | 309,312 | 290,459 |
| Total equity attributable to shareholders of the Company | 745,799 | 727,244 |
| Minority interests | 131,517 | 126,826 |
| 7RWDO VKDUHKROGHUV¶ H | 877,316 | 854,070 |
| 7RWDO OLDELOLWLHV DQG Equity | 1,572,527 | |

**Balance Sheet**

as at 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | At 31 March 2018 | At 31 December 2017 |
|---|---|---|
| **Current assets** | | |

| | | |
|---|---|---|
| Other non-current liabilities | 2,523 | 2,591 |
| Total non-current liabilities | 121,985 | 117,663 |
| Total liabilities | 402,726 | 435,226 |
| Ö | | |
| Share capital | 121,071 | 121,071 |
| Capital reserve | 68,789 | 68,789 |
| Other comprehensive income | 128 | 196 |
| Specific reserve | 745 | 482 |
| Surplus reserves | | |

**Consolidated Income Statement**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| I. Total operating income | 621,251 | 582,185 |
| II.Total operating costs | 594,063 | 558,233 |
| Including: Operating costs | 501,278 | 466,318 |
| Taxes and surcharges | 57,719 | 58,169 |
| Selling and distribution expenses | 13,688 | 12,429 |
| General and administrative expenses | 18,706 | 17,911 |
| Financial expenses | 455 | 827 |
| Exploration expenses, including dry holes | 2,230 | 2,276 |
| Impairment losses | (13) | 303 |
| Add: Gain from changes in fair value | 126 | - |
| Investment income | 3,355 | 3,944 |
| Asset disposal income/(loss) | 227 | (16) |

| | | |
|---|---|---|
| Minority interests | 5,047 | 4,878 |
| VIII. Earnings per share Ö | | |
| (i) Basic earnings per share (RMB) | 0.155 | 0.137 |
| (ii)Diluted earnings per share (RMB) | 0.155 | 0.137 |

**Dai Houliang** **Wang Dehua**

*Vice Chairman,*

**Income Statement**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| I.Operating income | 241,136 | 210,822 |
| Less: Operating costs | 184,696 | 158,751 |
| Taxes and surcharges | 40,067 | 38,558 |
| Selling and distribution expenses | 693 | 585 |
| General and administrative expenses | 10,367 | 9,425 |
| Financial expenses | 1,008 | 635 |
| Exploration expenses, including dry holes | 2,213 | 2,190 |
| Impairment losses | 4 | 279 |
| Add: Loss from changes in fair value | (18) | - |
| Investment income | 2,931 | |

**Consolidated Cash Flow Statement**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| **I.Cash flows from operating activities Ö** | | |
| Cash received from sale of goods and rendering of services | 707,017 | 662,996 |
| Refund of taxes and levies | 593 | 228 |
| Other cash received relating to operating activities | 16,695 | 16,280 |
| Sub-total of cash inflows | 724,305 | 679,504 |
| Cash paid for goods and services | (561,416) | (532,989) |
| Cash paid to and for employees | (16,056) | (13,802) |
| Payments of taxes and levies | (109,547) | (95,096) |
| Other cash paid relating to operating activities | (25,234) | (24,341) |
| Sub-total of cash outflows | (712,253) | (666,228) |
| Net cash flow from operating activities | 12,052 | 13,276 |
| **II.Cash flows from investing activities Ö** | | |
| Cash received from disposal of investments | 13,342 | 357 |
| Cash received from returns on investments | 674 | 285 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | - | 106 |
| Other cash received relating to investing activities | 21,325 | 1,455 |
| Sub-total of cash inflows | 35,341 | 2,203 |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets | (17,901) | (15,184) |
| Cash paid for acquisition of investments | (2,241) | (1,668) |
| Net cash paid for the acquisition of subsidiaries and other business entities | (3,188) | - |
| Other cash paid relating to investing activities | (13,499) | (6,925) |
| Sub-total of cash outflows | (36,829) | (23,777) |
| Net cash flow from investing activities | (1,488) | (21,574) |
| **III.Cash flows from financing activities Ö** | | |
| Cash received from capital contributions | 70 | 42 |
| Including: Cash received from minority shareholders ÿ capital contributions to | 70 | 42 |

| | | |
|---|---|---|
| subsidiaries | | |
| Cash received from borrowings | 126,432 | 139,881 |
| Sub-total of cash inflows | 126,502 | 139,923 |
| Cash repayments of borrowings | (118,865) | (144,028) |
| Cash paid for dividends, profits distribution or interest | (1,173) | (1,026) |
| Including: 6XEVLGLDULHV¶ F for distribution of dividends or profits to minority shareholders | (390) | (268) |
| Other cash paid relating to financing activites | (3) | - |
| Sub-total of cash outflows | (120,041) | (145,054) |
| Net cash flow from financing activities | 6,461 | (5,131) |
| **IV.Effects of changes in foreign exchange rate** | (455) | (55) |
| **V.Net increace/(decrease) in cash and cash equivalents** | 16,570 | (13,484) |
| Add:Cash and cash equivalents at 1 January | 113,218 | 124,468 |
| **VI.Cash and cash equivalents at 31 March** | 129,788 | 110,984 |

**Dai Houliang**
*Vice Chairman, President*

**Wang Dehua**
*Chief Financial Officer*

**Cash Flow Statement**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| **I.Cash flows from operating activities Ö** | | |
| Cash received from sale of goods and rendering of services | 285,228 | 249,135 |
| Refund of taxes and levies | 445 | 38 |
| Other cash received relating to operating activities | 6,926 | 5,170 |
| Sub-total of cash inflows | 292,599 | 254,343 |
| Cash paid for goods and services | (192,802) | (166,951) |
| Cash paid to and for employees | (8,515) | (7,290) |
| Payments of taxes and levies | (75,254) | (58,535) |
| Other cash paid relating to operating activities | (31,161) | (13,745) |
| Sub-total of cash outflows | (307,732) | (246,521) |
| Net cash flow from operating activities | (15,133) | 7,822 |
| **II.Cash flows from investing activities Ö** | | |
| Cash received from disposal of investments | 15,319 | 3,961 |
| Cash received from returns on investments | 2,116 | 1,497 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 289 | 490 |
| Other cash received relating to investing activities | 12,428 | 543 |
| Sub-total of cash inflows | 30,152 | 6,491 |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets | (8,098) | (7,028) |
| Cash paid for acquisition of investments | (2,316) | (4,390) |
| Other cash paid relating to investing activities | - | (2,730) |
| Sub-total of cash outflows | (10,414) | (14,148) |
| Net cash flow from investing activities | 19,738 | (7,657) |
| **III.Cash flows from financing activities Ö** | | |
| Cash received from borrowings | 25,723 | 50,244 |
| Sub-total of cash inflows | 25,723 | 50,244 |
| Cash repayments of borrowings | (18,654) | (55,946) |
| Cash paid for dividends or interest | (1,161) | (246) |
| Sub-total of cash outflows | (19,815) | (56,192) |

| | | |
|---|---|---|
| Net cash flow from financing activities | 5,908 | (5,948) |
| **IV.Net increace/(decrease) in cash and cash equivalents** | 10,513 | (5,783) |
| Add: Cash and cash equivalents at 1 January | 72,309 | 98,250 |

**Segment Reporting**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| **Income from principal operations** | | |
| Exploration and production | | |
| External sales | 20,933 | 17,119 |
| Inter-segment sales | 20,269 | 19,104 |
| Subtotal | 41,202 | 36,223 |
| Refining | | |
| External sales | 33,933 | 32,676 |
| Inter-segment sales | 252,897 | 214,908 |
| Subtotal | 286,830 | 247,584 |
| Marketing and distribution | | |
| External sales | 310,117 | 290,119 |

| | | |
|---|---|---|
| Corporate and others | (1,069) | 1,048 |
| Elimination | (6,000) | (4,300) |
| Total segment operating profit | 27,643 | 24,779 |
| Investment income | | |
| Exploration and production | 337 | 413 |
| Refining | 226 | 179 |
| Marketing and distribution | 646 | 547 |
| Chemicals | 1,490 | 2,400 |
| Corporate and others | 656 | 405 |
| Total segment investment income | 3,355 | 3,944 |
| Financial expenses | (455) | (827) |
| Gain from changes in fair value | 126 | - |
| Asset disposal income/(loss) | 227 | (16) |
| Other income | 594 | - |
| Operating profit | 31,490 | 27,880 |
| Add: Non-operating income | 378 | 410 |
| Less: Non-operating expenses | 353 | 310 |
| Profit before taxation | 31,515 | 27,980 |

## 4.2 Quarterly financial statements prepared under International Financial Reporting Standards

**Consolidated Income Statement**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| Turnover and other operating revenues | | |
| Turnover | 605,263 | 567,884 |
| Other operating revenues | 15,988 | 14,301 |
| Subtotal | 621,251 | 582,185 |
| Operating expenses | | |
| Purchased crude oil, products and operating supplies and expenses | (474,389) | (438,807) |
| Selling, general and administrative expenses | (16,708) | (14,614) |
| Depreciation, depletion and amortization | (25,111) | (27,256) |
| Exploration expenses, including dry holes | (2,230) | (2,276) |
| Personnel expenses | (16,861) | (15,431) |
| Taxes other than income tax | (57,719) | (58,169) |
| Other operating income/(expense), net | 985 | (197) |
| Total operating expenses | (592,033) | (556,750) |
| Operating profit | 29,218 | 25,435 |
| Finance costs | | |
| Interest expense | (1,989) | (2,084) |
| Interest income | 1,288 | 1,163 |
| Foreign currency exchange income, net | 246 | 94 |
| Net finance costs | (455) | (827) |
| Investment income | 217 | 52 |
| Share of profits less losses from associates and joint ventures | 3,140 | 3,892 |
| Profit before taxation | 32,120 | 28,552 |
| Tax expense | (6,993) | (6,297) |
| Profit for the period | 25,127 | 22,255 |
| Attributable to Ö | | |
| Owners of the Company | 19,306 | 17,199 |
| Non-controlling interests | 5,821 | 5,056 |
| Profit for the period | 25,127 | 22,255 |
| Earnings per share | | |
| Basic earnings per share (RMB) | 0.159 | 0.142 |
| Diluted earnings per share (RMB) | 0.159 | 0.142 |

**Consolidated Statement of Comprehensive Income**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| Profit for the period | 25,127 | 22,255 |
| Total other comprehensive income | (1,485) | (901) |
| *Items that may be reclassified subsequently to profit or loss (net of tax and after reclassification adjustments):* | | |
| Cash flow hedges | 785 | (570) |
| Available-for-sale securities | - | (9) |
| Foreign currency translation differences | (2,418) | (326) |
| Share of other comprehensive income of associates and joint ventures | 148 | 4 |
| Total comprehensive income | 23,642 | 21,354 |
| Attributable to: | | |
| Owners of the Company | 18,526 | 16,470 |
| Non-controlling interests | 5,116 | 4,884 |

**Consolidated Balance Sheet**

as at 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | At 31 March 2018 | At 31 December 2017 |
|---|---|---|
| **Non-current assets Ö** | | |
| Property, plant and equipment, net | 634,081 | 650,774 |
| Construction in progress | 115,816 | 118,645 |
| Goodwill | 8,598 | 8,634 |
| Interest in associates | 80,976 | 79,726 |
| Interest in joint ventures | 52,991 | 51,361 |
| Financial assets at fair value through other comprehensive income | 1,155 | - |
| Available-for-sale financial assets | - | 1,676 |
| Deferred tax assets | 16,892 | 15,131 |
| Lease prepayments | 58,368 | 58,526 |
| Long-term prepayments and other non-current assets | 82,420 | 81,982 |
| Total non-current assets | 1,051,297 | 1,066,455 |
| **Current assets:** | | |
| Cash and cash equivalents | 129,788 | 113,218 |
| Time deposits with financial institutions | 43,852 | 51,786 |
| Financial assets at fair value through profit and loss | 39,167 | 51,196 |
| Trade accounts receivable | 58,973 | 68,494 |
| Bills receivable | 14,466 | 16,207 |
| Inventories | 191,323 | 186,693 |
| Prepaid expenses and other current assets | 43,661 | 41,455 |
| Total current assets | 521,230 | 529,049 |
| **Current liabilities Ö** | | |
| Short-term debts | 58,679 | 55,338 |
| Loans from Sinopec Group Company and fellow subsidiaries | 25,834 | 25,311 |
| Trade accounts payable | 177,944 | 200,073 |
| Bills payable | 7,398 | 6,462 |
| Accrued expenses and other payables | 247,032 | 279,247 |
| Income tax payable | 12,866 | 13,015 |
| Total current liabilities | 529,753 | 579,446 |
| Net current liabilities | (8,523) | (50,397) |
| Total assets less current liabilities | 1,042,774 | 1,016,058 |
| **Non-current liabilities Ö** | | |
| Long-term debts | 59,348 | 55,804 |
| Loans from Sinopec Group Company and fellow subsidiaries | 43,320 | 43,320 |

| | | |
|---|---|---|
| Deferred tax liabilities | 6,322 | 6,466 |
| Provisions | 40,295 | 39,958 |
| Other non-current liabilities | 17,339 | 17,620 |
| Total non-current liabilities | 166,624 | 163,168 |
| Total net assets | 876,150 | 852,890 |
| **Equity Ö** | | |
| Share capital | 121,071 | 121,071 |
| Reserves | 623,617 | 605,049 |
| Total equity attributable to owners of the Company | 744,688 | 726,120 |
| Non-controlling interests | 131,462 | 126,770 |
| Total equity | 876,150 | 852,890 |

**Consolidated Statement of Cash Flows**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| **Net cash generated from operating activities(a)** | 12,052 | 13,276 |
| Investing activities | | |
| Capital expenditure | (17,294) | (14,278) |
| Exploratory wells expenditure | (607) | (906) |
| Purchase of investments, investments in associates and investments in joint ventures | (2,241) | (1,668) |
| Payment for acquisition of subsidiary, net of cash acquired | (3,188) | - |
| Proceeds from disposal of investments and investments in associates, net | 13,342 | 357 |
| Proceeds from disposal of property, plant, equipment and other non-current assets | - | 106 |
| Increase in time deposits with maturities over three months | (13,445) | (6,857) |
| Decrease in time deposits with maturities over three months | 21,379 | 790 |
| Interest received | (108) | 597 |
| Investment and dividend income received | 674 | 285 |
| **Net cash used in investing activities** | (1,488) | (21,574) |
| Financing activities | | |
| Proceeds from bank and other loans | 126,432 | 139,881 |
| Repayments of bank and other loans | (118,865) | (144,028) |
| Distributions by subsidiaries to non-controlling interests | (390) | (268) |
| Contributions to subsidiaries from non-controlling interests | 70 | 42 |
| Interest paid | (783) | (758) |
| Finance lease payment | (3) | - |
| **Net cash used in financing activities** | 6,461 | (5,131) |
| Net increase/(decrease) in cash and cash equivalents | 17,025 | (13,429) |
| Cash and cash equivalents at 1 January | 113,218 | 124,468 |
| Effect of foreign currency exchange rate changes | (455) | (55) |
| Cash and cash equivalents at 31 March | 129,788 | 110,984 |

**Note to consolidated statement of Cash Flows**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Äa ÅReconciliation of profit before taxation to net cash generated from operating activities

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| Operating activities | | |
| Profit before taxation | 32,120 | 28,552 |
| Adjustments for: | | |
| Depreciation, depletion and amortization | 26,336 | 27,256 |
| Dry hole costs written off | 1,974 | 2,085 |
| Share of profits from associates and joint ventures | (3,140) | (3,892) |
| Investment income | (217) | (52) |
| Interest income | (1,288) | (1,163) |
| Interest expense | 1,989 | 2,084 |
| (Gain)/loss on foreign currency exchange rate changes and derivative financial instruments | (604) | 414 |
| Loss on disposal of property, plant, equipment and other non-current assets, net | - | 16 |
| Impairment losses on assets | (13) | 303 |
| Operating profit before change of operating capital | 57,157 | 55,603 |
| Accounts receivable and other current assets | 7,815 | (5,336) |
| Increase of inventories | (4,630) | (3,423) |
| Accounts payable and other current liabilities | (39,182) | (30,717) |
| Subtotal | 21,160 | 16,127 |
| Income tax paid | (9,108) | (2,851) |
| Net cash generated from operating activities | 12,052 | 13,276 |

**Segment Reporting**

for the three-month periods ended 31 March 2018

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Information of the company and its reportable segments is as follows:

| Items | Three-month periods ended 31 March 2018 | Three-month periods ended 31 March 2017 |
|---|---|---|
| **Turnover** | | |
| Exploration and production | | |
| External sales | 20,933 | 17,119 |
| Inter-segment sales | 20,269 | 19,104 |
| Subtotal | 41,202 | 36,223 |
| Refining | | |
| External sales | 33,933 | 32,676 |
| Inter-segment sales | 252,897 | 214,908 |
| Subtotal | 286,830 | 247,584 |
| Marketing and distribution | | |
| External sales | 310,117 | 290,119 |
| Inter-segment sales | 1,176 | 891 |
| Subtotal | 311,293 | 291,010 |
| Chemicals | | |
| External sales | 104,780 | 93,725 |
| Inter-segment sales | 15,980 | 13,084 |
| Subtotal | 120,760 | 106,809 |
| Corporate and others | | |
| External sales | 135,500 | 134,245 |
| Inter-segment sales | 131,516 | 99,064 |
| Subtotal | 267,016 | 233,309 |
| Elimination of inter-segment sales | (421,838) | (347,051) |
| **Turnover** | 605,263 | 567,884 |
| **Other operating revenues** | | |
| Exploration and production | 1,742 | 1,797 |
| Refining | 1,125 | 1,125 |
| Marketing and distribution | 8,892 | 7,333 |
| Chemicals | 3,738 | 3,793 |
| Corporate and others | 491 | 253 |
| **Other operating revenues** | 15,988 | 14,301 |
| **Turnover and other operating revenues** | 621,251 | 582,185 |
| **Result** | | |
| **Operating (loss)/profit** | | |
| By segment | | |
| Exploration and production | (318) | (5,764) |
| Refining | 19,007 | 16,754 |
| Marketing and distribution | 8,925 | 9,161 |

| | | |
|---|---|---|
| Chemicals | 8,452 | 8,509 |
| Corporate and others | (848) | 1,075 |
| Elimination | (6,000) | (4,300) |
| **Total segment operating profit** | 29,218 | 25,435 |
| Share of profits from associates and joint ventures | | |
| Exploration and production | 276 | 413 |
| Refining | 223 | 182 |
| Marketing and distribution | 641 | 532 |
| Chemicals | 1,495 | 2,397 |
| Corporate and others | 505 | 368 |
| **Aggregate share of profits from associates and joint ventures** | 3,140 | 3,892 |
| **Investment income/(losses)** | | |
| Exploration and production | 61 | - |
| Refining | 3 | (3) |
| Marketing and distribution | 8 | 15 |
| Chemicals | (6) | 3 |
| Corporate and others | 151 | 37 |
| **Aggregate investment income** | 217 | 52 |
| **Net finance costs** | (455) | (827) |
| **Profit before taxation** | 32,120 | 28,552 |

**4.3 Differences between Consolidated Financial Statements prepared in accordance with the accounting policies complying with ASBE and IFRS** *(unaudited)*

Other than the differences in the classifications of certain financial statements captions and the accounting for the items described below, there are no material GLIIHUHQFHV EHWZHHQ WK consolidated financial statements prepared in accordance with the accounting policies complying with ASBE and IFRS. The reconciliation presented below is included as supplemental information, is not required as part of the basic financial statements and does not include differences related to classification, presentation or disclosures. Such information has not been subject to independent audit or review. The major differences are:

(i) Government Grants

Under ASBE, grants from the government are credited to capital reserve if required by relevant governmental regulations. Under IFRS, government grants relating to the purchase of fixed assets are recognized as deferred income and are transferred to the income statement over the useful life of these assets.

(ii) Safety Production Fund

Under ASBE, safety production fund should be recognized in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS, payments are expensed as incurred, or capitalised as fixed assets and depreciated according to applicable depreciation methods.

Effects of major differences between the net profit under ASBE and the profit for the period under IFRS are analysed as follows:

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| **Items** | **Three-month periods ended 31 March 2018** | **Three-month periods ended 31 March 2017** |
|---|---|---|
| Net profit under ASBE | 24,522 | 21,683 |
| Adjustments: | | |
| Government grants (i) | 14 | 28 |
| Safety production fund (ii) | 591 | 544 |
| Profit for the period under IFRS | 25,127 | 22,255 |

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IFRS are analysed as follows:

Units: million Currency: RMB Type: unaudited

| Items | At 31 March 2018 | At 31 December 2017 |
|---|---|---|
| 6KDUHKROGHUV¶ HTXLV | 877,316 | 854,070 |
| Adjustments: | | |
| Government grants(i) | (1,166) | (1,180) |
| Total equity under IFRS | 876,150 | 852,890 |