

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

CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
October 31, 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 October, 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 X 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 X
----- -----

(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 the third quarterly results for 2006 of China Petroleum &
Chemical Corporation (the "Registrant"), made by the Registrant in English on
October 27, 2006.

2

SIGNATURE

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

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: October 31, 2006

[GRAPHIC OMITTED]

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

(Stock code: 386)

Third Quarterly Results for 2006

Highlights of the results of the Company for the third quarter ended
30 September 2006

During the third quarter of 2006, 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 RMB273,231 million and RMB13,135 million respectively. Turnover & other operating revenues and profit attributable to equity holders of the parent under International Financial Reporting Standards ("IFRS") amounted to RMB 280,782 million and RMB 13,011 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 announcements published in Shanghai and Hong Kong are the same. Financial information set out in this quarterly results announcement has been prepared in accordance with the PRC Accounting Rules and Regulations. Although it is not required by CSRC, Sinopec Corp. has also included in this announcement the relevant financial information prepared in accordance with IFRS.

This announcement is made pursuant to the disclosure requirement under Rule 13.09(2) of the Listing Rules for its publication in Hong Kong.

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

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 report.
 - 1.2 This quarterly results announcement has been reviewed and approved at the fifth meeting of the third session of the Board of Directors of Sinopec Corp.
 - 1.3 The financial statements contained in this announcement are not audited.

-1-

- 1.4 Mr. Chen Tonghai, Chairman of the Board of Sinopec Corp., Mr. Wang Tianpu, President of Sinopec Corp., Mr. Dai Houliang, Director, Senior Vice President and Chief Financial Officer of Sinopec Corp., and Mr. Liu Yun, Deputy Chief Financial Officer of Sinopec Corp. and Head of the Accounting Department of Sinopec Corp., hereby warrant the authenticity and completeness of the financial statements contained in this quarterly results announcement.

2. Basic Information 2.1 Basic information of Sinopec Corp.

Stock name	SINOPEC CORP.	SINOPEC CORP.	SINOPEC CORP.	SINOPEC
Stock code	386	SNP	SNP	600028
Place of listing	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	Shangha Exchang
	Authorized Representatives		Secretary to the Board of Directors	Represe Securit
Name	Mr. Wang Tianpu	Mr. Chen Ge	Mr. Chen Ge	Mr. Hua Wenshen
Address	6A Huixindong Street, Chaoyang District, Beijing, PRC			
Post Code	100029			
Tel	+86 (10) 64990060			
Fax	+86 (10) 64990022			
E-mail	ir@sinopec.com.cn			

- 2.2 Financial Information
 - 2.2.1 Principal accounting data and financial indicators
 - 2.2.1.1 Principal accounting data and financial indicators prepared in accordance with the PRC Accounting Rules and Regulations

At 30
September
2006

At 31
December
2005

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

Total assets (RMB millions)	582,597	520,572
Shareholders' funds (excluding minority interests) (RMB millions)	237,468	215,623
Net assets per share (RMB)	2.739	2.487
Adjusted net assets per share (RMB)	2.674	2.426

-2-

	Three-month period ended 30 September (July to September) Changes compared with the same period of the preceding year (%)			Nine-month p 30 Sept (January to	
	2006	2005		2005	2004
Net cash flow from operating activities (RMB millions)	24,953	22,201	12.40	50,119	47,245
Earnings per share (RMB)	0.151	0.097	55.78	0.390	0.305
Return on net assets (%)	5.53	4.16	1.37 percentage point	14.24	13.07
Return on net assets before non-operating profits/losses (Fully diluted) (%)	5.61	4.65	0.96 percentage point	14.36	13.67
(Weighted average) (%)	5.67	4.66	1.01 percentage point	14.99	14.03

Non operating profits/losses

Gain on disposal of long-term equity investments
Written back of provisions on assets provided in previous years
Non-operating expenses (excluding normal provisions on assets provided in accordance with the Accounting Regulation for Business Enterprises)
Of which: Loss on disposal of fixed assets
Donations
Employee reduction expenses
Non-operating income
Tax effect
Total

-3-

2.2.1.2 Principal accounting data and financial indicators prepared in

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

accordance with IFRS

			At 30 September 2006	At 31 December 2005	
Total assets (RMB millions)			601,255	537,300	
Total equity attributable to equity shareholders of the Company (RMB millions)			246,702	223,500	
Net assets per share (RMB)			2.845	2.500	
Adjusted net assets per share (RMB)			2.782	2.500	
	Three-month period ended 30 September (July to September)			Nine-month period ended 30 September (January to September)	
	2006	2005	Changes compared with the same period of the preceding year (%)	2006	2005
Net cash flow from operating activities (RMB millions)	22,742	19,677	15.58	44,220	40,750
Earnings per share (RMB)	0.150	0.099	51.36	0.397	0.320
Return on net assets (%)	5.27	4.08	1.19 percentage point	13.95	13.40

2.2.2 Income statements
This section includes the income statements for the third quarter ended 30 September 2006 prepared in accordance with both the PRC Accounting Rules and Regulations and IFRS with comparative figures for the corresponding period in 2005.

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

-4-

(1) Income statements for the three-month period ended 30 September (July to September)

Item	Three-month period ended 30 September 2006 (July to September)		Three-month period ended 30 September 2005 (January to September)
	The Group (Note 1)	The Company (Note 1)	
	RMB millions	RMB millions	

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

1.	Income from principal operations	273,231	199,805	217,7
	Less: Cost of sales	230,221	167,481	186,4
	Sales taxes and surcharges	8,815	7,412	4,5
2.	Profit from principal operations	34,195	24,912	26,8
	Add: Profit/(loss) from other operations	35	6	1
	Less: Selling expenses	6,059	3,956	5,3
	Administrative expenses	6,330	5,163	6,3
	Financial expenses	1,705	1,410	1,0
	Exploration expenses, including dry holes	1,803	1,807	1,2
3.	Operating profit/(loss)	18,333	12,582	12,9
	Add: Investment (loss)/income	(157)	6,102	2
	Non-operating income	59	29	1
	Less: Non-operating expenses	341	242	7
4.	Profit before taxation	17,894	18,471	12,5
	Less: Taxation	5,375	5,343	3,7
	Minority interests	93	-	2
	Add: Unrecognised investment losses (Note 2)	709	-	(4
5.	Net profit	13,135	13,128	8,4

- Note: 1. 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 costs of long-term investments.

-5-

- (2) Income statements for the nine-month period ended 30 September (January to September)

Item	Nine-month period ended 30 September 2006 (January to September)		Nine-month 30 Sep (January (Note 1)	
	The Group (Note 1) RMB millions	The Company (Note 1) RMB millions		The Group (Note 1) RMB millions
1.	Income from principal operations	755,219	530,826	576,990
	Less: Cost of sales	639,519	442,164	479,614
	Sales taxes and surcharges	21,733	18,038	12,709
2.	Profit from principal operations	93,967	70,624	84,667
	Add: Profit/(loss) from other operations	525	173	606
	Less: Selling expenses	16,770	10,513	15,727
	Administrative expenses	18,101	14,693	16,941
	Financial expenses	5,227	3,952	3,916
	Exploration expenses, including dry holes	4,888	4,870	4,584
3.	Operating profit	49,506	36,769	44,105
	Add: Investment income / (loss)	27	12,947	(524)
	Non-operating income	191	83	250
	Less: Non-operating expenses	1,015	710	1,905
4.	Profit before taxation	48,709	49,089	41,926
	Less: Taxation	15,339	15,295	12,927
	Minority interests	254	-	2,363

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

Add: Unrecognised investment losses (Note 2)	698	-	(160)
5. Net profit	33,814	33,794	26,476

- Note: 1. 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 costs of long-term investments.

-6-

2.2.2.2 Consolidated income statements prepared in accordance with IFRS

Item	Three-month period ended 30 September (July to September)		Nine-mon S (Janua RMB mill
	RMB millions 2006	RMB millions 2005	
1. Turnover and other operating revenues	280,782	224,134	773
Including: Turnover	273,231	217,742	755
Other operating revenues	7,551	6,392	18
2. Operating expenses	(260,852)	(210,640)	(719,
Including: Expenses on purchase of crude oil, products and operating supplies	(228,488)	(183,618)	(628,
Selling, general and administrative expenses	(8,801)	(8,745)	(25,
Depreciation, depletion and amortisation	(8,236)	(7,686)	(24,
Exploration expenses, including dry holes	(1,803)	(1,229)	(4,
Personnel expenses	(4,427)	(4,178)	(13,
Employee reduction expenses	(24)	(6)	
Taxes other than income tax	(8,815)	(4,505)	(21,
Other operating expenses, net	(258)	(673)	(
3. Operating profit	19,930	13,494	54
4. Net finance costs	(1,523)	(867)	(4,
Including: Interest expense	(1,981)	(1,523)	(5,
Interest income	112	107	
Foreign exchange losses	(17)	(138)	
Foreign exchange gains	363	687	
5. Investment income	87	14	
6. Share of profits less losses from associates	116	209	

-7-

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

7.	Profit before taxation	18,610	12,850	50
8.	Taxation	(5,507)	(3,984)	(15,
9.	Profit for the period	13,103	8,866	34
	Attributable to:			
10.	Equity holders of the parent	13,011	8,596	34
11.	Minority interests	92	270	
12.	Profit for the period	13,103	8,866	34

2.2.3 Differences between the net profit for the first three quarters of 2006 and shareholders' funds under the PRC Accounting Rules and Regulations and IFRS

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

				Nine-month
				30 S
				2
				RMB milli
	Net profit under the PRC Accounting Rules and Regulations			33,
	Adjustments:			
	Equity investment differences			
	Depreciation of oil and gas properties			
	Capitalisation of general borrowing costs, net of depreciation effect			
	Acquisition of Sinopec Corp. National Star			
	Reduced amortization on revaluation of land use rights			
	Reduced depreciation on government grants			
	Pre-operating expenditures			(
	Disposal of oil and gas properties, net of depreciation effect			(2
	Unrecognised losses of subsidiaries			(6
	Effects of the above adjustments on taxation			(2
	Minority interests			
	Profit for the period under IFRS			34,

-8-

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 analyzed as follows:

				At
				Septem
				2
				RMB milli
	Shareholders' funds under the PRC Accounting Rules and Regulations			237,

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

Adjustments:

Equity investment differences	12,
Depreciation of oil and gas properties	2,
Capitalisation of general borrowing costs	(2,4
Acquisition of Sinopec Corp. National Star	(9
Revaluation of land use rights	(5
Government grants	(
Pre-operating expenditures	2,
Disposal of oil and gas properties	(5,8
Effects of the above adjustments on taxation	19,
Minority interests	266,
Total equity under IFRS	

2.3 List of the top 10 shareholders of tradable shares as at the end of this reporting period:

As at the end of this reporting period, the total number of shareholders is 187,837, inclusive of
of domestic A-share, and 8,387 holders of H-share listed overseas.

Shareholding Position of the top 10 shareholders with no restriction on selling the shares held

Shareholder's name (full name)	Quantity of tradable shares in possession as at the end of this reporting period (10,000 shares)
HKSCC (Nominees) Limited	16,680,43
China Life Corp.,-Participating-Individual Participating-005L-FH002 Shanghai	83,93
Industrial and Commercial Bank-EFUND Value Selection Securities Investment Fund	83,68
China Banki-DJia Shi Theme Selection Mixed Securities Fund	77,22
Industrial and Commercial Bank-Guangfa Strategic Selected Mixed Securities Fund	72,73
China Life(Group)-Conventional-Ordinary Insurance Product	64,00
China Banki-DYin Hua Quality Growth Equity Securities Investment Fund	63,61
Bank of Communicationi-DAnshun Security Investment Fund	58,39

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

International Finance-Standard Chartered-CITIGROUP GLOBAL
MARKETS LIMITED

56,21

China Construction Banki-DBank of Communication Schroder
Sound mixed configuration Securities Investment
Fund

49,01

2.4 Business Review

2.4.1 Production and Operations

In the first three quarters of 2006, China's economy continued to grow at a relatively rapid pace, with a GDP growth rate of 10.7%, whilst the domestic demands for petroleum and petrochemical products both maintained rational growth rates. Crude Oil prices in the world market dropped remarkably, after reaching a new record high. The Company has brought into play our advantages of integrated operations, endeavored to expand resources and the market, improved production and operational performances, reinforced competitive forces in the market, and maintained growth momentum in production of crude oil and natural gas, processing volume of crude oil, sales volume of oil products, as well as outputs of ethylene and synthetic resins.

Exploration & Production: The Company has carefully implemented its resources strategy, with a combined focus on both crude oil and natural gas, accelerated efforts in building up production capacities, and realized stable oil and natural gas production with various growth rates. To be concrete, production of crude oil and natural gas grew by 2.84% and 18.08% on a year-on-year basis, respectively. Moreover, the Company has proactively proceeded with the development activities in Puguang Gas Field.

Refining: The Company has closely tracked the international crude oil market, in adherence to its multi-sourcing tactics for crude oil resources, and brought down costs in crude oil purchasing; besides, the Company adjusted the product mix, striving to meet market demand, as well. As a consequence, the processing volume of crude oil and output of oil products have grown by 4.45% and 2.93% respectively on a year-on-year basis; while the yield of light oil and commercialization ratio have both risen up.

Marketing and distribution: The Company has actively deployed resources, managed to increase the sales volume of oil products steadfastly, and further improved its marketing structure. At the same time, the Company has brought into full play the role of its modern logistics system, and done a good job in organizing the dispatching and transportation of oil products. In the first three quarters of 2006, the domestic sales volume and retail volume of oil products have grown by 7.17% and 17.52% respectively on a year-on-year basis.

Chemicals: The Company has continually enabled chemical facilities to conduct production work on a safe, stable and full-load basis, increased the outputs of major products, optimized product mix, and proceeded steadfastly on concentrated sales of products. In the

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

first three quarters of 2006, production of ethylene and synthetic resins have grown by 17.80% and 13.38% respectively on a year-on-year basis.

-10-

	Unit	Nine-month period ended 30 September (January ~ September)		Ch sa ye
		2006	2005	
Exploration and Production				
Crude oil production	'0000 tonnes	3,002	2,919	
Natural gas production	Billion cubic meters	5.348	4.529	
Crude oil realized price	RMB/ton	3,388.03	2,525.89	
Natural gas realized price	RMB/'000 cubic meter	750.70	657.92	
Refining				
Refining throughput	Million tonnes	108.70	104.07	
Production of gasoline, diesel oil and kerosene	Million tonnes	64.74	62.90	
Of which: Gasoline	Million tonnes	16.97	17.23	
Diesel	Million tonnes	43.01	40.49	
Kerosene	Million tonnes	4.75	5.18	
Light Chemical feedstock	Million tonnes	17.16	15.50	
Light products yield	%	74.64	74.20	
Refining yield	%	93.63	93.23	
Marketing and Distribution				
Total domestic sales of refined oil products	Million tonnes	83.06	77.50	
Of which: Retail	Million tonnes	54.27	46.18	
Distribution	Million tonnes	14.49	15.42	
Wholesale	Million tonnes	14.30	15.89	
Total number of petrol stations	Station	28,546	30,583	

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

Of which: Self-operated	Station	27,746	27,048
Franchised	Station	800	3,535
Annual Throughput per station (Note 1)	tonne/station	2,608	2,277
Chemicals (Note 2)			
Ethylene	'000 tonne	4534	3849
Synthetic resins	'000 tonne	6289	5547
Synthetic rubber	'000 tonne	490	468
Synthetic fiber monomers and polymers	'000 tonne	5401	4929
Synthetic fibers	'000 tonne	1137	1161
Urea	'000 tonne	1321	1450

- Notes: 1. Throughput per petrol station data was an annualized average.
 2. Operational data of 2005, 2006 includes the 100% production of YPC-BASF and Shanghai Secco.

Capital expenditure:

In the first three quarters of 2006, the Company's capital expenditure totaled RMB 44.639 billion, of which RMB 18.081 billion was spent in the Exploration & Development Segment, which has achieved an array of significant positive results in terms of oil and natural gas exploration, by means of intensive and carpet-to-carpet prospecting and targeting at key areas in newly found reserve zones; and increased crude oil production capacity by 4.13 million tons per year, as well as increased natural gas production capacity by 1.287 billion cubic meters per year; RMB 7.098 billion was spent in the Refining Segment, which has built up and put into production the "Yizheng~Changling Crude Oil Pipeline" project, and proceeded smoothly on those oil refining projects located in Guangzhou, Yanshan

-11-

and Qingdao respectively, and commenced the construction work for the Crude Oil Wharf at Weizhou Island of Beihai City; RMB 9.328 billion was spent in the Chemical Segment, which has already finished upgrading PX project in Yangtze Petrochemical Company, and put it into operations, second round of ethylene expansion in Maoming excluding the LDPE project has been completed and put into service. The projects, such as "Upgrading PTA Project in Yangtze Petrochemical Co., Ltd." "Integrated Project in Fujian", "Integrated Refining & Chemical Project in Tianjin" and "Coal to Liquid" projects are progressing as planned; and RMB 8.510 billion was spent in the Marketing & Distribution Segment, which has made preliminary accomplishments in building up and acquiring petrol

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

stations in strategic areas such as along the highway, and increased the total number of petrol stations by 542, as well as further consummating the marketing network; the rest RMB 1.622 billion was spent in the Corporate and Others Segment.

3 Management's Discussion and Analysis

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

In the third quarter of 2006, according to the PRC Accounting Rules and Regulations, the Company's income from principal operations was RMB 273.2 billion, representing an increase of 25.48% over the same period of the preceding year. Its net profit was RMB 13.1 billion, representing an increase of 55.78% over the same period of the preceding year. According to the IFRS, the Company's business turnover and other operating revenues were RMB 280.8 billion, representing an increase of 25.27% over the same period of the preceding year. The profit attributable to shareholders was RMB 13.0 billion, representing an increase of 51.36% over the same period of the preceding year.

3.1.1 The principal segments or products contributing over 10% to the Company's income or profit from its principal operations

The following table sets out the segment-based information compiled in accordance with the PRC Accounting Rules and Regulations:

Segment	Income from principal operations (RMB millions)	Cost of principal operations (RMB millions)	Profit from principal operations (RMB millions)
Exploration and production	35,917	10,668	20,9
Refining	151,042	158,580	(11,12)
Marketing and distribution	158,675	142,069	16,3
Chemicals	56,658	49,263	6,7
Others	71,987	70,690	1,2
Elimination of inter-segment sales	(201,048)	(201,048)	N
Total	273,231	230,222	34,1
Of which: Connected transactions	19,659	14,403	1,9

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

The following table sets out the segment-based information compiled in accordance with the IFRS:

Segment	Operating revenues (RMB millions)	Operating expenses (RMB millions)	Operating profit/(loss) (RMB millions)
Exploration and production	39,303	20,325	17,585
Refining	152,605	165,906	(12,583)
Marketing and distribution	158,840	149,025	9,815
Chemicals	58,931	54,069	4,862
Others	72,151	71,900	251
Elimination of inter-segment sales	(201,048)	(201,048)	N/A
Total	280,782	260,177	19,930

3.1.2 Seasonal or periodic characteristics of the Company's operations

Applicable Not applicable

3.1.3 The composition of the profits during this reporting period (under the PRC Accounting Rules and Regulations, 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 compared with the preceding reporting period (from January to June) are listed and explained below)

Item	Three-month period as at 30 September 2006 (July to September)		Six-month period as at 30 June 2006 (January to June)	
	Amount (RMB millions)	As a Percentage of profit before taxation (%)	Amount (RMB millions)	As a Percentage of profit before taxation (%)

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

Profit from principal operations	34,195	191.10	59,772	193.97
Profit from other operations	35	0.20	490	1.59
Period expenses	(15,897)	(88.84)	(29,089)	(94.40)
Investment (loss)/income	(157)	(0.88)	184	0.60
Net non-operating income/expenses	(282)	(1.58)	(542)	(1.76)
Profit before taxation	17,894	100.00	30,815	100.00

-13-

3.1.4 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

3.1.5 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)

Applicable Not applicable

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

3.2.1 Connected transactions

In the first three quarters ended at 30 September 2006, the connected transactions actually conducted by the Company amounted to RMB 148.629 billion, of which RMB 70.911 billion related to purchases, whilst RMB 77.718 billion related to sales (including the sales of products and service that amounted to RMB 77.644 billion, income from interests that amounted to RMB 34 million, and income from agency fees that amounted to RMB 40 million). The value of those products & services (with regard to purchasing, storage & transportation, exploration & production, and other production-related services) provided by Sinopec Group Company to the Company was RMB 62.759 billion, taking up 10.0% in the transactions of the same kind, and accounting for 8.7% of the operating expenses of the Company in the first three quarters. The value of those auxiliary & community services provided by Sinopec Group Company to the Company was RMB 1.257 billion, taking up 0.17% of the operating expenses of the Company in the first three

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

quarters. The value of those products & services provided by the Company to Sinopec Group Company was RMB 69.37 billion, taking up 9.0% in the transactions of the same kind.

The principles for setting the prices for connected transactions are: (1) as to those products or projects that the State government has formulated or suggested prices towards, the State-formulated or suggested shall govern; (2) as to those products or projects that the State government has not formulated or suggested prices towards yet, the market prices (inclusive of the bid prices) shall govern; (3) as to those products or projects that the State government has not formulated or suggested prices towards yet, and there are no market prices for reference to, the prices shall then be set by "adding a rational profit margin, usually 6% onto the costs".

-14

- 3.2.2 China Orient Asset Management Corporation, China Cinda Asset Management Corporation and China Development Bank signed agreements upon transfer of State-owned shares to China Petrochemical Corp.

The three original shareholders of Sinopec Corp., China Orient Asset Management Corporation, China Cinda Asset Management Corporation and China Development Bank, signed Share Transfer Agreements with Sinopec Group Company on 29 April, 06 June and 17 August 2006 respectively, pursuant to which they transferred 1,296,410,000 State-owned shares (about 1.5% of the total shares of Sinopec Corp.), 2,848, 886,224 State-owned shares (about 3.3% of the total shares of Sinopec Corp.) and 632,570, 000 State-owned shares (about 0.7% of the total shares of Sinopec Corp.) held by them respectively to Sinopec Group Company; whilst Sinopec Group Company paid the prices to China Orient Asset Management Corporation, China Cinda Asset Management Corporation and China Development Bank in cash, respectively. All the Share Transfer Agreements signed by the three companies and Sinopec Group Company have been approved by the State-owned Assets Supervision and Administration Commission of the State Council and the State Ministry of Finance; whilst the necessary procedures regarding the share transfers have been completed on 27 September.

- 3.2.3 Injection of Capital in the Refining Project in Hainan

On 11 October 2006, Sinopec Corp. entered into a Joint Venture Contract with Century Bright International Investment Co., Ltd. ("CBI"), an overseas wholly-owned subsidiary under China Petrochemical Corp. Pursuant to this contract, Sinopec Corp. and CBI agreed to inject capital (RMB 2.9895 billion by Sinopec Corp. and the an equivalent of RMB 996.5 million in foreign currency by CBI) in Hainan Oil Refining & Chemical Co., Ltd. to increase its registered capital. Following such investments, Sinopec Corp. and CBI held 75% and 25% in the share capital of Hainan Oil Refining & Chemical Co., Ltd., respectively.

- 3.2.4 Reform on non-tradable shares

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

Sinopec Corp.'s non-tradable share reform proposal has already been approved on the meeting of A Share market related shareholders, which was held on 25 September 2006. As per this proposal, holders of Sinopec Corp.'s tradable A shares will get 2.8 additional shares for every 10 shares they held in Sinopec Corp., paid by the holders of Sinopec Corp.'s originally non-tradable shares. All the holders of Sinopec Corp.'s originally non-tradable shares commit to obey the regulations, which set out the restricted trading period. Besides, the holders of Sinopec Corp.'s originally non-tradable shares have paid 784,000,000 shares in total, as a consideration specified under this non-tradable share reform proposal, to all holders of tradable A shares. Such shares have been launched into the market for trading on 10 October 2006, namely the very first trading day after the reform proposal has been put into force. On the same day, the former non-tradable shares possessed by holders of Sinopec Corp. are allowed for trading in the market.

-15-

3.2.5 Distribution of interim dividends of 2006

Pursuant to the Articles of Association of the Company and with the approval from the third meeting of the Third Session of the Board of Directors of Sinopec Corp., the scheme for distribution of dividends for the first half of 2006 that ended 30 June 2006, was to distribute cash dividends of about RMB 3.468 billion in total, amounting to RMB 0.04 yuan (pre-tax) per share, which was calculated on the basis of the total number of 86,702,439,000 shares as at 30 June 2006. The dividends for the first half of 2006 have been distributed on 28 September 2006 to the members of the Company, whose names appear on the register of members of Sinopec Corp. on 13 September 2006.

3.2.6 Capital expenditure adjustments

The 5th meeting of the Third Session of the Board of Directors held on 27 October 2006 has approved the capital expenditure adjustments plan from RMB70 billion to RMB80.391 billion for the year 2006, the increase is RMB10.391 billion. The increase for Exploration and Production Segment is RMB1.59 billion, the increase for Refining Segment is RMB6.259 billion, the increase for Chemicals Segment is RMB3.013 billion, while the decrease for scientific research, information and others is RMB0.472 billion.

3.2.7 Appointment of senior management

Mr. Jiao Fangzheng was appointed the vice president at the 5th meeting of the Third Session of the Board of Directors held on 27 Oct. 2006.

3.3 Descriptions of, and explanations to, accounting policies,

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

accounting estimations, consolidation scope and significant accounting errors

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

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

Applicable Not applicable

- 3.6 Adjustments from time to time to the annual business plan or budget which has been disclosed

-16-

Applicable Not applicable

- 3.7 Special commitments made by the original holders of non-tradable shares of the Company in the course of share merger reform, and their performance of such commitments

Applicable Not applicable

- 3.8 Annotations to the arrangements for working hours regarding the non-tradable share reform for those companies that have not initialized the reform procedure yet as at the date when the present Quarterly Report is made public

Applicable Not applicable

- 3.9 Relevant annotations to those companies that have not initialized the reform procedure yet as at the date when the present Quarterly Report is made public

Applicable Not applicable

- 3.10 This quarterly report is published in both English and Chinese languages. The Chinese version shall prevail, in case of any

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

disparity in construing these two versions.

By Order of The Board
Chen Tonghai
Chairman
27 October 2006

As at the date of this announcement, the executive directors of Sinopec Corp are Messrs. Wang Tianpu, Zhang Jianhua, Wang Zhigang, Dai Houliang; the non-executive directors are Messrs. Chen Tonghai, Zhou Yuan, Fan Yifei and Yao Zhongmin; the independent non-executive directors are Messrs. Shi Wanpeng, Liu Zhongli and Li Deshui.