中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability (Stock code: 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 Lister 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,

Important Notice

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. 1.1
- 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. 1.2
- 1.3 The financial statements contained in this announcement are not audited.
- 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. 1.4

2 **Basic Information**

2.1	Basic information	1 of Sinopec Corp.			
	Stock name	SINOPEC CORP.	SINOPEC CORP.	SINOPEC CORP.	SINOPEC CORP.
	Stock code	386	SNP	SNP	600028
	Place of listing	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	Shanghai Stock Exchange
		Authorized H	Representatives	Secretary to the Board of Directors	Representative on Securities Matters
	Name	Mr. Wang Tianpu	Mr. Chen Ge	Mr. Chen Ge	Mr. Huang Wensheng
	Address	6A Huixindong Str	eet, Chaoyang Distric	ct, Beijing, PRC	
	Post Code	100029			
	Tel	+86 (10) 64990060			
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	E-mail	ir@sinopec.com.cn			
2.2	Financial Inform	ation			
2.2.1	Principal accounti	ng data and financial	indicators		
2.2.1.1	Principal accounti Rules and Regulat		indicators prepared	in accordance with	the PRC Accounting
		At	t 30 September At 3 2006		hanges compared with he preceding year-end

			2006	2005	the pr	eceding year-end (%)
Total assets (RMB milli Shareholders' funds (exc			582,597	520,572		11.91
minority interests) (R millions) Net assets per share (RM	MB		237,468 2.739	215,623 2.487		10.13 10.13
Adjusted net assets per (RMB)	share		2.674	2,426		10.22
()		30 Sep	period ended otember	Nir	30 Sep	period ended tember
		(July to S	September) Changes	(J	anuary to	September) Changes
	2006	2005	compared with the same period of the preceding year	2005	2004	compared with the same period of the preceding year
			(%)			(%)
Net cash flow from operating activities (RMB millions)	24,953	22,201	12.40	50,119	47,245	6.08
Earnings per share (RMB)	0.151	0.097	55.78	0.390	0.305	27.72
Return on net assets	5.53	4.16	1.37	14.24	13.07	1.17
(%)	5.55	4.10	percentage point	14.24	13.07	percentage point
Return on net assets before non-operating profits/losses						
(Fully diluted) (%)	5.61	4.65	0.96 percentage point	14.36	13.67	0.69 percentage point
(Weighted average) (%)	5.67	4.66	1.01 percentage point	14.99	14.03	0.96 percentage point
Non operating profits/l	osses			Ni	ne-month	period ended 30 September 2006 (RMB millions)
Gain on disposal of long Written back of provisio Non-operating expenses	ons on asse (excluding	ts provide normal p	d in previous years rovisions on assets			(24) (346)
Donations	sposal of f	ixed asset				981 50 75
Employee : Non-operating income Tax effect Total	reduction e	xpenses				72 (191) (139) 281
Principal accounting dat	a and fina	ncial indic	ators prepared in a	ccordance	with IFRS	
			Septem	30 ber 1 006	At 31 December 2005	the preceding year-end
						(%)
Total assets (RMB milli Total equity attributable		charabold	601,2	255	537,321	11.90
Total equity attributable of the Company (RMI	B millions)	snarenolde	246,7		223,556	10.35
Net assets per share (RM Adjusted net assets per		B)		845 782	2.578	10.35

Ite	m	Three-mor ended 30 S (July to So	September eptember)	Nine-mon ended 30 S (January to	September September)
		RMB millions R 2006	MB millions 2005	RMB millions R 2006	MB millions 2005
1.	Turnover and other operating				
	revenues	280,782	224,134	773,910	592,588
	Including: Turnover	273,231	217,742	755,219	576,990
	Other operating				
	revenues	7,551	6,392	18,691	15,598
2.	Operating expenses	(260,852)	(210,640)	(719,742)	(545,412)
	Including: Expenses on pure of crude oil, pu and operating s	roducts	(183,618)	(628,703)	(466,654)
	Selling, general a administrative	ind			
	expenses Depreciation, dep	(8,801)	(8,745)	(25,230)	(24,255)
	and amortisation Exploration expe		(7,686)	(24,740)	(22,841)
	including dry h		(1,229)	(4,888)	(4,584)
	Personnel expens Employee reduct		(4,178)	(13,624)	(12,714)
	expenses Taxes other than	(24)	(6)	(72)	(106)
	income tax Other operating	(8,815)	(4,505)	(21,733)	(12,709)
	expenses, net	(258)	(673)	(752)	(1,549)
3.	Operating profit	19,930	13,494	54,168	47,176
4.	Net finance costs	(1,523)	(867)	(4,665)	(3,433)
	Including: Interest expense	(1,981)	(1,523)	(5,523)	(4,368)
	Interest income Foreign exchange	112	107	362	275
	losses	(17)	(138)	(69)	(178)
	Foreign exchange	gains 363	687	565	838
5.	Investment income	87	14	218	76
6.	Share of profits less losses fi associates	rom 116	209	563	745
7.	Profit before taxation	18,610	12,850	50,284	44,564
8.	Taxation	(5,507)	(3,984)		(13,929)
9.	Profit for the period	13,103	8,866	34,667	30,635
2.	Attributable to:	15,105	0,000	54,007	50,055
10.		13.011	8,596	34,417	28,249
11.	1	92	270	250	2,386
12.		13,103	8,866	34,667	30,635

2.2.3 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 period ended

		30 Se	ptember
		2006	2005
		RMB millions	RMB millions
	Net profit under the PRC Accounting Rules and Regulations Adjustments:	33,814	26,476
	Equity investment differences	754	1,175
	Depreciation of oil and gas properties Capitalisation of general borrowing costs, net of	560	648
	depreciation effect	425	377
	Acquisition of Sinopec Corp. National Star	87	87
	Reduced amortization on revaluation of land use rights	20	14
	Reduced depreciation on government grants	9	2
	Pre-operating expenditures	(24)	441
	Disposal of oil and gas properties, net of depreciation		
	effect	(252)	(299)
	Unrecognised losses of subsidiaries	(698)	160
	Effects of the above adjustments on taxation	(278)	(832)
	Minority interests	250	2,386
	Profit for the period under IFRS	34,667	30,635
2.3.2	Effects of major differences between the shareholders' funds Regulations and the total equity under IFRS are analyzed as	follows:	-
		At 30 September 2006	At 31 December 2005
		RMB millions	RMB millions
	Shareholders' funds under the PRC Accounting Rules and Regulations	237,468	215,623
	Adjustments:		
	Equity investment differences	954	200
	Depreciation of oil and gas properties	12,793	12,233
	Capitalisation of general borrowing costs	2,537	2,112
	Acquisition of Sinopec Corp. National Star	(2,491)	(2,578)
	Revaluation of land use rights	(933)	(953)
	Government grants	(579)	(588)
	Pre-operating expenditures	(46)	(22)
	Disposal of oil and gas properties	2,808	3,060
	Effects of the above adjustments on taxation	(5,809)	(5,531)
	Minority interests	19,549	29,440
	Total equity under IFRS	266,251	252,996
3	List of the top 10 shareholders of tradable shares as at the		
	As at the end of this reporting period, the total number of sha holders of domestic A-share, and 8,387 holders of H-share li	reholders is 187,837, i isted overseas.	nclusive of 179,450
	Shareholding Position of the top 10 shareholders with no	restriction on selling	the shares held
		Quantity of tradab shares in possession as at the end of	n

as at the end of this reporting period Nature of 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 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 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. an array of significant positive results in terms of oil and natural gas exploration, by means of intensive

Management's Discussion and Analysis

3.1

3.1.4

3.1.5

3.2

3.2.1

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 55.27% 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 s 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	Cost of principal operations	Profit from principal operations	Gross profit margin (Note)
	(RMB millions)	(RMB millions)	(RMB millions)	(%)
Exploration and				
production	35,917	10,668	20,902	58.20
Refining	151,042	158,580	(11,120)	(7.36)
Marketing and				
distribution	158,675	142,069	16,325	10.29
Chemicals	56,658	49,263	6,791	11.99
Others	71,987	70,690	1,297	1.80
Elimination of inter-				
segment sales	(201,048)	(201,048)	N/A	N/A
Total	273,231	230,222	34,195	12.52
Of which: Connected				
transactions	19,659	14,403	1,943	9.88

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

Segment	Operating revenues (<i>RMB millions</i>)	Operating expenses (RMB millions)		Percentage of operating profit/(loss) over operating revenues (%)
Exploration and production	39,303	20,325	17,585	44.74
Refining	152,605	165,906	(12,583)	(8.25)
Marketing and distribution	158,840	149,025	9,815	6.18
Chemicals	58,931	54,069	4,862	8.25
Others	72,151	71,900	251	0.35
Elimination of inter-segment				
sales	(201,048)	(201,048)	N/A	N/A
Total	280,782	260,177	19,930	7.10

3.1.2 Applicable ✓ Not applicable

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) 3.1.3

Item	Three-month pe 30 Septembe (July to Sept	r 2006	Six-month per 30 June 2 (January to	(Percentage	
	As a Percentage of profit before				
	Amount	taxation	Amount	taxation	point)
	(RMB millions)	(%)	(RMB millions)	(%)	
Profit from principal operations	34,195	191.10	59,772	193.97	(2.87)
Profit from other operations	35	0.20	490	1.59	(1.39)
Period expenses	(15,897)	(88.84)	(29,089)	(94.40)	(5.56)
Investment (loss)/income	(157)	(0.88)	184	0.60	(1.48)
Net non-operating income/expenses	(282)	(1.58)	(542)	(1.76)	(0.18)
Profit before taxation	17,894	100.00	30,815	100.00	_
Significant changes in, and explan with those during the preceding re				r structures	as compared
□ Applicable	cable				
Significant changes in, and explan operations as compared with those					
□ Applicable √ Not applie	cable				
Significant events and their impa	acts as well as t	he analysis	and explanati	ions for the	solutions
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 74.644 billion, income from interests that amounted to RMB 44 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 Sinopee 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 expresses of the Company in the

		July to S	eptember)	(January to September)				
	2006	2005	Changes compared with the same period of the preceding year (%)	2006	2005	Changes compared with the same period of the preceding year (%)		
Net cash flow from operating activities (RMB millions)	22,742	19,677	15.58	44,220	40,759	8.49		
Earnings per share (RMB)	0.150	0.099	51.36	0.397	0.326	21.83		
Return on net assets (%)	5.27	4.08	1.19 percentage point	13.95	13.40	0.55 percentage point		

2.782

2.518

Nine-month period ended 30 September

10.48

2.2.2 Income statements

Adjusted net assets per share (RMB)

2.2.

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

Three-month period ended 30 September

(I)	Income statements f	for t	he t	hree-month	i period	ended	30	September	(July	to	September)	
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(1)	income statements for		-		- ·
Item		30 Septe (July to S	1 period ended mber 2006 September)	30 Septe (July to S	n period ended mber 2005 September)
		The Group		The Group	
		(Note 1)	(Note 1) RMB millions	(Note 1)	(Note 1) RMB millions
		RMB millions	KMB millions	RMB millions	KMB millions
1.	Income from principal				
	operations	273,231	199,805	217,742	155,331
Less:	Cost of sales	230,221	167,481	186,433	144,342
	Sales taxes and				
	surcharges	8,815	7,412	4,505	2,916
2.	Profit from principal	24.105	24.012	26.004	0.072
	operations	34,195	24,912	26,804	8,073
Add:	Profit/(loss) from other operations	35	6	159	77
Less:	*	6.059	3,956	5,368	3,461
	Administrative expenses	6,330	5,163	6,341	4,508
	Financial expenses	1,705	1,410	1,064	801
	Exploration expenses,				
	including dry holes	1,803	1,807	1,229	923
3.	Operating profit/(loss)	18,333	12,582	12,961	(1,543)
Add:	Investment				
	(loss)/income	(157)	6,102	218	14,029
_	Non-operating income	59	29	117	40
Less:		341	242	796	302
4.	Profit before taxation	17,894	18,471	12,500	12,224
Less:		5,375	5,343	3,759	3,798
	Minority interests	93	—	262	—
Add:	Unrecognised investment	700		(17)	
-	losses (Note 2)	709	12.120	(47)	
5.	Net profit	13,135	13,128	8,432	8,426

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

2. This item represents the written back of unrecognised investment losses exceeding the investment costs of long-term investments.

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

September)							
Item		30 Septe (January te	period ended mber 2006 o September)	Nine-month period ended 30 September 2005 (January to September)			
		The Group (Note 1)	The Company (Note 1)	The Group (Note 1)	The Company (Note 1)		
		RMB millions	RMB millions	RMB millions	RMB millions		
1.	Income from principal						
	operations	755,219	530,826	576,990	396,671		
Less:	Cost of sales	639,519	442,164	479,614	357,068		
	Sales taxes and						
	surcharges	21,733	18,038	12,709	8,302		
2.	Profit from principal						
	operations	93,967	70,624	84,667	31,301		
Add:	Profit/(loss) from other						
	operations	525	173	606	252		
Less:		16,770	10,513	15,727	10,070		
	Administrative expenses	18,101	14,693	16,941	10,649		
	Financial expenses	5,227	3,952	3,916	2,653		
	Exploration expenses,						
	including dry holes	4,888	4,870	4,584	3,601		
3.	Operating profit	49,506	36,769	44,105	4,580		
Add:	Investment income /						
	(loss)	27	12,947	(524)	34,963		
	Non-operating income	191	83	250	139		
Less:	Non-operating expenses	1,015	710	1,905	734		
4.	Profit before taxation	48,709	49,089	41,926	38,948		
Less:	Taxation	15,339	15,295	12,927	12,492		
	Minority interests	254	_	2,363			
Add:	Unrecognised investment						
	losses (Note 2)	698	-	(160)	_		
5.	Net profit	33,814	33,794	26,476	26,456		

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

This item represents the written back of unrecognised investment losses exceeding the investment costs of long-term investments.

Shareholder's name (full name)	(10,000 shares)	Shareholders	
HKSCC (Nominees) Limited	16,680,439,319	Н	
China Life Corp.,-Participating-Individual Participating-005L FH002 Shanghai	83,938,631	А	
Industrial and Commercial Bank-EFUND Value Selection Securities Investment Fund	83,687,414	А	
China Bank-Jia Shi Theme Selection Mixed Securities Fund	77,228,636	А	
Industrial and Commercial Bank-Guangfa Strategic Selected Mixed Securities Fund	72,733,792	А	
China Life(Group)-Conventional-Ordinary Insurance Product	64,000,000	А	
China Bank—Yin Hua Quality Growth Equity Securities Investment Fund	63,615,929	А	
Bank of Communication-Anshun Security Investment Fund	58,394,961	А	
International Finance-Standard Chartered-CITIGROUP GLOBAL MARKETS LIMITED	56,217,823	А	
China Construction Bank—Bank of Communication Schroder Sound mixed configuration Securities Investment Fund	49,016,462	А	
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 mantained 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 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.

Operational Results		Unit	Nine-month period ended 30 September (January ~ September) 2006 2005		Changes compared with the same period of the preceding year (%)
Exploration Production					
Crude oil production		'0000 tonnes	3,002	2,919	2.84
Natural gas production		Billion cubic meters	5.348	4.529	18.08
Crude oil realized price		RMB/ton	3,388.03	2,525.89	34.13
Natural gas realized price Refining		RMB/'000 cubic meter	750.70	657.92	14.10
Refining throughput Production of gasoline,		Million tonnes	108.70	104.07	4.45
diesel oil	and kerosene	Million tonnes	64.74	62.90	2.93
Of which:	Gasoline	Million tonnes	16.97	17.23	(1.51)
	Diesel	Million tonnes	43.01	40.49	6.22
	Kerosene	Million tonnes	4.75	5.18	(8.30)
Light Chemical feedstock		Million tonnes	17.16	15.50	19.06%
Light products yield		%	74.64	74.20	0.44 percentage point
Refining yield		%	93.63	93.23	0.40 percentage point
	and Distribution stic sales of	n			
	il products	Million tonnes	83.06	77.50	7.17
Of which:	Retail	Million tonnes	54.27	46.18	17.52
	Distribution	Million tonnes	14.49	15.42	(6.03)
	Wholesale	Million tonnes	14.30	15.89	(10.01)
Total number of petrol stations		Station	28.546	30,583	(6.66)
Of which:	Self-operated	Station	27,746	27.048	2.58
	Franchised	Station	800	3,535	(77.37)
Annual Throughput per station (Note 1)		tonne/station	2,608	2,277	14.54
Chemicals (tonnerstation	2,000	2,277	11101
Ethylene		'000 tonne	4534	3849	17.80
Synthetic resins		'000 tonne	6289	5547	13.38
Synthetic rubber		'000 tonne	490	468	4.70
	ber monomers				
and polymers		'000 tonne	5401	4929	9.58
Synthetic fibers		'000 tonne	1137	1161	(2.07)
Urea		'000 tonne	1321	1450	(8.90)
Notes: 1. Thi	oughput per petrol	station data was an annualized	average.		

2. Operational data of 2005, 2006 includes the 100% production of YPC-BASF and Shanghai Secce

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

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 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".

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.) and 632,570,000 State-owned shares (about 0.7% 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

Injection of Capital in the Refining Project in Haman 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.

Reform on non-tradable shares 3.2.4

Reform on non-tradable shares 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. in the market.

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.

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.

Descriptions of, and explanations to, accounting policies, accounting estimations, consolidation scope and significant accounting errors 3.3

□ Applicable √ Not applicable

Relevant explanations made by the Board of Directors and the Supervisory Committee after the audit and presentation of "non-standard opinion". 3.4

□ Applicable √ Not applicable

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 3.5

Applicable √ Not applicable

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

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 3.8

□ Applicable √ Inapplicable

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 3.9

Applicable √ Inapplicable

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

By Order of The Board Chen Tonghai

27 October 2006

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.