

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

CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
August 29, 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 August, 2006

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

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

Form 20-F Form 40-F

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

Yes No

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

N/A

This Form 6-K consists of:

The announcement of the 2006 Interim Results of China Petroleum & Chemical
Corporation (the "Registrant"), made by the Registrant in English on August
25, 2006.

[GRAPHIC OMITTED]

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 386)

Announcement of the 2006 Interim Results

Section 1 Important Notice

- 1.1 The Board of Directors of China Petroleum & Chemical Corporation
("Sinopec Corp.") and the Directors warrant that there are no
material omissions, or misrepresentations or misleading statements

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

contained in this announcement and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

This announcement is a summary of the interim report. The entire report is also contained in the website of the Shanghai Stock Exchange (www.sse.com.cn) and Sinopec Corp. (www.sinopec.com). The investors should read the interim report for more details.

- 1.2 No Director has any doubt as to, or the inability to warrant, the truthfulness, accuracy and completeness of the interim report.
- 1.3 Messrs. Yao Zhongmin and Fan Yifei, Directors of Sinopec Corp., could not attend the third meeting of the third session of the Board for reasons of official duties. Mr. Yao Zhongmin, Director of Sinopec Corp., authorised Mr. Chen Tonghai, Chairman of Sinopec Corp., Mr. Fan Yifei, Director of Sinopec Corp., authorised Mr. Wang Tianpu, Director of Sinopec Corp., to vote on their behalf in respect of the resolutions put forward in the meeting of the Board.
- 1.4 The financial statements for the six-month period ended 30 June 2006 of Sinopec Corp. and its subsidiaries ("the Company") prepared in accordance with the PRC Accounting Rules and Regulations and International Financial Reporting Standards ("IFRS") have been audited by KPMG Huazhen and KPMG, respectively, and both firms have issued standard unqualified opinions on the financial statements.
- 1.5 Mr. Chen Tonghai (Chairman of the Board), Mr. Wang Tianpu (President), Mr. Dai Houliang (Director, Senior Vice President and Chief Financial Officer) and Mr. Liu Yun (Head of the Accounting Department) warrant the authenticity and completeness of the financial statements contained in this announcement.
- *2 Basic Information of Sinopec Corp.
- 2.1 Basic Information of Sinopec Corp.

Stock name	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP	
Stock code	0386	SNP	SNP	6
Place of listing	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	S E
		Authorized Representatives	Secretary to the Board of Directors	R o M
Name	Mr. Wang Tianpu	Mr. Chen Ge	Mr. Chen Ge	M W
Address	6A Huixindong Street, Chaoyang District, Beijing, PRC			
Tel	64990060	64990060	64990060	6
Fax	64990022	64990022	64990022	6

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

E-mail

ir@sinopec.com/media@sinopec.com

2.2 Principal accounting data and financial indicators

2.2.1 Principal accounting data and financial indicators for the first half of 2006 prepared in accordance with the PRC Accounting Rules and Regulations

2.2.1.1 Principal accounting data and financial indicators

Items	At 30 June	At 31 December	Change
	2006	2005	
	RMB millions	RMB millions	end
Current assets	161,351	141,896	
Current liabilities	211,744	167,792	
Total assets	568,888	520,572	
Shareholders' funds (excluding minority interests)	228,510	215,623	
Net assets per share (RMB/share) (Fully diluted)	2.636	2.487	
Adjusted net assets per share (RMB/share)	2.570	2.426	
	=====	=====	

Items	Six-month periods ended 30 June		Change
	2006	2005	
	RMB millions	RMB millions	the p
Net profit	20,679	18,044	
Net profit before extraordinary gains and losses	20,776	18,087	
Return on net assets (%) (Fully diluted)	9.05	9.13	per
Return on net assets (%) (Weighted average)	9.20	9.29	per
Earnings per share (RMB/share) (Fully diluted)	0.239	0.208	
Earnings per share (RMB/share) (Weighted average)	0.239	0.208	
Net cash flow from operating activities	25,166	25,044	
	=====	=====	

2.2.1.2 Items and amounts under extraordinary gains and losses

applicable inapplicable

Items

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

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

Total

2.2.2 Principal accounting data and financial indicators of the Company for the first half of 2006 from the financial statements prepared in accordance with IFRS

Items	Six-month periods ended 30 June	
	2006 RMB millions	2005 RMB millions
Operating profit	34,238	33,682
Profit attributable to equity shareholders of the Company	21,406	19,653
Return on capital employed (%) note	5.46	6.17
Basic earnings per share (RMB/share)	0.247	0.227
Net cash flow from operating activities	21,478	21,082
	=====	=====

Note: Return on capital employed = operating profit x (1 - income tax rate)/capital employed

Items	At 30 June 2006 RMB millions	At 31 December 2005 RMB millions
	Current assets	165,170
Current liabilities	215,165	170,649
Total assets	586,915	537,321
Total equity attributable to equity shareholders of the Company	237,159	223,556
Net assets per share (RMB/share)	2.735	2.578
Adjusted net assets per share (RMB/share)	2.670	2.518
	=====	=====

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

2.2.3 Differences between financial statements prepared under the PRC Accounting Rules and Regulations and IFRS

applicable inapplicable

2.2.3.1 Analysis of the effects of major differences between the net profit under PRC Accounting Rules and Regulations and the profit for the period under IFRS:

Items	Six-month periods ended 2006 RMB millions
Net profit under the PRC Accounting Rules and Regulations	20,679
Adjustments:	
Equity investment differences	394
Capitalisation of general borrowing costs, net of depreciation effect	294
Depreciation of oil and gas properties	290
Acquisition of Sinopec National Star	58
Reduced amortisation on revaluation of land use rights	13
Unrecognised losses of subsidiaries	11
Reduced depreciation on government grants	6
Pre-operating expenditures	(16)
Disposal of oil and gas properties, net of depreciation effect	(177)
Effects of the above adjustments on taxation	(146)
Minority interests	158

Profit for the period under IFRS	21,564 =====

2.2.3.2 Analysis of the effects of major differences between the shareholders' funds under the PRC Accounting Rules and Regulations and the total equity under IFRS:

Items	At 30 June 2006 RMB millions
Shareholders' funds under the PRC Accounting Rules and Regulations	228,510
Adjustments:	
Equity investment differences	594
Capitalisation of general borrowing costs	2,406
Depreciation of oil and gas properties	12,523
Acquisition of Sinopec National Star	(2,520)
Revaluation of land use rights	(940)
Government grants	(582)
Pre-operating expenditures	(38)
Disposal of oil and gas properties	2,883
Effects of the above adjustments on taxation	(5,677)
Minority interests	20,027

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

Total equity under IFRS

257,186

Section 3 Changes in share capital and shareholdings of the principal shareholders

3.1 Statement of changes in share capital

? applicable iinapplicable

3.2 Top ten shareholders and holders of tradable shares

As at 30 June 2006, there were a total of 227,849 shareholders of Sinopec Corp., of which 219,385 were holders of domestic A Shares and 8,464 were holders of overseas H Shares.

Top ten shareholders as at 30 June 2006

Unit

Name of shareholders	Number of shares held at the end of the reporting period	Percentage of shares held	Nature of sharehold
China Petrochemical Corporation	61,757,325	71.23%	State-owne
HKSCC (Nominees) Limited	16,684,625	19.24%	Foreign
China Cinda Asset Management Corp. note	2,848,886	3.29%	State-owne
China Orient Asset Management Corp. note	1,296,410	1.50%	State-owne
China Development Bank note	632,570	0.73%	State-owne
GuoTai JunAn Corp.	590,821	0.68%	State-owne

China Life Corp.,-Participating-Individual Participating-005L-FH002 Shanghai	98,021	0.11%	State-owne
China Life (Group) - Conventional -Ordinary Insurance Product	57,340	0.07%	State-owne
Guangfa Stratrgic Selected Mixed Securities Fund	52,891	0.06%	State-owne
International Finance-Standard Chartered - CITIGROUP GLOBAL MARKETS LIMITED	39,284	0.05%	Foreign

Explanation for the relationships among the above shareholders or any actions in concert:

Among the top ten shareholders, except that China Life Corp.,-Participating-Individual Participating-005L- FH002 Shanghai and China Life (Group) - Conventional -Ordinary Insurance Product are both subordinates to China Life Insurance (Group) Company, Sinopec Corp. is not aware of connection or actions in concert among the above shareholders.

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

Note: According to the Equity Transfer Agreements between China Petrochemical ("Sinopec Group Company") and each of China Cinda Asset Management Corp, China Management Corp. and China Development Bank respectively, China Cinda Ass Corp., China Orient Asset Management Corp. and China Development Bank shall their entire shareholdings of Sinopec Corp. to Sinopec Group Company. information, please refer to Significant Events in this report.

Top ten shareholders with tradable shares as at 30 June 2006

Unit

Name of shareholders	Number of tradable shares held at end of the reporting period
HKSCC (Nominees) Limited	16,684,625
China Life Corp.,-Participating-Individual Participating -005L-FH002 Shanghai	98,021
China Life (Group) - Conventional-Ordinary Insurance Product	57,340
Guangfa Stratrgic Selected Mixed Securities Fund	52,891
International Finance-Standard Chartered - CITIGROUP GLOBAL MARKETS LIMITED	39,284
CIFM China Balanced Fund	37,138
Jinghong Securities Investment Fund	36,607
BOCI Sustained Growth Equity Securities Investment Fund	32,203
Tongsheng Securities Investment Fund	31,532
Yinfeng Securities Investment Fund	31,388
Explanation for the relationships or any actions in concert:	

Among the top ten shareholders, except that China Life among the above shareholder -Participating-Individual Participating-005L-FH002 Shanghai and China Life (Group) Conventional-Ordinary Insurance Product are both subordinates to China Life Insura Company, Sinopec Corp. is not aware of any connection or actions in concert among shareholders.

Information disclosed by the shareholders of H Shares according to the Securities and Futures Ordinance as at 30 June 2006

Name of shareholders	Nature	Number of share interests held or Sinopec regarded as interest held (share)
J.P. Morgan Chase & Co.	Beneficial owner	137,949,210
	Investment manager	805,357,086
	Custodian corporation	771,990,035
Credit Suisse Group	Corporate	997,124,580
		754,104,300
		48,538,200

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

Alliance Bernstein L.P.	Corporate	986,511,840
UBS AG	Beneficial owner	478,366,173
		109,468,745
	Warrant equity	38,308,000
		5,597,900
	Corporate	335,375,700
		10,000,000
Templetonne Asset Management L.P.	Investment manager	848,691,395

Note: (L): Long position, (S): Short position, (P): Lending pool

3.3 Changes in the controlling shareholders and the effective controllers in the reporting period

_____ applicable inapplicable

*4. Information about the directors, supervisors and senior management

4.1 The engagement or dismissal of Directors, Supervisors and Other Members of the Senior Management

The Annual General Meeting of Sinopec Corp. for the year 2005 was held on 24 May 2006. Messrs Chen Tonghai, Zhou Yuan, Wang Tianpu, Zhang Jianhua, Wang Zhigang, Dai Houliang, Fan Yifei, Yao Zhongming, Liu Zhongli, Shi Wanpeng, and Li Deshui were elected as Directors of the Third Session of the Board of Sinopec Corp. Messrs Wang Zuoran, Zhang Youcai, Kang Xianzhang, Zou Huiping, Li Yonggui were elected as Supervisors of the Third Session of the Supervisory Committee of Sinopec Corp. (Messrs Su Wensheng, Zhang Jitian, Cui Guoqi, and Li Zhonghua were elected by the employees as the employees' representative Supervisors of the Third Session of the Supervisory Committee of Sinopec Corp.)

The First Meeting of the Third Session of Board of Directors of Sinopec Corp was held on 24 May 2006. Mr. Chen Tonghai was elected as Chairman of the Board of Directors and Mr. Zhou Yuan was elected as Vice-Chairman. Mr. Wang Tianpu was appointed as President, Messrs Zhang Jianhua, Wang Zhigang, Cai Xiyu and Dai Houliang were appointed as Senior Vice Presidents. Mr. Dai Houliang was appointed as CFO (amongst other positions held), Messrs Zhang Kehua and Zhang Haichao were appointed as Vice Presidents. Mr. Chen Ge was appointed as Secretary to the Board of Directors.

The First Meeting of the Third Session of Supervisory Committee of Sinopec Corp. was held on 24 May 2006. Mr. Wang Zuoran was elected as Chairman of the Third Session of Supervisory Committee and Mr. Zhang Youcai was appointed as Vice Chairman of the Third Session of Supervisory Committee.

4.2 Information about the changes in the shares held by the directors, supervisors and senior management

_____ applicable inapplicable

As of 30 June 2006, none of the directors, supervisors or senior management of Sinopec Corp. had any interest in any shares of Sinopec Corp.

During the reporting period, none of the directors, supervisors or senior management or any of their respective associates had any

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

interests and short positions in any shares, debentures or related shares of Sinopec Corp. or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which were required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the Securities and Futures Ordinance or which were required pursuant to section 352 of the Securities and Futures Ordinance to be entered in the register referred to therein, or which were required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions Entered by Directors of Listed Companies as specified in the Listing Rules of The Stock Exchange of Hong Kong Limited (including those interests and short positions that are deemed to be such, or are regarded to be owned in accordance with the relative provisions under the Securities and Futures Ordinance).

Section 5. Business Review and Prospects and Management's Discussion and Analysis

5.1 Business Review

In the first half of 2006, the Chinese economy continued to grow at a rapid rate, with a GDP growth rate of 10.9%, and demand for petroleum and petrochemical products kept increasing. According to the Company's statistics, apparent domestic consumption of refined oil products (i.e. gasoline, diesel and kerosene) and consumption of ethylene equivalent increased by 7.1% and 6.3% respectively over that of the same period last year.

During the reporting period, international oil prices kept increasing, and the price of chemical products maintained at high level. Due to the tight control on domestic prices of refined oil products, the price gap between domestic and overseas markets remain wide, despite two upward adjustments on the domestic price. The Company responded flexibly to the changing markets by fully leveraging advantage of integrated business structure, extensively expanding oil & gas resources, accelerating structural adjustments, strengthening the linkage between production and sales, optimising resource allocation and consolidating its dominant position in market. As a result, both the production volume and financial returns maintained stable growth.

5.1.1 Production and Operation

(1) Exploration and Production Segment

In the first half of 2006, the international crude oil prices kept increasing. The average Brent crude price was USD 66.56 per barrel, representing an increase of 29.49% over that of the first half of 2005. The average crude price realised by the Company during the first half of 2006 was RMB 3,309.71 per tonne, representing an increase of 42.88% over that of the same period last year.

In the first half of 2006, the Company strengthened its innovation in oil & gas exploration theory and technology, in particular, in the marine facies sedimentation theory and technology, and accelerated exploration. It resulted in a series of important discoveries, represented by the discovery of Puguang Gas Field.

[GRAPHIC OMITTED]

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

Trend of International Crude Prices

In oilfield development and production, by seizing the opportunities of increasing crude oil price, the Company optimised and accelerated construction of new production capacity. A series of major capacity building projects were put into operation. Efforts are also made to stabilise production in mature oil fields by restoring marginal wells and conducting specialised water treatments. As a result, the overall production in mature oilfield improved. In respect of natural gas development, more efforts were made in Daniudi Gas Field in Erdos basin in North China. The preparations for development of Puguang Gas Field in northeast Sichuan Province were accelerated.

In the first half of 2006, the Company achieved a new record in both oil and gas production, with 140.89 million barrels of crude oil and 126.2 billion cubic feet of natural gas produced, representing a year on year increase of 3.07% and 20.42% respectively.

Summary of Operations of Exploration and Production Segment

	Six-month periods ended June 30		Changes (%)
	2006	2005	
Crude oil production (mmbbls) note (1)	140.89	136.69	3.07
Natural gas production (bcf)	126.2	104.8	20.42
Newly added proved reserve of crude oil (mmbbls)	143.89	85.69	67.92
Newly added proved reserve of natural gas note 2 (bcf)	175.5	518.1	(66.13)
	At June 30 2006	At December 31 2005	Changes (%)
Proved reserve of crude oil at the end of the reporting period (mmbbls)	3,297	3,294	0.09
Proved reserve of natural gas at the end of the reporting period note (2) (bcf)	3,001.0	2,951.7	1.67

Note 1: Crude oil production is converted at 1 tonne = 7.1 barrels, and natural gas production is converted at 1 cubic meter = 35.31 cubic feet.

Note 2: Natural gas reserve of Puguang Gas Field is not included.

(2) Refining Segment

In the first half of 2006, the Company continued to run the refining facilities at full-load and increased refined oil production along with improvement on the overall quality of refined oil products to meet market demands. By fully

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

leveraging on the Ningbo-Shanghai-Nanjing crude oil pipeline and the newly operated Yizheng-Changling crude oil pipeline and optimising resource allocation, the Company achieved cost savings in both crude oil transportation and storage. The Company increased the refining throughput of sour and heavy crude oil in order to reduce purchase cost of crude oil. In addition, the Company strived to increase the production volume of high value-added products through optimised production plan and product mix which resulted in further improvement in both light products yield and overall refining yield.

Summary of Operations of Refining Segment

	Six-month periods ended June 30		Changes (%)
	2006	2005	
Crude oil throughput (million tonnes)	71.68	68.08	5.29
of which: sour crude oil throughput (million tonnes)	17.60	16.87	4.33
Gasoline, diesel and kerosene output (million tonnes)	42.73	41.02	4.17
of which: Gasoline (million tonnes)	11.23	11.32	(0.80)
Diesel (million tonnes)	28.32	26.31	7.64
Kerosene including jet fuel (million tonnes)	3.18	3.39	(6.19)
Light chemical feedstock (million tonnes)	11.47	10.16	12.89
Light products yield (%)	74.81	74.24	0.57 percentage point
Overall refining yield (%)	93.73	93.11	0.62 percentage point

Note: Crude oil throughput is converted at 1 tonne = 7.35 barrels.

(3) Marketing and Distribution

In the first half of year 2006, the Company proactively took measures to maintain its position in the market by organising and mobilising resources, making structural adjustments, fully leveraging transportation and storage facilities such as the southwest refined oil pipeline. As a result of improved service-oriented awareness and service quality, both proportion of sales to end customers and annual throughput per station further improved. As a result, the Company's position in the refined oil market continually strengthened. The Company was also active in developing non-fuel businesses, including establishment of a strategic partnership with McDonald's. The customer base for IC fueling cards continued to grow, with an aggregate of over 11 million petrol IC cards issued.

Summary of Operations of Marketing and Distribution Segment

	Six-month periods ended June 30		Changes (%)
	2006	2005	

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

Total domestic sales volume of refined oil products (million tonnes)	54.32	50.77	6.99
of which: retail volume (million tonnes)	35.33	29.56	19.52
direct sales volume (million tonnes)	9.69	10.39	(6.74)
wholesale volume (million tonnes)	9.30	10.82	(14.05)
Total No. of service stations	29,198	30,352	(3.80)
of which: No. of self-operated service stations	27,628	26,870	2.82
No. of franchised service stations	1,570	3,482	(54.91)
Average annual throughput per station (tonne)	2,558	2,200	16.27

(4) Chemicals

In the first half of 2006, the Company fully leveraged the newly built production capacity and strengthened operation management on facilities to ensure safe, stable, sustained, full-load and optimal operation of major facilities. The production of ethylene and other major chemical products, such as synthetic resins, etc., significantly increased. The Company continued to reinforce product mix improvement, with more high value-added products.

In the first half of 2006, the intensive operations of the Chemical Sales Company and its improved adaptability to market conditions resulted in a steady growth in the Company's proportion of direct sales, which laid a solid foundation for maximisation of the overall returns of the Chemicals Segment.

	Summary of Production of Major Production of Chemical Operation		Unit: t
	Six-month periods		Changes (%)
	ended June 30		
	2006	2005	
Ethylene Note	3,031	2,434	24.53
Synthetic Resin	4,184	3,528	18.59
Synthetic fiber monomers and polymers	3,577	3,152	13.48
Synthetic fiber	770	756	1.85
Synthetic rubber	318	308	3.25
Urea	906	998	(9.22)

Note: 100% production of two ethylene joint ventures, namely BASF-YPC and Shanghai Secco were included.

5.1.2 Cost reduction

In the first half of 2006, the Company took various measures to reduce costs, such as optimising resource allocation and fully leveraging the modern logistics system to reduce transportation costs, further increasing the throughput of sour and heavy crude oil to reduce procurement costs, optimising the operation of facilities to reduce material and energy consumption, improving utilisation of oil and water wells and intensifying treatment of heavy viscous oils. In the first half of 2006, the Company effectively saved RMB 1.382 billion in cost. Of the total cost saved, the Exploration and Production Segment, the Refining Segment, the Marketing and Distribution Segment and the Chemicals Segment achieved cost saving of RMB 396 million, RMB 348 million, RMB 287

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

million and RMB 351 million respectively.

5.1.3 Capital Expenditure

In the first half of 2006, the Company's total capital expenditure was RMB 30.452 billion. Among which, the capital expenditure for Exploration and Production segment was RMB 11.676 billion. With the investment, the Company achieved a number of important exploration results through strengthening progressive exploration and preliminary exploration in new blocks. The newly built production capacity of crude oil and natural gas was 2.95 million tonnes per year and 758 million cubic metres per year respectively. The capital expenditure for Refining Segment was RMB 5.121 billion. With the investment, the construction of Yizheng-Changling crude oil pipeline was completed; the refinery projects including Guangzhou, Yanshan and Qingdao Projects made smooth progress. The capital expenditure in Chemicals Segment was RMB 5.93 billion. With the Investment, Sinopec Yangzi PX and PTA expansion and revamping project was completed and has commenced production; the second round of Maoming Ethylene revamping project, Fujian Integrated Project and Tianjin ethylene project as well as the fertiliser coal gasification projects were proceeding as planned. The capital expenditure in Marketing and Distribution Segment was RMB 6.685 billion. With the investment, the construction and acquisition of service stations in key areas started to turn in an initial pay-off; with the newly added 353 service stations, the marketing network was further improved. The capital expenditure for Corporate and Others amounted to RMB 1.04 billion.

In addition, the total capital expenditure for joint ventures amounted to RMB 179 million.

5.2 Principal Operations categorised by business segments and the status of the connected transactions

The following table sets out the principal operations categorised by business segments and the details of the connected transactions, including income from principal operations and cost of sales for each business segment, extracted from the Company's financial statements prepared under the PRC Accounting Rules and Regulations:

	Categorised by (RMB million)	(RMB million)	Gross profit ratio (%) note(1)	Increase/ decrease of income from principal operations compared to same period preceding year (%)
Exploration and Production	65,497	19,596	60.53	47.53
Refining	268,982	276,547	(5.33)	28.63
Chemicals	97,944	86,849	11.13	17.91
Marketing and Distribution	275,115	252,663	8.03	32.21
Others	93,681	92,198	1.56	75.93
Elimination of inter-segment sales	(319,231)	(318,556)	--	--
Total	481,988	409,297	12.40	34.17

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

Of which: connected transactions note (2) 47,194 44,163 5.40 48.43

- Pricing policy for connected transactions
- (1) Government-prescribed prices and government-guided prices are adopted for products or items if such prices are available;
 - (2) Where there is no government-prescribed price or government-guided price for products or items, the market price (inclusive of bidding price) will apply;
 - (3) Where none of the above is applicable, the price will be decided based on the reasonable cost incurred plus sales taxes and reasonable profit. Reasonable cost means the average production cost of products by the same type of enterprises within regions with proximity using the same kind of raw materials. Reasonable profit means profit margin of not more than 6% of the cost incurred based on the current interest rate level set by the government.

Note 1: Gross profit ratio = profit from principal operations/income from principal operations.

Note 2: During the reporting period, the total amount of connected transactions of the products sold and the services provided by the Company to Sinopec Group Company was RMB 29.853 billion.

5.3 Principal operations in different regions

applicable inapplicable

5.4 Other operating activities with major influences on net profit

applicable inapplicable

5.5 Operations of associated companies (applicable to circumstances when the return on investment is more than 10% of the listed company's net profit)

applicable inapplicable

5.6 Reasons of material changes in the principal operations and their structure

applicable inapplicable

5.7 Reasons of material changes in the principal operations' earning power (gross profit ratio) as compared to the preceding year

applicable inapplicable

5.8 Reasons of changes in profit composition as compared to that in the preceding year

applicable inapplicable

The financial information presented in this section are derived from the Company's audited financial statements that have been prepared

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

in accordance with IFRS.

In the first half of 2006, the Company's turnover and other operating revenues were RMB 493.1 billion and the operating profit was RMB 34.2 billion, representing an increase of 33.8% and 1.7% over the same period of 2005 respectively. These results were largely attributable to the significant increase in international crude price and the fact that by seizing the favourable opportunities of steady growth of the domestic economy, the Company proactively developed the market, increased oil and gas production, optimised crude oil processing structure, and increased the production of chemical products and sales of refined oil products.

5.8.1 Turnover and other operating revenues

In the first half of 2006, the Company's turnover and other operating revenues were RMB 493.1 billion, of which turnover was RMB 482.0 billion, representing an increase of 34.2% over the first half of 2005. These results were largely attributable to the increase in international crude oil price, and the Company's effort in expanding sales volume of our petroleum and petrochemical products and optimising our sales and marketing structure. In the first half of 2006, the Company's other operating revenue was RMB 11.1 billion, representing an increase of 21.0% over the first half of 2005. This was mainly due to the increase of raw materials sales to Sinopec Group Company and to third parties during the period.

The following table lists the Company's external sales volume, average realised prices and the respective rate of changes between the first half of 2006 and the first half of 2005 for the Company's major products:

	Sales Volume (thousand tonnes)			Average realised price (RMB/tonne, RMB/ thousand cubic meters)		
	Six-month periods ended June 30		Rate of changes (%)	Six-month periods ended June 30		Rate chan
	2006	2005		2006	2005	
Crude oil	2,710	2,569	5.5	3,290	2,367	3
Natural gas (million cubic meters)	2,600	1,962	32.5	745	658	1
Gasoline	15,986	14,609	9.4	4,968	4,151	1
Diesel	35,109	32,571	7.8	4,259	3,514	2
Kerosene, including jet fuel	2,702	3,086	(12.4)	4,301	3,414	2
Basic chemical feedstock	4,941	3,836	28.8	5,336	4,948	
Synthetic fiber monomers and polymer	1,704	1,412	20.7	8,602	9,026	(
Synthetic resin	3,523	2,898	21.6	9,485	9,144	
Synthetic fiber	825	784	5.2	10,723	11,499	(
Synthetic rubber	382	303	26.1	13,911	12,394	1
Chemical fertiliser	928	1,004	(7.6)	1,699	1,463	1

Most of crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production and the remaining were sold to the refineries owned by Sinopec Group Company and other customers. In the first half of 2006, turnover

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

from crude oil and natural gas that were sold externally by the Exploration and Production Segment amounted to RMB 12.1 billion, representing an increase of 40.3% over the first half of 2005, accounting for 2.5% of the Company's total turnover and other operating revenues. The increase was mainly due to significant increases in crude oil prices as well as the increase in price and sales volume of natural gas.

The Company's Refining Segment and Marketing and Distribution Segment sell refined oil products (mainly consisting of gasoline, diesel, jet fuel, kerosene and other refined oil products) to third parties. In the first half of 2006, the external sales revenue of refined oil products by these two segments were RMB 321.8 billion, accounting for 65.3% of the Company's turnover and other operating revenues, representing an increase of 32.0% compared with that in the first half of 2005. The increase was mainly due to the increased prices of refined oil products and our proactive efforts in increasing sales volume, optimising sales and marketing structure and expanding the markets of other refined oil products. The sales revenue of gasoline, diesel and kerosene was RMB 240.6 billion, accounting for 74.8% of the total turnover of refined oil products, representing an increase of 29.6% over the same period in 2005. The turnover of other refined oil products was RMB 81.2 billion, accounting for 25.2% of the total turnover of refined oil products, representing an increase of 39.6% compared with the first half of 2005.

The Company's external turnover of chemical products was RMB 92.7 billion, accounting for 18.8% of its turnover and other operating revenues, representing an increase of 24.0% compared with the first half of 2005. The increase was mainly due to the fact that the Company utilitised the new production capacity resulting in higher sales volume.

5.8.2 Operating expenses

In the first half of 2006, the Company's operating expenses were RMB 458.9 billion, representing an increase of 37.1% over the first half of 2005. The operating expenses mainly consisted of the following:

Purchased crude oil, products and operating supplies and expenses

The Company's purchase of crude oil, products and operating supplies and expenses were RMB 400.2 billion, representing an increase of 41.4% over the first half of 2005, accounting for 87.2% of the total operating expenses, of which:

Purchased crude oil expenses was RMB 207.7 billion, representing an increase of 40.1% over the first half of 2005, accounting for 45.3% of the total operating expenses, up by 1.0 percentage point over the first half of 2005.

To meet the increasing demands in the fast growing Chinese economy, the Company increased its throughput of crude oil purchased externally. In the first half of 2006, the throughput of the Company's crude oil purchased externally was 56.05 million tonnes (excluding amounts processed for third parties), representing an increase of 6.9% compared with the same period in 2005. Average cost for crude oil processed which were purchased externally in the first half of 2006 was RMB 3,706 per tonne (equivalent to USD 62.8 per barrel), representing an increase of 31.1% compared with the first half of 2005.

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

In the first half of 2006, the Company's other purchase expenses were RMB 192.5 billion, representing an increase of 42.8% over the first half of 2005, accounting for 42.0% of the total operating expenses. The increase was mainly due to the increased costs of purchased refined oil products and chemical feedstock externally.

Selling, general and administrative expenses

In the first half of 2006, the Company's selling, general and administrative expenses totalled RMB 16.4 billion, representing an increase of 5.9% over the first half of 2005. This increase was mainly due to the increased operating leases charges, research and development costs, natural resources compensation fees, and costs of supporting units.

Depreciation, depletion and amortisation

In the first half of 2006, the Company's depreciation, depletion and amortisation were RMB 16.5 billion, representing an increase of 8.9% compared with the first half of 2005. The increase was mainly due to the additions of fixed assets.

Exploration expenses

In the first half of 2006, the Company's exploration expenses were RMB 3.1 billion, representing a decrease of 8.0% compared with the first half of 2005. This was mainly due to the decrease of geological and geophysical exploration expenses.

Personnel expenses

In the first half of 2006, the Company's personnel expenses were RMB 9.2 billion, representing an increase of 7.7% compared with the first half of 2005. The increase was largely due to the remuneration reforms initiated by the Company in the second half of 2005.

Employee reduction expenses

In the first half of 2006, in accordance with the Company's voluntary employee reduction plan, the Company recorded employee reduction expenses of approximately RMB 50 million relating to the reduction of approximately 1,000 employees.

Taxes other than income tax

In the first half of 2006, the Company's taxes other than income tax were RMB 12.9 billion, representing an increase of 57.5% over the first half of 2005. The increase was mainly attributable to the accrual of RMB 3.7 billion as special oil income levy imposed by the Chinese government effect from 26 March 2006, and an increase of RMB 740 million in consumption tax as a result of the increase in sales volume of gasoline and diesel and the increase in the number of items subject to consumption taxes.

Other operating expenses, net

In the first half of 2006, the Company's other operating expenses, net were RMB 0.5 billion, representing a decrease of 43.6% compared with the first half of 2005. This was mainly due to the decrease in the impairment losses on long-lived assets.

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

5.8.3 Operating profit

In the first half of 2006, the Company's operating profit was RMB 34.2 billion, representing an increase of 1.7% over the first half of 2005.

5.8.4 Net finance costs

In the first half of 2006, the Company's net finance costs were RMB 3.1 billion, representing an increase of 22.4% compared with the first half of 2005, which was mainly due to the increase of crude oil price and expanded scale of operation, leading to an increase in short term loan as a result of more capital being employed by operating activities such as purchase of inventories.

5.8.5 Profit before taxation

In the first half of 2006, the Company's profit before tax was RMB 31.7 billion, representing a decrease of 0.1% over the first half of 2005.

5.8.6 Taxation

In the first half of 2006, the Company's income tax was RMB 10.1 billion, representing an increase of 1.7% over the first half of 2005.

5.8.7 Profit attributable to minority interests

In the first half of 2006, the Company's profit attributable to minority interests were RMB 0.2 billion, representing a decrease of 92.5% compared with the first half of 2005. The decrease was mainly as a result of acquisition of minority interests of the five subsidiaries by the Company.

5.8.8 Profit attributable to equity holders of the parent

In the first half of 2006, the Company's profit attributable to equity shareholders of the Company was RMB 21.4 billion, representing an increase of 8.9% over the first half of 2005.

5.9 During this reporting period, there was no significant difference in terms of cash flow, source of funds and capital structure compared with the same period last year.

5.10 Use of the proceeds from share issue

5.10.1 Use of the proceeds from share issue

applicable inapplicable

5.10.2 Change of projects

applicable inapplicable

5.11 Business prospects and operating plan for the second half

applicable inapplicable

Looking into the second half of 2006, China's economy will continue to grow rapidly and demands for petroleum and petrochemical products will increase steadily, while international crude price is expected

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

to remain high. Domestic refineries will face considerable operations pressure, and due to the effects of high raw materials price and other factors, the price of chemical products is expected to remain high. In addition, under China's WTO accession commitment, China will fully open its domestic wholesale market for refined oil products by the end of 2006, which will result in intensified market competition.

Confronted with the complicated market situation, the Company will adopt flexible operating strategies, deepen reforms, strengthen management, optimise resources and make structural adjustments while organising various production and operation activities in the following manner:

In Exploration and Production Segment, the Company will continue to stick to the strategy of resources and endeavor to increase oil and gas production. The Company intends to focus on building production capacity in Tahe Oilfield in western China and Erdos blocks, while taking actions to improve management with an aim of stabilising production and comprehensive adjustment in the mature oilfields, so as to stabilise and increase reserves. The preparation for gas exploration in northeast Sichuan will be accelerated. In the second half of 2006, the Company plans to produce 20.16 million tonnes of crude oil and 3.5 billion cubic metres of natural gas.

In Refining Segment, the Company will adhere to the strategy of diversified sources of crude oil, strive to increase the refining throughput of sour and heavy crude to reduce the procurement cost of crude oil. In addition, the Company will optimise its product mix by increasing the production of value added products such as BTX products to reduce losses and improve returns. In the second half of 2006, the Company plans to process 73.30 million tonnes of crude oil.

In Marketing and Distribution Segment, the Company will closely monitor the market trend, make timely adjustments to operation while making appropriate resource deployment. The modern logistics system will be brought into full play by optimising resource allocation. Operational management will also be strengthened, and sales structure optimized to improve economic returns. In the second half of 2006, the Company will target its total domestic sales volume of refined oil products at 56.0 million tonnes.

In Chemicals Segment, the Company will focus on successful start-up new facilities and maintain safe and stable operation of the existing facilities. The product mix will also be optimised, and the linkage between production and sales will be strengthened to produce more profitable products to meet robust demand so as to increase profitability. In addition, the Company will fully leverage the specialised operation of the newly established chemical sales company to improve its overall competitiveness. In the second half of 2006, the Company plans to produce 3.03 million tonnes of ethylene.

In the second half of 2006, the Company will continue to adhere to the operation guidelines featuring "reform, adjustment, innovation and development", work hard and aggressively, endeavoring to fulfill the annual production and operation targets, and maintain its good performance.

- 5.12 Caution and explanation as to the anticipated loss of accumulated net profits from the beginning of the year to the end of the next

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

reporting period or significant changes over the same period of last year

_____ applicable inapplicable

5.13 Explanation of the management about the auditors' "non-standard opinion" for the reporting period

_____ applicable inapplicable

5.14 Explanation of the management about the subsequent changes and the follow up actions of the matters in connection with the auditors' "non-standard opinion" in the last financial year

_____ applicable inapplicable

*6 Significant events

6.1 Acquisition, sale of assets and assets reorganisation

6.1.1 Acquisition and purchase of assets

During this reporting period, apart from the acquisition of the four A share subsidiaries (see item 6.5.10) and the restructuring of China Phoenix (item 6.5.8), there was no material acquisition, disposal or restructuring of assets.

6.1.2 Disposition and sale of assets

_____ applicable inapplicable

6.1.3 Progress and impact on financial position and operating results of the relevant event after the issue of asset reorganisation report or announcement of acquisition and sale of assets

_____ applicable inapplicable

6.2 Material guarantee contracts and status of implementation

External guarantees provided by the Company (not including guarantees provided to its controlled subsidiaries)

Obligor	Date of Occurrence (Date of Execution)	Amount RMB millions	Type of guarantee
Shanghai Secco Petrochemical Co., Ltd.	9 February 2002	2,830	Joint and several liability - 9 February 2002
Shanghai Secco Petrochemical Co., Ltd.	9 February 2002	4,062	Joint and several liability - 9 February 2002
BASF-YPC Co., Ltd.	7 March 2003	4,680	Joint and several liability - 7 March 2003
Yueyang Sinopec Shell Coal Gasification Co., Ltd.	10 December 2003	377	Joint and several liability - 10 December 2003
Fujian Zhangzhao Expressway Service Company Limited	21 January 2003	10	Joint and several liability - 21 January 2003

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

Total amount of guarantee provided during the reporting period note(2)
 Total amount of guarantee outstanding at the end of the reporting period note (2)
 Guarantees provided by Sinopec Corp. for its controlled subsidiaries
 Total amount of guarantee provided for its controlled subsidiaries during the reporting
 Total amount of guarantee for its controlled subsidiaries outstanding at the end of the
 Total amount of guarantee provided by Sinopec Corp. (including those provided for its c
 Total guarantee amount note (3)
 Total amount of guarantee as a percentage of the Sinopec Corp. net assets
 Of which:
 Amount of guarantee provided for shareholders, effective controlling parties or their
 Amount of debt guarantee provided directly or indirectly for the
 companies with liabilities to assets ratio of over 70% RMB 179
 million
 The amount of guarantee in excess of 50% of the net assets
 Sum of the above three guaranteed items note (4)

Note 1: As defined in the Listing Rules of the Shanghai Stock Exchange.

Note 2: Total amount of guarantee provided during the reporting period and total amount of guarantee outstanding at the end of the reporting period include the external guarantees provided by controlled subsidiaries. The amount assumed by Sinopec Corp. is the aggregate of total amount of the external guarantees provided by each controlled subsidiary multiplied by Sinopec Corp. respective shareholdings in the controlled subsidiary.

Note 3: Total guarantee amount is the sum of the amount of guarantee outstanding at the end of the reporting period (excluding the guarantees provided for controlled subsidiaries) and the total amount of guarantees for controlled subsidiaries outstanding at the end of the reporting period.

Note 4: "Sum of the above three guaranteed amounts" is the aggregate of "amount of guarantee provided for shareholders, effective controlling parties or their connected parties", "amount of debt guarantee provided directly or indirectly for the companies with liabilities to asset ratio of over 70%" and "the amount of guarantee in excess of 50% of the net asset". Any guarantee qualifying under all three of the above shall be counted once only.

6.3 Fund provided between connected parties

applicable inapplicable

Connected Parties	Relation with the Company	Unit		
		Fund to connected parties Net fund provided	Balance	Fund from co Net fund provided
Sinopec Group Company	Controlling shareholder and its controlled entity	420	2,908	5,243

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

Other Connected Parties	Associates	(11)	506	--
		-----	-----	-----
Total		409	3,414	5,243
		=====	=====	=====

Of which: RMB 420 million fund (net) was provided by the Company to China Petrochemical Corporation ("Sinopec Group Company") during the reporting period, and the balance at the end of the reporting period is RMB 2.91 billion.

6.4 Material litigation and arbitration

applicable inapplicable

6.5 Explanations of other significant events, their impact and proposed solutions

applicable inapplicable

6.5.1 The discovery of large-scale marine facies gas field -- Puguang Gas Field

The Company discovered the largest and most abundant marine facies natural gas field - Puguang Gas Field -- in northeast Sichuan Province. According to the appraisal undertaken by the Mineral Resource Reserve Evaluation Center under the Ministry of Land and Resources, reserve in Puguang Gas Field is estimated to be 251.071 billion cubic metres, with technically recoverable reserve of 188.304 billion cubic metres. Puguang Gas Field meets the conditions for commercial development.

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

During the reporting period, China Orient Asset Management Corporation ("China Orient"), China Cinda Asset Management Corporation ("Cinda") and China Development Bank ("CDB"), all of which are shareholders of Sinopec Corp., entered into equity transfer agreements with Sinopec Group Company on 29 April 2006, 6 June 2006 and 17 August 2006 respectively, pursuant to which China Orient, Cinda and CDB respectively transferred 1,296.41 million (approximately 1.5% of the total shares of Sinopec Corp.), 2,848,886,224 (approximately 3.3% of the total shares of Sinopec Corp.) and 632.57 million (approximately 0.7% of the total shares of Sinopec Corp.) state-owned shares to Sinopec Group Company. The respective total cash considerations of RMB 3,150,276,300.00, RMB 7,207,682,100.00, and RMB 1,537,145,100.00 will be paid to China Orient, Cinda and CDB by Sinopec Group Company. The equity transfer agreement with China Orient has been approved by the State-owned Assets Supervision and Administration Commission ("SASAC") and the Ministry of Finance. The equity transfer agreement with Cinda has been approved by SASAC but is pending approval by the Ministry of Finance while the equity transfer agreement with CDB is pending approval by SASAC and the Ministry of Finance.

6.5.3 Increase of equity investment in Sinopec Finance Company

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

Limited

On 31 March 2006, Sinopec Corp. and Sinopec Group Company entered into an arrangement ("Arrangement") with Sinopec Finance Co., Ltd. ("Sinopec Finance"), under which, the registered capital of Sinopec Finance increased to RMB 6 billion from RMB 2.5 billion. Sinopec Corp. and Sinopec Group Company injected RMB 1,602.3 million and RMB897.7 million respectively into Sinopec Finance. Upon completion of the Arrangement, the equity holding of Sinopec Corp. in Sinopec Finance increased to 49% from 38.22%, while the equity holding of Sinopec Group Company in Sinopec Finance will decrease to 51% from 61.78%. Please refer to the relevant announcements published in the China Securities Journal, Shanghai Securities News and Securities Times in Mainland China and Hong Kong Economic Times and South China Morning Post in Hong Kong on 3 April 2006 for details.

6.5.4 Continuing connected transactions

When listed in 2000, Sinopec Corp. and Sinopec Group Company executed a series of agreements regarding continuing connected transactions, including the Mutual Supply Agreement, the Community Service Agreement, the Land Use Right Leasing Agreement, Property Leasing Agreement, the Intellectual Property License Agreement, the Agency Agreement and the SPI Fund Document. On 24 December 2003, the Stock Exchange of Hong Kong Limited granted a conditional waiver of three years (from 2004 to 2006) to Sinopec Corp. from strict compliance with relevant requirements of the Hong Kong Listing Rules in relation to the continuing connected transactions. The waiver will expire on 31 December 2006.

It is expected that Sinopec Corp. will continue to conduct the relevant continuing connected transactions after the expiry of the waiver period. Sinopec Corp. has entered into supplemental agreements in relation to the connected transactions with Sinopec Group Company on 31 March 2006. The relevant supplemental agreements will apply to the continuing connected transactions of the Company to be conducted after 1 January 2007.

The proposal regarding continuing connected transactions for the three-year period from 2007 to 2009 was approved at the 2005 Annual General Meeting held on 24 May 2006. For further details, please refer to Sinopec Corp.'s announcements published in China Securities Journal, Shanghai Securities News and Securities Times in Mainland China and Hong Kong Economic Times and South China Morning Post in Hong Kong on 3 April 2006.

6.5.5 Domestic share reform on non-tradable shares

Sinopec Corp. initiated domestic A share reform of non-tradable shares on 21 August, 2006. All the shareholders holding non-tradable shares intend to grant 2.8 shares for every ten tradable shares held by the shareholders as consideration. All shareholders holding non-tradable shares of Sinopec Corp. have made commitments of not trading their shares which have acquired the trading rights within the legal lock up period.

The above domestic A share reform is to be submitted to A share shareholders' general meeting for approval. Please refer to the announcement on A Share Reform of Sinopec Corp. published on 28 August, 2006.

6.5.6 Special oil income levy

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

The Chinese government imposed a special oil income levy on the revenue derived from the sales of domestically produced crude oil by any company engaged in oil exploration and production at a price which exceeds a certain level starting from 26 March 2006. The special oil income levy system consists of 5 levels and will be calculated and charged according to the progressive ad valorem rates on the excess amounts. The levy will be calculated on a monthly basis and charged and collected on a quarterly basis. The applicable level of the special oil income levy will be determined based on the weighted average price of the crude oil sold in a particular month. The level of levy will be determined based on US dollar per barrel which starts at US\$ 40 per barrel. Please refer to the relevant announcements published in the China Securities Journal, Shanghai Securities News and Securities Times in Mainland China and Hong Kong Economic Times and South China Morning Post in Hong Kong on 4 April 2006 for details.

6.5.7 Issuance of short-term commercial paper

On 19 September 2005, Sinopec Corp. convened the first extraordinary general meeting of shareholders for 2005, at which a special resolution was passed for issuance of short-term commercial paper. For details, please refer to Sinopec Corp.'s announcements published in China Securities Journal, Shanghai Securities News, and Securities Times in Mainland China, and Hong Kong Economic Times and South China Morning Post in Hong Kong on 20 September 2005. 2006 first tranche of commercial paper with a term of 183 days, carrying a rate of 2.668% was issued on 16 May 2006 to institutional investors in China's inter-bank commercial paper market, totaling RMB 10 billion at face value.

6.5.8 The transfer of state-owned legal person shares of China Phoenix held by Sinopec Corp.

On 18 October 2005, Sinopec Corp. and China Changjiang National Shipping (Group) Corporation ("Changhang Group") entered into a equity transfer agreement, under which, Sinopec Corp. agreed to transfer to Changhang Group a total of 211,423,651 state-owned legal person shares held by Sinopec Corp. in Sinopec Wuhan Phoenix Company Limited ("China Phoenix") (representing 40.72% of the total issued share capital of China Phoenix) and repurchase the operating assets of China Phoenix. For further details, please refer to the "Report on Changes of Shareholdings in Sinopec Wuhan Phoenix Company Limited" dated 20 October 2005 published by Sinopec Corp. on the website of the Shanghai Stock Exchange. The proposed asset restructuring of China Phoenix was approved by the China Securities Regulatory Commission ("CSRC") on 29 April 2006. The relevant equity transfer procedures were completed by Sinopec Corp. and Changhang Group on 10 July 2006.

6.5.9 Merger by absorption of Zhenhai Refinery and Chemicals

Pursuant to the agreement entered into between Ningbo Yonglian Co., Ltd. ("Ningbo Yonglian") and Sinopec Zhenhai Refining and Chemicals Company Limited ("ZRCC") on 12 November 2005, Ningbo Yonglian purchased the listed H shares of ZRCC from its shareholders at a unit price of HK\$ 10.60 per share in cash, amounting to a total consideration of HK\$ 7.672 billion. For further details, please refer to Sinopec Corp.'s announcements published in China Securities Journal, Shanghai Securities News and Securities Times in Mainland China and Hong Kong Economic Times and South China Morning Post in

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

Hong Kong on 14 November 2005. The proposed merger had been approved on 12 January 2006 at the general meeting of shareholders and the general meeting of independent shareholders of ZRCC and approved by the shareholders of Ningbo Yonglian, as well as by domestic and overseas securities regulatory authorities. ZRCC was delisted on 24 March 2006.

6.5.10 Tender offer by Sinopec Corp. to four A-share subsidiaries

On 25 February 2006, the 24th meeting of the Second Session of the Board of Directors of Sinopec Corp. approved its voluntary tender offers to acquire all the tradable shares of Sinopec Qilu Petrochemical Co., Ltd. ("Sinopec Oilu") at a price of RMB 10.18 per share, all the tradable shares of Sinopec Yangzi Petrochemical Co., Ltd. ("Sinopec Yangzi") at a price of RMB 13.95 per share, all the tradable shares of Sinopec Zhongyuan Oil & Gas Hi-tech Co., Ltd. ("Sinopec Zhongyuan Oil & Gas") at a price of RMB 12.12 per share, and all the tradable shares of Sinopec Shengli Oil Field Dynamic (Group) Co., Ltd. at a price of RMB 10.30 per share and all the non-tradable shares (including non-tradable shares held by investors other than Sinopec Corp.) of Sinopec Shengli Oil Field Dynamic (Group) Co., Ltd. at a price of RMB 5.60 per share. Sinopec Qilu was delisted on 24 April 2006, and Sinopec Yangzi, Zhongyuan Oil & Gas and Sinopec Shengli Oil Field Dynamic (Group) Co., Ltd. were delisted on 21 April 2006. For further details, please refer to relevant announcements published in China Securities Journal, Shanghai Securities News and Securities Times in Mainland China on 16 February and 6 March 2006 (Sinopec Shengli Oil Field Dynamic (Group) Co., Ltd.'s announcement was only published in China Securities Journal and Securities Times).

6.5.11 Construction of Tianjin one million tonnes per annum ethylene project

Construction of Sinopec Tianjin one million tonnes per annum ("tpa") ethylene and associated facilities project started on 26 June 2006. This project comprises three parts, which are respectively ethylene project, revamping of refinery and thermal power generation facilities, at a total investment of about RMB 20.8 billion.

6.5.12 ZRCC one million tpa ethylene project

ZRCC one million tpa ethylene and associated facilities project was approved by the State Council in March 2006. The total investment is approximately RMB 21.9 billion. The Project consists of the ethylene project and the expansion of thermal power generation facilities. Initial preparatory work has commenced.

6.5.13 De-registration of Sinopec Shengli Oil Field Company Limited

Sinopec Corp. de-registered Sinopec Shengli Oilfield Co., Ltd. and on 16 January 2006 established Shengli Oilfield Company. Prior to the de-registration, Sinopec Shengli Oilfield Co., Ltd. was a wholly owned subsidiary of Sinopec. Corp.

6.6 Dividend distribution for the year ended 31 December 2005

As approved at the 2005 Annual General Meeting of Sinopec Corp, a final cash dividend of RMB 0.09 (inclusive of tax) per share for the year ended 31 December 2005 was distributed, which amounted to an aggregate of RMB 7.803 billion. On 30 June 2006, Sinopec Corp. distributed the 2005 year end dividend to shareholders whose names

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

(1) Balance sheets

	At 30 June 2006 The Group RMB millions	The Company RMB millions	At 31 Dec The Group RMB millions
Assets			
Current assets			
Cash at bank and in hand	10,777	3,993	14,747
Bills receivable	7,825	1,948	7,143
Trade accounts receivable	17,449	11,198	14,532
Other receivables	12,491	15,882	11,487
Advance payments	7,313	7,268	5,051
Inventories	105,496	56,488	88,936
	-----	-----	-----
Total current assets	161,351	96,777	141,896
	-----	-----	-----
Long-term equity investments (Including the Group's and the Company's equity investment differences of RMB13,549 million and RMB13,549 million (2005: RMB2,003 million and 2,017 million))	27,392	109,926	14,146
	-----	-----	-----
Fixed assets			
Fixed assets, at cost	589,872	431,592	572,465
Less: Accumulated depreciation	282,226	206,560	265,611
	-----	-----	-----
Net book value of fixed assets before impairment losses	307,646	225,032	306,854
Less: Provision for impairment losses on fixed assets	6,267	4,195	6,234
	-----	-----	-----
Net book value of fixed assets	301,379	220,837	300,620
Construction materials	419	419	555
Construction in progress	62,628	52,586	48,073
	-----	-----	-----
Total fixed assets	364,426	273,842	349,248
	-----	-----	-----
Intangible assets and other assets			
Intangible assets	5,835	4,307	5,924
Long-term deferred expenses	4,088	2,879	3,657
	-----	-----	-----

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

Total intangible assets and other assets	9,923	7,186	9,581
	-----	-----	-----
Deferred tax assets	5,796	5,408	5,701
	-----	-----	-----
	-----	-----	-----
Total assets	568,888	493,139	520,572
	=====	=====	=====
Liabilities and shareholders' funds			
Current liabilities			
Short-term loans	46,785	35,699	16,124
Bills payable	27,198	20,389	23,243
Trade accounts payable	50,636	34,565	52,967
Receipts in advance	14,624	11,430	14,086
Wages payable	3,369	2,710	3,436
Staff welfare payable	1,074	686	1,052
Taxes payable	4,105	2,062	5,262
Other payables	6,105	5,823	1,830
Other creditors	30,656	30,800	24,161
Accrued expenses	1,483	994	512
Short-term debentures payable	10,891	9,900	9,921
Current portion of long-term loans	14,818	12,958	15,198
	-----	-----	-----
Total current liabilities	211,744	168,016	167,792
	-----	-----	-----
Long-term liabilities			
Long-term loans	104,232	91,167	103,492
Debentures payable	3,500	3,500	3,500
Other long-term liabilities	784	727	782
	-----	-----	-----
Total long-term liabilities	108,516	95,394	107,774
	-----	-----	-----
Total liabilities	320,260	263,410	275,566
	-----	-----	-----
Minority interests	20,118	--	29,383
	-----	-----	-----
Shareholders' funds			
Share capital	86,702	86,702	86,702
Capital reserve	37,121	37,797	37,121
Surplus reserves	36,096	36,096	34,028
Unrecognised investment losses	(583)	--	(594)

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

Retained profits (Including cash dividend declared after the balance sheet date of RMB 3,468 million (2005: Proposed cash dividend of RMB 7,803 million))	69,174	69,134	58,366
	-----	-----	-----
Total shareholders' funds	228,510	229,729	215,623
	-----	-----	-----
Total liabilities and shareholders' funds	568,888	493,139	520,572
	=====	=====	=====

(2) Income statements and profit appropriation statements

	Six-month periods ended 30 June 2006		Six-month ended 30 J
	The Group	The Company	The Group
	RMB millions	RMB millions	RMB millions
Income from principal operations	481,988	331,021	359,248
Less: Cost of sales	409,298	274,683	293,181
Sales taxes and surcharges	12,918	10,626	8,204
	-----	-----	-----
Profit from principal operations	59,772	45,712	57,863
Add: Profit from other operations	490	167	447
Less: Selling expenses	10,711	10,359	6,609
Administrative expenses	11,771	9,530	10,600
Financial expenses	3,522	2,542	2,852
Exploration expenses, including dry holes	3,085	3,063	3,355
	-----	-----	-----
Operating profit	31,173	24,187	31,144
Add: Investment income/(loss)	184	6,845	(742)
Non-operating income	132	54	133
Less: Non-operating expenses	674	468	1,109
	-----	-----	-----
Profit before taxation	30,815	30,618	29,426
Less: Income tax	9,964	9,952	9,168
Minority interests	161	--	2,101
Add: Reversal of unrecognised investment losses	(11)	--	(113)
	-----	-----	-----
Net profit	20,679	20,666	18,044

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

Add: Retained profits at the beginning of the period	58,366	58,339	37,124
Distributable profits	79,045	79,005	55,168
Less: Transfer to statutory surplus reserve	2,068	2,068	1,804
Transfer to statutory public welfare fund	--	--	1,804
Distributable profits to shareholders	76,977	76,937	51,560
Less: Distribution of ordinary shares' dividend	7,803	7,803	6,936
Retained profits at the end of the period (Including cash dividend declared after the balance sheet date of RMB 3,468 million (2005: RMB 3,468 million))	69,174	69,134	44,624

7.2.2 Financial statements prepared in accordance with IFRS

(1) Consolidated income statement

	Six-month periods end 2006 RMB millions
Turnover and other operating revenues	
Turnover	481,988
Other operating revenues	11,140

	493,128

Operating expenses	
Purchased crude oil, products and operating supplies and expenses	(400,215)
Selling, general and administrative expenses	(16,429)
Depreciation, depletion and amortisation	(16,504)
Exploration expenses, including dry holes	(3,085)
Personnel expenses	(9,197)
Employee reduction expenses	(48)
Taxes other than income tax	(12,918)
Other operating expenses, net	(494)

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

Total operating expenses	(458,890)

Operating profit	34,238

Finance costs	
Interest expense	(3,542)
Interest income	250
Foreign exchange losses	(52)
Foreign exchange gains	202

Net finance costs	(3,142)

Investment income	131

Share of profits less losses from associates	447

Profit before taxation	31,674
Taxation	(10,110)

Profit for the period	21,564
	=====
Attributable to:	
Equity shareholders of the Company	21,406
Minority interests	158

Profit for the period	21,564
	=====
Dividend payable to equity shareholders of the Company attributable to the period: Interim dividend declared after the balance sheet date	3,468
	=====
Basic earnings per share (RMB)	0.25
	=====

(2) Consolidated balance sheet

At 30 June
2006

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

RMB millions

Non-current assets	
Property, plant and equipment	315,737
Construction in progress	62,879
Goodwill	13,934
Investments	3,150
Interest in associates	10,693
Deferred tax assets	6,167
Lease prepayments	1,935
Long-term prepayments and other assets	7,250

Total non-current assets	421,745

Current assets	
Cash and cash equivalents	9,939
Time deposits with financial institutions	838
Trade accounts receivable	17,449
Bills receivable	7,825
Inventories	105,894
Prepaid expenses and other current assets	23,225

Total current assets	165,170

Current liabilities	
Short-term debts	65,199
Loans from Sinopec Group Company and fellow subsidiaries	7,295
Trade accounts payable	50,636
Bills payable	27,198
Accrued expenses and other payables	60,903
Income tax payable	3,934

Total current liabilities	215,165

Net current liabilities	(49,995)

Total assets less current liabilities	371,750

Non-current liabilities	
Long-term debts	68,279
Loans from Sinopec Group Company and fellow subsidiaries	39,453
Deferred tax liabilities	6,048
Other liabilities	784

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

Total non-current liabilities	114,564

	257,186
	=====
Equity	
Share capital	86,702
Reserves	150,457

Total equity attributable to equity shareholders of the Company	237,159
Minority interests	20,027

Total equity	257,186
	=====

7.3 Notes on the financial statements prepared under IFRS

7.3.1 Turnover

Turnover represents revenue from the sales of crude oil, natural gas, petroleum and chemical products, net of value-added tax.

7.3.2 Taxation

Taxation in the consolidated income statement represents:

	Six-month per ended 30 Ju 2006
	RMB millions
Current tax	
- Provision for the period	9,819
- Under-provision in prior years	240
Deferred taxation	51

	10,110
	=====

A reconciliation between actual tax expense and accounting profit at applicable tax rates is as follows:

Six-month per
ended 30 Ju
2006

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

RMB millions

Profit before taxation	31,674 -----
Expected PRC income tax expense	
at a statutory tax rate of 33%	10,453
Tax effect of non-deductible expenses	379
Tax effect of non-taxable income	(400)
Tax effect of differential tax rate	
on subsidiaries' income (Note)	(1,161)
Tax effect of tax losses not recognised for deferred tax	600
Under-provision in prior years	240
Tax credit for domestic equipment purchases	(1) -----
 Actual tax expense	 10,110 =====

Substantially all income before income tax and related tax expense is from PRC sources.

Note: The provision for PRC current income tax is based on a statutory rate of 33% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group, which are taxed at a preferential rate of 15%.

7.3.3 Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2006 is based on the profit attributable to equity shareholders of the Company of RMB 21,406 million (2005: RMB 19,653 million) and the weighted average number of shares of 86,702,439,000 (2005: 86,702,439,000) during the period.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the periods presented.

7.3.4 Dividends

Dividends payable to equity shareholders of the Company attributable to the period represent:

	Six-month per ended 30 Ju 2006 RMB millions
Interim dividends declared after the balance sheet date	
of RMB 0.04 per share (2005: RMB 0.04 per share)	3,468 =====

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

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 25 August 2006, the directors authorised to declare the interim dividends for the year ending 31 December 2006 of RMB 0.04 (2005: RMB 0.04) per share totalling RMB 3,468 million (2005: RMB 3,468 million). Interim dividend of RMB 3,468 million (2005: RMB 3,468 million) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the period represent:

	Six-month period ended 30 June 2006 RMB millions
Final dividends in respect of the previous financial year, approved and paid during the period	
of RMB 0.09 per share (2005: RMB 0.08 per share)	7,803 =====

Pursuant to the shareholders' approval at the Annual General Meeting on 24 May 2006, a final dividend of RMB 0.09 per share totalling RMB 7,803 million in respect of the year ended 31 December 2005 was declared and paid on 30 June 2006.

Pursuant to the shareholders' approval at the Annual General Meeting on 18 May 2005, a final dividend of RMB 0.08 per share totalling RMB 6,936 million in respect of the year ended 31 December 2004 was declared and paid on 27 June 2005.

*8 Repurchase, Sales and Redemption of shares

During this reporting period, the Company did not repurchase, sell or redeem any securities of Sinopec Corp.

*9 Application of the Model Code

In this reporting period, no director has infringed the requirements set out under the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules stipulated by Hong Kong Stock Exchange.

*10 A detailed results announcement containing all the information required by paragraphs 46(1) to (9) of Appendix 16 to the Listing Rules of the Stock Exchange will be published on the website of the Hong Kong Stock Exchange in due course.

This announcement is published in both English and Chinese languages. The chinese version shall prevail.

By Order of the Board
Chen Tonghai
Chairman

Beijing, the PRC, 25 August 2006

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

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. Liu Zhongli, Shi Wanpeng and Li Deshui.

SIGNATURE

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

China Petroleum & Chemical Corporation

By: /s/ Chen Ge

Name: Chen Ge

Title: Secretary to the Board of Directors

Date: August 28, 2006