

**1 FINANCIAL DATA AND OPERATING DATA PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING RULES AND REGULATIONS**

**(1) Summary of principal financial data and operating data of the Company for the year 2002**

Profit before taxation and minority interests	:	RMB 22,012 million
Net profit	:	RMB 14,121 million
Net profit before non-operating profits/losses	:	RMB 14,999 million
Profit from principal operations	:	RMB 61,150 million
Profit from other operations	:	RMB 889 million
Operating profit	:	RMB 22,817 million
Investment income	:	RMB 505 million
Net non-operating income/expenses	:	RMB 1,310 million
Net cash flow from operating activities	:	RMB 60,069 million
Net decrease in cash and cash equivalents	:	RMB 3,324 million

Non-operating profits/losses include non-operating income of RMB333 million and non-operating expenses of RMB1,643 million, and an adjustment of RMB432 million of reduction in taxation for the above items.

**(2) Principal financial data and indicators prepared in accordance with the PRC Accounting Rules and Regulations**

	(Note)	For the year ended 31 December		
		2002 RMB millions	2001 RMB millions	2000 RMB millions
Income from principal operations		324,184	304,347	322,932
Net profit		14,121	14,018	16,154
Earnings per share (RMB)				
Fully diluted	(i)	0.163	0.162	0.193
Weighted average	(ii)	0.163	0.165	0.227
Net cash-flow from operating activities per share (RMB)		0.693	0.688	0.411
Return on net assets (%)				
Fully diluted	(iii)	9.638	10.08	13.37
Weighted average	(iv)	9.723	10.61	16.29

	2002 RMB millions	At 31 December	
		2001 RMB millions	2000 RMB millions
Total assets	368,375	360,294	340,918
Shareholders' funds (excluding minority interests)	146,515	139,039	120,793
Net assets per share (RMB)	1.690	1.604	1.440
Adjusted net assets per share (RMB)	1.676	1.584	1.420

Notes:

- (i) Fully diluted earnings per share = net profit for the year / total number of shares in issue at the end of the year
- (ii) Weighted average earnings per share = net profit for the year / (number of shares at the beginning of the year + number of shares increased due to the transfer from reserves to capital or share dividend dispatched + (increase in number of shares during the year due to issuance of new shares or the capitalization of debt x number of months from the month following the increase of shares to the end of the year / number of months in the year) - (number of shares decreased due to share repurchases or reduction in share capital x number of months from the month following the decrease of shares to the end of the year / number of months for the year))
- (iii) Fully diluted return on net assets basis = (net profit for the year / shareholders' equity at the end of the year) x 100%
- (iv) Weighted average return on net assets basis = net profit for the year / ((shareholders' equity at the beginning of the year + net profit for the year / 2 + shareholders' funds increased due to issuance of new shares or the capitalization of debt during the year x number of months from the month following the increase of shareholders' funds to the end of the year / number of months in the year) - (shareholders' funds decreased due to share repurchases or cash dividends during the year x number of months from the month following the decrease of shareholders' funds to the end of the year / number of months in the year)) x 100%

### (3) Appendix to income statement prepared in accordance with the PRC Accounting Rules and Regulations

	For the year ended 31 December 2002 Return on net assets		For the year ended 31 December 2001 Return on net assets	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	41.74%	42.10%	40.53%	42.63%
Operation profit	15.57%	15.71%	17.15%	18.04%
Net profit	9.64%	9.72%	10.08%	10.61%
Net profit before non-operating profits/losses	10.24%	10.33%	11.40%	11.99%

	For the year ended 31 December 2002 Earnings per share		For the year ended 31 December 2001 Earnings per share	
	Fully diluted RMB	Weighted average RMB	Fully diluted RMB	Weighted average RMB
Profit from principal operations	0.705	0.705	0.650	0.662
Operation profit	0.263	0.263	0.275	0.280
Net profit	0.163	0.163	0.162	0.165
Net profit before non-operating profits/losses	0.173	0.173	0.183	0.186

**(4) Changes of the shareholders' funds and the reasons for changes for the year**

Unit: RMB millions

Items	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Undistributed profits	Total shareholders' funds
Beginning of the year	86,702	36,297	3,017	3,017	0	10,006	139,039
Increase in the year	0	291	1,412	1,412	7,000	14,121	24,236
Decrease in the year	0	0	0	0	0	16,760	16,760
End of the year	86,702	36,588	4,429	4,429	7,000	7,367	146,515

The reasons for the changes are as follows:

- i Capital reserve at the end of 2002 increased by RMB 0.291 billion to RMB 36.588 billion compared with the beginning of the year. The increase was mainly due to the fact that during the year ended 31 December 2002, Sinopec Corp. received subsidy on investments amounted to RMB 0.291 billion, pursuant to Guo Jing Mao Tou Zi [2002] No.847 "Notice on the State's Key Technology Reform on Project Fund Plan regarding the Third Batch of State Debt's Special Fund in 2002" issued by the Ministry of Finance;
- ii Statutory surplus reserve at the end of 2002 increased by RMB 1.412 billion to RMB 4.429 billion compared with the beginning of the year. The increase was mainly due to the fact that Sinopec Corp. transferred 10% of the net profit for
- iii Statutory public welfare fund at the end of 2002 increased by RMB 1.412 billion to RMB 4.429 billion compared with the beginning of the year. The increase was mainly due to the fact that Sinopec Corp. transferred 10% of the net profit for 2002 (RMB 14.121 billion) prepared in accordance with the PRC Accounting Rules and Regulations to statutory public welfare fund;
- iv Discretionary surplus reserve at the end of 2002 increased by RMB 7.000 billion to RMB 7.000 billion compared with the beginning of the year, which was due to the fact that Sinopec Corp. proposed to transfer RMB 7.000 billion from undistributed profits to discretionary surplus reserve;

- v Undistributed profits at the end of 2002 decreased by RMB 2.639 billion to RMB 7.367 billion. The decrease was mainly due to the fact that Sinopec Corp. had realized a net profit of RMB 14.121 billion for 2002, but RMB 9.824 billion was used for the appropriation of statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve, and RMB 6.963 billion was declared as interim dividend and final dividend for 2002; and
- vi Total shareholders' funds at the end of 2002 increased by RMB 7.476 billion to RMB 146.515 billion, compared with the beginning of the year.

#### (5) Various provisions under the PRC Accounting Rules and Regulations

Unit: RMB millions

Items	Beginning of the year	Provision for the year	Written back for the year	Written back of the year	End of the year
1 Allowance for doubtful accounts	4,030	1,112	(288)	(316)	4,538
Of which: Allowance for doubtful accounts for accounts receivables	2,480	554	(160)	(208)	2,666
Allowance for doubtful accounts for other receivables	1,550	558	(128)	(108)	1,872
2 Provision for impairment losses on short-term investments	—	—	—	—	—
3 Provision for diminution in value of inventories	602	172	(214)	(74)	486
4 Provision for impairment losses on long-term equity investments	181	8	(5)	—	184
5 Provision for impairment losses on fixed assets	391	—	—	—	391
6 Provision for impairment losses on intangible assets	—	—	—	—	—
7 Provision for impairment losses on construction in progress	—	—	—	—	—
8 Provision for entrusted loans	—	—	—	—	—

**(6) Significant changes of items in the financial statements**

Reasons for the changes of data during the reporting period where the fluctuation is more than 30%, and such item is 5% or more of the total assets at the balance sheet date or more than 10% of the total profit:

Items	Changes				Analysis of changes
	At 31 December 2002 (RMB millions)	At 31 December 2001	Amount Increased/ (decreased) (RMB millions)	Percentage of increase/ (decrease) (%)	
Bills receivable	4,684	3,542	1,142	32.2%	Mainly due to the increase in the usage of the bills of acceptance issued by banks for sales of goods and products.
Construction materials	1,403	774	629	81.3%	Since more construction projects will be commenced after the end of year 2002, construction materials were increased.
Receipts in advance	3,767	2,884	883	30.6%	Mainly due to the increase in the selling prices of products and the Company implemented tighter credit policy to request more prepayment amount of goods from customers.
Wages payable	1,447	1,020	427	41.9%	Mainly due to the Company implementing employees incentive plan during the year, wages were increased.
Accrued expenses	561	873	(312)	(35.7%)	The Company sped up settlement of expenses resulting in reduction of accrued expenses.

Items	Changes				Analysis of changes
	At 31 December 2002 (RMB millions)	At 31 December 2001	Amount Increased/ (decreased) (RMB millions)	Percentage of increase/ (decrease) (%)	
Income from principal operations	324,184	304,347	19,837	6.5%	Please refer to Management's Discussion and Analysis.
Cost of sales	251,182	236,135	15,047	6.4%	Please refer to Management's Discussion and Analysis.
Administrative expenses	17,253	14,369	2,884	20.1%	Please refer to Management's Discussion and Analysis.
Profit from other operations	889	1,535	(646)	(42.1%)	Mainly due to the decrease in income deriving from processing of raw materials.
Non-operating expenses	1,643	3,508	(1,865)	(53.2%)	Mainly due to the decrease of the employees reduction expenses.

## 2 FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

	For the year ended 31 December				
	2002 RMB millions	2001 RMB millions	2000 RMB millions	1999 RMB millions	1998 RMB millions
Turnover and other operating revenue	340,042	318,471	331,576	241,671	199,967
Operating profit	28,277	27,300	35,511	14,466	5,547
Profit / (loss) from ordinary activities					
before taxation	24,832	24,667	31,036	6,851	(2,060)
Profit / (loss) attributable to shareholders	16,080	16,025	19,584	4,923	(172)
Basic earnings per share (RMB)	0.19	0.19	0.27	0.07	(0.00)
Net profit per share (Based on total number					
of shares in issue at the year end) (RMB)	0.19	0.18	0.23	0.07	(0.00)
Returns on capital employed (%)	7.24	6.96	9.99	4.71	1.76
Return on net assets (%)	10.41	10.85	14.71	5.48	(0.23)
Net cash flow from operating activities					
per share (RMB)	0.622	0.638	0.348	0.376	0.326

	At 31 December				
	2002 RMB millions	2001 RMB millions	2000 RMB millions	1999 RMB millions	1998 RMB millions
Non-current assets	273,997	256,914	218,569	194,085	204,486
Net current (liabilities) / assets	(15,550)	(14,916)	11,020	(37,970)	(26,374)
Non-current liabilities	(80,042)	(70,788)	(73,225)	(44,221)	(87,999)
Minority interests	(23,920)	(23,541)	(23,210)	(22,016)	(16,053)
Net assets	154,485	147,669	133,154	89,878	74,060
Net assets per share (RMB)	1.782	1.703	1.587	1.306	1.076
Adjusted net assets per share (RMB)	1.768	1.683	1.578	1.297	1.068
Debt/Equity ratio* (%)	32.74	31.21	34.78	32.28	51.53

\* Debt/Equity ratio= Long-term loans/(Shareholders' funds+Long-term loans) x 100%

### 3 MAJOR DIFFERENCES BETWEEN THE PRC ACCOUNTING RULES AND REGULATIONS AND IFRS ON NET INCOME FOR THE YEAR 2002 AND SHAREHOLDERS' FUNDS AT THE END OF THE REPORTING PERIOD

#### (1) Analysis Of The Effects Of Major Differences Between The PRC Accounting Rules And Regulations And IFRS On Net Income:

	For the year ended 31 December	
	2002	2001
	RMB millions	RMB millions
<b>Net profit under the PRC Accounting Rules and Regulations</b>	14,121	14,018
<b>Adjustments:</b>		
Depreciation of oil and gas properties	2,311	2,429
Capitalisation of general borrowing costs	338	398
Acquisition of Sinopec National Star	117	117
Revaluation of land use rights	18	—
Effects of the above adjustments on taxation	(825)	(937)
<b>Net profit under IFRS</b>	16,080	16,025

#### (2) Analysis Of The Effects Of Major Differences Between The PRC Accounting Rules And Regulations And IFRS On Shareholders' Funds:

	At 31 December	
	2002	2001
	RMB millions	RMB millions
<b>Shareholders' funds under the PRC Accounting Rules and Regulations</b>	146,515	139,039
<b>Adjustments:</b>		
Depreciation of oil and gas properties	9,112	6,801
Capitalisation of general borrowing costs	736	398
Acquisition of Sinopec National Star	(2,929)	(3,046)
Revaluation of land use rights	(822)	—
Impairment losses on long-lived assets	(113)	(113)
Government grants	(291)	—
Dividends	5,202	6,936
Effects of the above adjustments on taxation	(2,925)	(2,346)
<b>Shareholders' funds under IFRS</b>	154,485	147,669