

STATEMENTS OF CHANGES IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2002
(Amounts in millions except per share data)

THE GROUP AND THE COMPANY

	Share capital RMB	Capital reserve RMB	Share premium RMB	Revaluation reserve RMB	Statutory surplus reserve RMB	Statutory public welfare fund RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total RMB
Shareholders' fund at 1 January 2001	83,902	(14,579)	9,224	33,257	1,615	1,615	—	2,147	15,973	133,154
Final dividend for 2000 (Note 16)	—	—	—	—	—	—	—	—	(6,712)	(6,712)
Issue of shares, net of issuing expenses of RMB 168 million	2,800	—	8,848	—	—	—	—	—	—	11,648
Profit attributable to shareholders	—	—	—	—	—	—	—	—	16,025	16,025
Appropriation (Note (a) and (b))	—	—	—	—	1,402	1,402	—	—	(2,804)	—
Consideration for Acquisition of Sinopec National Star (Note 1)	—	—	—	—	—	—	—	(6,446)	—	(6,446)
Transfer from other reserves to capital reserve	—	(4,299)	—	—	—	—	—	4,299	—	—
Revaluation surplus realised	—	—	—	(232)	—	—	—	—	232	—
Shareholders' fund at 31 December 2001	86,702	(18,878)	18,072	33,025	3,017	3,017	—	—	22,714	147,669
Final dividend for 2001 (Note 16)	—	—	—	—	—	—	—	—	(6,936)	(6,936)
Interim dividend for 2002 (Note 16)	—	—	—	—	—	—	—	—	(1,734)	(1,734)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	16,080	16,080
Appropriation (Note (a), (b) and (c))	—	—	—	—	1,412	1,412	7,000	—	(9,824)	—
Revaluation surplus realised	—	—	—	(544)	—	—	—	—	544	—
Elimination of surplus on land use rights (Note (e))	—	—	—	(840)	—	—	—	246	—	(594)
Deferred tax on land use rights (Note (e))	—	—	—	—	—	—	—	(5)	5	—
Shareholders' fund at 31 December 2002	86,702	(18,878)	18,072	31,641	4,429	4,429	7,000	241	20,849	154,485

Notes:

- (a) According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined in accordance with the PRC Accounting Rules and Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.
- Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. During the year ended 31 December 2002, the Company transferred RMB 1,412 million (2001: RMB 1,402 million), being 10% of the current year's net profit determined in accordance with the PRC Accounting Rules and Regulations to this reserve.
- (b) According to the Company's Articles of Association, the Company is required to transfer 5% to 10% of its net profit, as determined in accordance with the PRC Accounting Rules and Regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the Company's employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.
- Pursuant to the shareholders' approval at the Annual General Meeting on 13 June 2002, the Board of Directors was authorised to determine the amount of the transfer. The directors authorised the transfer of RMB 450 million (2001: RMB nil), being 10% of the net profit for the six-month period ended 30 June 2002 as determined in accordance with the PRC Accounting Rules and Regulations, to this fund.
- The directors authorised the transfer of RMB 962 million, subject to the shareholders' approval, being 10% of the net profit for the six-month period ended 31 December 2002 determined in accordance with the PRC Accounting Rules and Regulations, to this fund. The transfer to this fund for the year ended 31 December 2001 was RMB 1,402 million.
- (c) The directors authorised the transfer of RMB 7,000 million (2001: Rmb nil), subject to the shareholders' approval at the Annual General Meeting to the discretionary surplus reserve. Its usage is similar to that of statutory surplus reserve.
- (d) According to the Company's Articles of Association, the amount of retained profits available for distribution to shareholders of the Company is the lower of the amount determined in accordance with the PRC Accounting Rules and Regulations and the amount determined in accordance with IFRS. At 31 December 2002, the amount of retained profits available for distribution was RMB 12,569 million (2001: RMB 16,942 million), being the amount determined in accordance with the PRC Accounting Rules and Regulations. Final dividend of RMB 5,202 million (2001: RMB 6,936 million) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.
- (e) Effective 1 January 2002, land use rights which are included in lease prepayments are carried at historical cost. Accordingly, the surplus on the revaluation of land use rights credited to revaluation reserve previously, net of minority interests, was eliminated during the year. The effect of this change did not have a material impact on the Group's financial condition and results of operations in the years prior to the change. As a result of the tax deductibility of the revaluation surplus, a deferred tax asset, net of minority interests, is created with a corresponding increase in other reserves.
- (f) The capital reserve represents (i) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation and (ii) the difference between the consideration paid over the amount of the net assets acquired from Sinopec National Star.
- (g) The application of the share premium account is governed by Sections 178 and 179 of the PRC Company Law.

The notes on pages 120 to 142 form part of these financial statements