

PRINCIPAL FINANCIAL DATA AND INDICATORS

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 2003

Profit before taxation	:	RMB 30,015 million
Net profit	:	RMB 19,011 million
Net profit before non-operating profits/losses	:	RMB 22,307 million
Income from principal operations	:	RMB 417,191 million
Profit from other operations	:	RMB 856 million
Operating profit	:	RMB 35,509 million
Investment income	:	RMB 548 million
Subsidy income	:	nil
Net non-operating income/expenses	:	RMB 6,042 million (net expense)
Net cash flow from operating activities	:	RMB 64,448 million
Net decrease in cash and cash equivalents	:	RMB 2,478 million

Items under non-operating profits/losses:

		(Income)/Expense
Loss on disposal of long-term equity investments	:	RMB 23 million
Written back of provisions on assets provided in previous years	:	RMB (205) million
Non-operating expenses	:	
(excluding normal provisions on assets provided in accordance with the Accounting Regulations for Business Enterprises)		RMB 5,394 million
of which: loss on disposal of fixed assets	:	RMB 3,459 million
employee reduction expenses	:	RMB 1,014 million
donations	:	RMB 132 million
Non-operating income	:	RMB (292) million
Tax effect	:	RMB (1,624) million
Total	:	RMB 3,296 million

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

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

	2003 RMB millions	For the year ended 31 December			
		2002		2001	
		After Adjustment(i)	Before Adjustment	After Adjustment(i)	Before Adjustment
Income from principal operations	417,191	324,184	324,184	304,347	304,347
Net profit	19,011	14,121	14,121	14,018	14,018
Earnings per share (RMB)					
Fully diluted (ii)	0.219	0.163	0.163	0.162	0.162
Weighted average (iii)	0.219	0.163	0.163	0.165	0.165
Net cash flow from operating activities per share (RMB)	0.743	0.693	0.693	0.688	0.688
Return on net assets (%)					
Fully diluted (iv)	11.667	9.307	9.638	9.603	10.082
Weighted average (v)	12.048	9.478	9.723	10.343	10.606
Return (adjusted for non-operating profits/losses) on net assets (%)					
Fully diluted	13.690	9.611	9.953	10.015	10.514
Weighted average	14.137	9.787	10.040	10.787	11.061

	2003 RMB millions	At 31 December			
		2002		2001	
		After Adjustment(i)	Before Adjustment	After Adjustment(i)	Before Adjustment
Total assets	390,213	368,375	368,375	360,294	360,294
Shareholders' funds (excluding minority interests)	162,946	151,717	146,515	145,975	139,039
Net assets per share (RMB)	1.879	1.750	1.690	1.684	1.604
Adjusted net assets per share (RMB)	1.850	1.736	1.676	1.664	1.584

Notes:

- (i) The Company adopted the revised "Accounting Standard for Business Enterprises - Events occurring after the balance sheet date" that resulted in a change in accounting policy which has been applied retrospectively. Please refer to Note 2 of the financial statements prepared under the PRC Accounting Rules and Regulations for details
- (ii) Fully diluted earnings per share = net profit for the year / total number of shares in issue at the end of the year
- (iii) 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))
- (iv) Fully diluted return on net assets basis = (net profit for the year / shareholders' funds at the end of the year) x 100%
- (v) Weighted average return on net assets basis = net profit for the year / ((shareholders' funds 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		For the year ended			
	31 December 2003		31 December 2002			
	Return on net assets		Return on net assets			
	Fully diluted	Weighted average	Fully diluted		Weighted average	
(%)	(%)	After Adjustment	Before Adjustment	After Adjustment	Before Adjustment	
Profit from principal operations	49.54	51.15	40.31	41.74	41.04	42.10
Operating profit	21.79	22.50	15.04	15.57	15.31	15.71
Net profit	11.67	12.05	9.31	9.64	9.48	9.72
Net profit before non-operating profits/losses	13.69	14.14	9.61	9.95	9.79	10.04

	For the year ended		For the year ended	
	31 December 2003		31 December 2002	
	Earnings per share		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
RMB	RMB	RMB	RMB	
Profit from principal operations	0.931	0.931	0.705	0.705
Operating profit	0.410	0.410	0.263	0.263
Net profit	0.219	0.219	0.163	0.163
Net profit before non-operating profits/losses	0.257	0.257	0.168	0.168

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

(4) Changes of the consolidated 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	Unrecognized investment losses	Undistributed profits	Total shareholders' funds
Beginning of the year	86,702	36,588	4,429	4,429	7,000	0	12,569	151,717
Increase in the year	0	264	1,901	1,901	0	(243)	19,011	22,834
Decrease in the year	0	0	0	0	0	0	11,605	11,605
End of the year	86,702	36,852	6,330	6,330	7,000	(243)	19,975	162,946

The reasons for the changes are as follows:

- i Capital reserve at the end of 2003 was RMB 36.852 billion, an increase by RMB 264 million compared with the beginning of the year. The increase was due to the received government grants on investments amounted to RMB 35 million, the increase in the Company's share of net assets of a subsidiary after the sale of additional shares by the subsidiary amounted to RMB 147 million, and the gain from a subsidiary's debt restructuring amounted to RMB 82 million;
- ii Statutory surplus reserve at the end of 2003 was RMB 6.330 billion, an increase by RMB 1.901 billion compared with the beginning of the year. The increase was mainly due to the fact that Sinopec Corp. transferred 10% of the consolidated net profit for 2003 (RMB 19.011 billion) in accordance with the PRC Accounting Rules and Regulations to statutory surplus reserve;
- iii Statutory public welfare fund at the end of 2003 was RMB 6.330 billion, an increase by RMB 1.901 billion compared with the beginning of the year. The increase was mainly due to the fact that Sinopec Corp. transferred 10% of the consolidated net profit for 2003 (RMB 19.011 billion) in accordance with the PRC Accounting Rules and Regulations to statutory public welfare fund;
- iv Discretionary surplus reserve at the end of 2003 was RMB 7.000 billion, the same as that at the beginning of the year;
- v Unrecognized investment losses at the end of 2003 was 0.243 billion, an increase by RMB 0.243 billion compared with the beginning of the year. The increase was due to unrecognized investment losses exceeding the carrying value of long-term equity investment;

- vi Consolidated undistributed profits at the end of 2003 was RMB 19.975 billion, an increase by RMB 7.406 billion compared with the beginning of the year. The increase was mainly due to the fact that Sinopec Corp. had realized a consolidated net profit of RMB 19.011 billion for 2003 in accordance with the PRC Accounting Rules and Regulations, but RMB 3.802 billion was used for the appropriation of statutory surplus reserve and statutory public welfare fund, and RMB 7.803 billion was declared as interim dividend for 2003 and final dividend for 2002; and
- vii Total shareholders' funds at the end of 2003 was RMB 162.946 billion, an increase by RMB 11.229 billion compared with the beginning of the year.

(5) Details of provisions for assets in the consolidated financial statements

Unit: RMB millions

Item	Beginning of the year	Provision for the year	Written back for the year	Written off for the year	End of the year
1 Allowance for doubtful accounts	4,538	2,008	107	906	5,533
Of which: Allowance for doubtful accounts for accounts receivable	2,666	910	46	345	3,185
Allowance for doubtful accounts for other receivables	1,872	1,098	61	561	2,348
2 Provision for impairment losses on short-term investments	—	—	—	—	—
3 Provision for diminution in value of inventories	486	196	82	81	519
4 Provision for impairment losses on long-term equity investments	184	131	16	28	271
5 Provision for impairment losses on fixed assets	391	940	—	—	1,331
6 Provision for impairment losses on intangible assets	—	—	—	—	—
7 Provision for impairment losses on construction in progress	—	—	—	—	—
8 Provision for entrusted loans	—	—	—	—	—

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

(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 profit before taxation:

Items	At 31		Changes		Analysis of changes
	December	December	Amount	Percentage	
	2003	2002	increased/ (decreased)	of increase/ (decrease)	
	RMB millions	RMB millions	RMB millions	%	
Provision for impairment losses on fixed assets	1,331	391	940	240	Mainly due to provisions based on recoverable amount after operation plan amendments
Construction in progress	28,513	21,122	7,391	35	Please refer to note 14 in the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Deferred tax assets	1,752	357	1,395	391	Please refer to note 16 in the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Receipts in advance	5,908	3,767	2,141	57	Mainly due to the Company enhanced the level of deposit required from customers
Taxes payable	6,986	3,380	3,606	107	Mainly due to the increase in VAT and income tax payable
Other creditors	27,537	19,787	7,750	39	Mainly due to the increase in payables for acquisitions of Maoming ethylene assets, Tahe Petrochemical and Xi'an Petrochemical as well as other payables arising from construction projects
Accrued expenses	303	561	(258)	(46)	Mainly due to the decrease in accrued and unpaid transportation cost and miscellaneous production costs
Debentures payable	—	1,500	(1,500)	(100)	This item was classified to current portion of long-term liabilities
Deferred tax liabilities	289	474	(185)	(39)	Please refer to note 16 in the financial statements prepared in accordance with the PRC Accounting Rules and Regulations

Items	For the year ended		Changes		Analysis of changes
	31 December	2002	Amount	Percentage	
	2003	2002	increased/ (decreased)	of increase/ (decrease)	
	RMB millions	RMB millions	RMB millions	%	
Income from principal operations	417,191	324,184	93,007	29	Please refer to Management's Discussion and Analysis
Cost of sales	323,104	251,182	71,922	29	Please refer to Management's Discussion and Analysis
Administrative expenses	21,219	17,253	3,966	23	Please refer to Management's Discussion and Analysis
Exploration expenses (including dry holes)	6,133	4,363	1,770	41	Please refer to Management's Discussion and Analysis
Non-operating expenses	6,334	1,643	4,691	286	Please refer to note 37 in the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Taxation	9,361	6,809	2,552	37	Mainly due to the increase of profit before taxation
Minority interests	1,886	1,082	804	74	Mainly due to the increase of net profit from subsidiaries
Unrecognized investment losses	243	—	243	—	Mainly due to unrecognized investment losses exceeding the carrying value of long-term equity investment

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

Unit: RMB millions

	For the year ended 31 December				
	2003	2002	2001	2000	1999
Turnover and other operating revenues	443,136	345,145	323,629	336,386	242,031
Operating profit	37,267	28,679	27,669	39,568	15,723
Profit from ordinary activities before taxation	34,081	25,085	24,900	34,658	6,849
Profit attributable to shareholders	21,593	16,315	16,246	23,197	4,921
Basic earnings per share (RMB)	0.249	0.188	0.191	0.325	0.072
Earnings per share (Based on the total number of shares in issue at the year end) (RMB)	0.249	0.188	0.187	0.276	0.072
Return on capital employed (%)	9.04	7.08	6.79	11.03	4.90
Return on net assets (%)	12.86	9.96	10.37	16.28	5.15
Net cash flow from operating activities per share (RMB)	0.699	0.635	0.654	0.362	0.377

Unit: RMB millions

	At 31 December				
	2003	2002	2001	2000	1999
Non-current assets	301,490	285,361	268,675	231,187	201,649
Net current (liabilities)/assets	(22,677)	(15,458)	(15,373)	10,732	(36,260)
Non-current liabilities	(85,048)	(82,071)	(73,039)	(76,244)	(47,841)
Minority interests	(25,866)	(24,009)	(23,559)	(23,228)	(22,016)
Net assets	167,899	163,823	156,704	142,447	95,532
Net assets per share (RMB)	1.937	1.889	1.807	1.698	1.389
Adjusted net assets per share (RMB)	1.908	1.876	1.788	1.688	1.379
Debt/equity ratio*(%)	32.06	32.03	30.59	34.13	32.72

* Debt/equity ratio= long-term loans / (shareholders' funds + long-term loans) x 100%

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

3 MAJOR DIFFERENCES BETWEEN THE PRC ACCOUNTING RULES AND REGULATIONS AND IFRS ON NET PROFIT FOR THE YEAR 2003 AND SHAREHOLDER'S 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:

Unit: RMB millions

	For the year ended 31 December	
	2003	2002
Net profit under the PRC Accounting Rules and Regulations	19,011	14,121
Adjustments:		
Depreciation of oil and gas properties	1,784	2,311
Disposal of oil and gas properties	1,260	—
Capitalization of general borrowing costs	389	338
Acquisition of Sinopec Maoming, Xi'an Petrochemical and Tahe Petrochemical	326	235
Acquisition of Sinopec National Star	117	117
Gain from issuance of shares by a subsidiary	136	—
Gain from debt restructuring	82	—
Revaluation of land use rights	18	18
Unrecognized losses of subsidiaries	(182)	—
Pre-operating expenditures	(169)	—
Effects of the above adjustments on taxation	(1,179)	(825)
Net profit under IFRS*	21,593	16,315

(2) Analysis of the Effects of Major Differences Between the PRC Accounting Rules And Regulations and IFRS on Shareholders' Funds:

Unit: RMB millions

	At 31 December	
	2003	2002
Shareholders' funds under the PRC Accounting Rules and Regulations	162,946	151,717
Adjustments:		
Depreciation of oil and gas properties	10,885	9,112
Disposal of oil and gas properties	1,260	—
Capitalization of general borrowing costs	1,125	736
Acquisition of Sinopec Maoming, Xi'an Petrochemical and Tahe Petrochemical	—	9,338
Acquisition of Sinopec National Star	(2,812)	(2,929)
Revaluation of land use rights	(870)	(822)
Effect of minority interests on unrecognised losses of subsidiaries	61	—
Pre-operating expenditures	(169)	—
Impairment losses on long-term assets	(113)	(113)
Government grants	(326)	(291)
Effects of the above adjustments on taxation	(4,088)	(2,925)
Shareholders' funds under IFRS*	167,899	163,823

* The above financial information is extracted from the financial statements prepared in accordance with IFRS which have been audited by KPMG.