

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2004

(Amounts in millions, except per share data)

	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' funds at 1 January 2003, as previously reported	86,702	(18,878)	18,072	31,641	4,429	4,429	7,000	9,579	20,849	163,823
Adjusted for acquisition of the Acquired Group	—	—	—	—	—	—	—	2,954	—	2,954
Shareholders' funds at 1 January 2003, as adjusted	86,702	(18,878)	18,072	31,641	4,429	4,429	7,000	12,533	20,849	166,777
Final dividend for 2002 (Note 16)	—	—	—	—	—	—	—	—	(5,202)	(5,202)
Interim dividend for 2003 (Note 16)	—	—	—	—	—	—	—	—	(2,601)	(2,601)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	22,424	22,424
Appropriation (Note (a) and (b))	—	—	—	—	1,901	1,901	—	—	(3,802)	—
Revaluation surplus realised	—	—	—	(1,316)	—	—	—	—	1,316	—
Revaluation surplus of Refining Assets	—	(82)	—	16	—	—	—	82	—	16
Deferred tax effect of surplus on land use rights (Note 27)	—	—	—	—	—	—	—	16	—	16
Realisation of deferred tax on land use rights	—	—	—	—	—	—	—	(5)	5	—
Transfer from retained earnings to other reserves	—	—	—	—	—	—	—	1,157	(1,157)	—
Net assets distributed to Sinopec Group Company (Note (e))	—	—	—	—	—	—	—	(6,263)	—	(6,263)
Consideration for Acquisitions of Ethylene Assets and Refining Assets (Note 1)	—	—	—	—	—	—	—	(3,652)	—	(3,652)
Shareholders' funds at 31 December 2003	86,702	(18,960)	18,072	30,341	6,330	6,330	7,000	3,868	31,832	171,515
Shareholders' funds at 1 January 2004	86,702	(18,960)	18,072	30,341	6,330	6,330	7,000	3,868	31,832	171,515
Final dividend for 2003 (Note 16)	—	—	—	—	—	—	—	—	(5,202)	(5,202)
Interim dividend for 2004 (Note 16)	—	—	—	—	—	—	—	—	(3,468)	(3,468)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	36,019	36,019
Appropriation (Note (a) and (b))	—	—	—	—	3,228	3,228	—	—	(6,456)	—
Revaluation surplus realised	—	—	—	(1,891)	—	—	—	—	1,891	—
Revaluation surplus of Petrochemical and Catalyst Assets	—	(257)	—	257	—	—	—	257	—	257
Realisation of deferred tax on land use rights	—	—	—	—	—	—	—	(5)	5	—
Impairment losses on revalued assets (Note 9)	—	—	—	(709)	—	—	—	—	—	(709)
Transfer from retained earnings to other reserves	—	—	—	—	—	—	—	1,499	(1,499)	—
Net assets distributed to Sinopec Group Company (Note (e))	—	—	—	—	—	—	—	(2,244)	—	(2,244)
Consideration for Acquisition of Petrochemical and Catalyst Assets (Note 1)	—	—	—	—	—	—	—	(3,128)	—	(3,128)
Shareholders' funds at 31 December 2004	86,702	(19,217)	18,072	27,998	9,558	9,558	7,000	247	53,122	193,040

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 2004, the Company transferred RMB 3,228 million (2003: RMB 1,901 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 18 May 2004, the Board of Directors was authorised to determine the amount of the transfer for the six-month period ended 30 June 2004. The directors authorised the transfer of RMB 1,504 million (2003: RMB 977 million), being 10% of the net profit for the six-month period ended 30 June 2004 determined in accordance with the PRC Accounting Rules and Regulations, to this fund.

The directors authorised the transfer of RMB 1,724 million (2003: RMB 924 million), subject to the shareholders' approval, being 10% of the net profit for the six-month period ended 31 December 2004 determined in accordance with the PRC Accounting Rules and Regulations, to this fund.

(c) The usage of the discretionary surplus reserve 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 2004, the amount of retained profits available for distribution was RMB 37,124 million (2003: RMB 19,732 million), being the amount determined in accordance with the PRC Accounting Rules and Regulations. Final dividend of RMB 6,936 million (2003: RMB 5,202 million) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(e) These represent net assets contributed from and distributed to Sinopec Group Company for no monetary consideration. The net assets distributed to Sinopec Group Company during the year ended 31 December 2004 primarily represent certain assets retained by Sinopec Group Company in connection with the Acquisition of Petrochemical and Catalyst Assets. The net assets distributed to Sinopec Group Company during the year ended 31 December 2003 primarily represent certain assets retained by Sinopec Group Company in connection with the Acquisition of Ethylene Assets and the Acquisition of Refining Assets. These transactions were recorded at historical cost and was reflected as changes in other reserves in the year the acquisitions occurred.

(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 considerations paid over the amount of the net assets acquired from Sinopec National Star, Sinopec Maoming, Xi'an Petrochemical, Tahe Petrochemical, Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical, Guangzhou Petrochemical and Catalyst Plants.

(g) The application of the share premium account is governed by Sections 178 and 179 of the PRC Company Law.

The notes on pages 133 to 158 form part of these financial statements.