

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 2006

Items	For the year ended 31 December 2006 RMB millions
Profit before taxation	73,252
Net profit	50,664
Net profit before non-operating profits/losses	48,573
Profit from principal operations	136,264
Profit from other operations	969
Operating profit	71,296
Investment income	43
Subsidy income	5,000
Net non-operating income/expenses	3,087 (net expense)
Net cash flow from operating activities	102,587
Net decrease in cash and cash equivalents	5,657

Items under non-operating profits/losses and corresponding amounts:

Items	For the year ended 31 December 2006 (Income)/Expense RMB millions
Gain on disposal of long-term equity investments	(25)
Written back of provisions for impairment losses in previous years	(583)
Non-operating expenses (excluding normal provisions on assets provided in accordance with the Accounting Regulations for Business Enterprises)	2,859
Of which: Loss on disposal of fixed assets	1,782
Employee reduction expenses	236
Donations	95
Non-operating income	(372)
Subsidy income	(5,000)
Tax effect	1,030
Total	(2,091)

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

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

Items	Note	For the years ended 31 December		
		2006	2005	2004
Income from principal operations (RMB millions)		1,044,579	799,115	590,632
Net profit (RMB millions)		50,664	39,558	32,275
Earnings per share (RMB)				
Fully diluted	(i)	0.584	0.456	0.372
Weighted average	(ii)	0.584	0.456	0.372
Net cash flow from operating activities per share (RMB)		1.183	0.980	0.809
Return on net assets (%)				
Fully diluted	(iii)	19.878	18.346	17.320
Weighted average	(iv)	21.457	19.682	18.403
Return (before non-operating profits/losses) on net assets (%)				
Fully diluted		19.058	16.232	19.316
Weighted average		20.572	17.414	20.524
		At 31 December		
		2006	2005	2004
Total assets (RMB millions)		594,550	520,572	460,081
Shareholders' funds (excluding minority interests) (RMB millions)		254,875	215,623	186,350
Net assets per share (RMB)		2.940	2.487	2.149
Adjusted net assets per share (RMB)		2.865	2.426	2.102

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 surplus reserves to capital or share dividend distributed + (increase in number of shares during the year due to issuance of new shares or capitalisation 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 = (net profit for the year/shareholders funds at the end of the year) x 100%
- iv Weighted average return on net assets = (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 capitalisation 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

Items	For the years ended 31 December 2006		For the years ended 31 December 2005	
	Return on net assets(%)		Return on net assets(%)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	53.46	57.71	52.74	56.58
Operating profit	27.97	30.20	26.37	28.29
Net profit	19.88	21.46	18.35	19.68
Net profit before non-operating profits/losses	19.06	20.57	16.23	17.41

Items	For the years ended 31 December 2006		For the years ended 31 December 2005	
	Earnings per share		Earnings per share	
	Fully diluted RMB	Weighted average RMB	Fully diluted RMB	Weighted average RMB
Profit from principal operations	1.572	1.572	1.312	1.312
Operating profit	0.822	0.822	0.656	0.656
Net profit	0.584	0.584	0.456	0.456
Net profit before non-operating profits/losses	0.560	0.560	0.404	0.404

(4) Changes to 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	Unrecognised investment losses	Retained profits	Total shareholders' funds
Beginning of the year	86,702	37,121	13,514	13,514	7,000	(594)	58,366	215,623
Increase in the year	—	486	18,580	—	20,000	(627)	50,664	89,103
Decrease in the year	—	—	—	(13,514)	—	—	(36,337)	(49,851)
End of the year	86,702	37,607	32,094	—	27,000	(1,221)	72,693	254,875

The reasons for the changes are as follows:

- i Capital reserve at the end of 2006 was RMB 37,607 million, an increase by 486 million compared with that at the beginning of the year. The increase was due to the agreement reached between a subsidiary of Sinopec Group Company and a bank to waive loan principal borrowings and related interest payable. The gain was reflected as an increase of capital reserves;
- ii Statutory surplus reserve at the end of 2006 was RMB 32,094 million, an increase by RMB 18,580 million compared with that at the beginning of the year. The increase was mainly due to the transfer by Sinopec Corp. of 10% of its consolidated net profit for 2006 in accordance with the PRC Accounting Rules and Regulations of RMB 50,664 million to the statutory surplus reserve. In addition, according to NO. 167 of the PRC Company Law, commencing from 1 January 2006, Sinopec Corp. is no

- longer required to make profit appropriation to the statutory public welfare fund. Pursuant to the "Notice on Accounting Treatment of Business Enterprises in Relation to the Enactment of the Company Law" issued by the Ministry of Finance, the balance of this fund as at 31 December 2005 of RMB 13,514 million was transferred to the statutory surplus reserve;
- iii Discretionary surplus reserve at the end of 2006 was RMB 27,000 million, an increase by RMB 20,000 million compared with that at the beginning of the year. The increase was due to the proposed transfer of RMB 20,000 million to discretionary surplus reserve in 2006;
- iv Unrecognised investment losses at the end of 2006 was RMB 1,221 million, an increase by RMB 627 million compared with RMB 594 million at the beginning of the year. The increase represents the unrecognised investment losses which exceeded the carrying value of long-term equity investments;

- v Consolidated retained profits at the end of 2006 was RMB 72,693 million, an increase by RMB 14,327 million compared with that at the beginning of the year. The increase was attributable to the realisation by Sinopec Corp. of a consolidated net profit for 2006 in accordance with the PRC Accounting Rules and Regulations of RMB 50,664 million, and taking into account of the deduction of RMB 5,066 million for the appropriation of statutory surplus reserve, RMB 20,000 million for the proposed transfer to discretionary surplus reserve and RMB 11,271 million declared and paid as interim dividend for 2006 and final dividend for 2005; and
- vi Total shareholders' funds at the end of 2006 was RMB 254,875 million, an increase by RMB 39,252 million compared with that at the beginning of the year.

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

(5) Details of provisions for assets

Unit: RMB millions

Items	Beginning of the year	Provisions for the year	Written back for the year	Reclassification	Written off for the year	End of the year
1 Allowance for doubtful accounts	6,652	545	(266)	—	(127)	6,804
Of which: Allowance for doubtful accounts for accounts receivable	3,140	438	(153)	—	(91)	3,334
Allowance for doubtful accounts for other receivables	3,512	107	(113)	—	(36)	3,470
2 Provisions for impairment losses on short-term investments	—	—	—	—	—	—
3 Provisions for diminution in value of inventories	892	419	(317)	—	(128)	866
4 Provision for impairment losses on long-term equity investments	327	48	—	—	(59)	316
Of which: long-term equity investments	327	48	—	—	(59)	316
5 Provision for impairment losses on fixed assets	6,234	600	—	—	(809)	6,025
Of which: Land and buildings	351	118	—	143	(90)	522
Oil and gas properties	843	307	—	—	(52)	1,098
Oil depots, storage tanks and service stations	917	23	—	149	(87)	1,002
Plant, machinery, equipment, vehicles and others	4,123	152	—	(292)	(580)	3,403
6 Provision for impairment losses on intangible assets	—	—	—	—	—	—
7 Provision for impairment losses on construction in progress	—	—	—	—	—	—
8 Provision for impairment losses on entrusted loans	—	—	—	—	—	—

(6) Significant changes of items in the financial statements

The table below sets forth reasons for those changes where the fluctuation was more than 30% during the reporting period, or such changes which constituted 5% or more of the total assets at the balance sheet date or more than 10% of the profit before taxation:

Items	At 31 December		Increased/(decreased)		Main reasons of changes
	2006	2005	Amount	Percentage	
	RMB millions	RMB millions	RMB millions	(%)	
Cash at bank and in hand	8,723	14,747	(6,024)	(40.8)	Mainly due to the further strengthening on management of funds
Long-term equity investments	27,483	14,146	13,337	94.3	Mainly due to the increase in equity investment differences in relation to the privatisation of its listed subsidiaries and the investments in associates
Short-term loans	30,515	16,124	14,391	89.3	Mainly to satisfy the operating funds
Receipts in advance	19,689	14,086	5,603	39.8	Mainly due to the increase in receipts in advance in relation to sales of refined oil products
Taxes payable	11,348	5,262	6,086	115.7	Please refer to note 21 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Other payables	3,731	1,830	1,901	103.9	Mainly due to special oil income levy payable which was introduced in 2006
Other creditors	36,065	24,161	11,904	49.3	Mainly due to the increase in payables for construction costs and for acquisition of Oil Production Plants
Accrued expenses	264	512	(248)	(48.4)	Mainly due to the decrease in accrued operating expenses
Surplus reserves	59,094	34,028	25,066	73.7	Appropriation of statutory surplus reserve and proposed appropriation of discretionary surplus reserve
Unrecognised investment losses	(1,221)	(594)	627	105.6	Unrecognised investment losses exceeding long-term equity investments

Items	For the years ended				Reasons of changes
	31 December		Increased/(decreased)		
	2006	2005	Amount	Percentage	
	RMB millions		RMB millions	(%)	
Income from principal operations	1,044,579	799,115	245,464	30.7	Please refer to Management's Discussion and Analysis
Cost of sales	880,029	668,249	211,780	31.7	Please refer to Management's Discussion and Analysis
Sales taxes and surcharges	28,286	17,152	11,134	64.9	Mainly due to recognition of the special oil income levy
Investment income	43	813	(770)	(94.7)	Please refer to note 36 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Subsidy income	5,000	9,415	(4,415)	(46.9)	Please refer to note 37 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Non-operating expenses	3,459	5,969	(2,510)	(42.1)	Please refer to note 38 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Minority interests	696	2,902	(2,206)	(76.0)	Mainly due to the decrease of minority interests resulting from the privatisation of its subsidiaries
Unrecognised investment losses/(reversal)	627	(119)	746	N/A	Unrecognised investment losses exceeding long-term equity investments

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

Unit: RMB millions

Items	For the years ended 31 December				
	2006	2005	2004	2003	2002
Turnover, other operating revenues and other income	1,076,402	832,687	619,915	449,168	350,213
Operating profit	83,820	68,246	62,891	39,286	29,574
Profit before taxation	78,923	64,656	59,442	35,466	25,196
Profit attributable to equity shareholders of the Company	53,912	41,455	35,335	22,558	16,397
Basic earnings per share (RMB)	0.622	0.478	0.408	0.260	0.189
Earnings per share (Based on the total number of shares in issue at the year end) (RMB)	0.622	0.478	0.408	0.260	0.189
Return on capital employed (%)	13.26	11.95	12.59	9.07	6.93
Return on net assets (%)	20.51	18.48	18.28	13.08	9.78
Net cash flow from operating activities per share (RMB)	1.106	0.902	0.795	0.731	0.650

Unit: RMB millions

Items	At 31 December				
	2006	2005	2004	2003	2002
Non-current assets	466,323	401,983	358,152	319,413	302,771
Net current liabilities	65,335	27,954	26,758	26,537	18,362
Non-current liabilities	116,199	119,049	106,099	93,661	91,982
Minority interests	21,944	30,679	31,955	26,716	24,842
Total equity attributable to equity shareholders of the Company	262,845	224,301	193,340	172,499	167,585
Net assets per share (RMB)	3.032	2.587	2.230	1.990	1.933
Adjusted net assets per share (RMB)	2.957	2.526	2.219	1.961	1.919
Debt/equity ratio*(%)	29.33	33.36	33.95	33.60	34.14

* Debt/equity ratio = long-term loans/(total equity attributable to equity shareholders of the Company+ long-term loans) x 100%

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

3 MAJOR DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS PREPARED UNDER THE PRC ACCOUNTING RULES AND REGULATIONS AND IFRS

(1) Analysis of the effects of major differences between the net profit under the PRC Accounting Rules and Regulations and profit for the year under IFRS

Unit: RMB millions

	For the years ended 31 December	
	2006	2005
Net profit under the PRC Accounting Rules and Regulations	50,664	39,558
Adjustments:		
Equity investment differences	1,158	200
Capital injection in Sinopec Hainan and acquisition of Oil Production Plants	1,013	535
Acquisition of Sinopec National Star	117	117
Pre-operating expenditures	703	435
Depreciation of oil and gas properties	666	751
Capitalisation of general borrowing costs, net of depreciation effect	524	507
Gain from debt restructuring	486	—
Reduced amortisation on revaluation of land use rights	26	24
Reduced depreciation on government grants	12	4
Impairment losses on long-lived assets	(150)	—
Disposal of oil and gas properties, net of depreciation effect	(335)	(310)
Unrecognised losses of subsidiaries	(627)	119
Effects of the above adjustments on taxation	(345)	(485)
Minority interests	1,496	3,321
Profit for the year under IFRS	55,408	44,776

(2) Analysis of the effects of major differences between the shareholders' funds under the PRC Accounting Rules and Regulations and total equity under IFRS

Unit: RMB millions

	At 31 December	
	2006	2005
Shareholders' funds under the PRC Accounting Rules and Regulations	254,875	215,623
Adjustments:		
Equity investment differences	1,358	200
Capital injection in Sinopec Hainan and acquisition of Oil Production Plants	(1,628)	745
Acquisition of Sinopec National Star	(2,461)	(2,578)
Pre-operating expenditures	(64)	(22)
Depreciation of oil and gas properties	12,749	12,233
Capitalisation of general borrowing costs	2,636	2,112
Revaluation of land use rights	(927)	(953)
Government grants	(576)	(588)
Disposal of oil and gas properties	2,725	3,060
Change in fair value of available-for-sale securities	38	—
Effects of the above adjustments on taxation	(5,880)	(5,531)
Minority interests	21,944	30,679
Total equity under IFRS	284,789	254,980