

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2003
(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' funds at 1 January 2002, as previously reported	86,702	(18,878)	18,072	33,025	3,017	3,017	—	—	22,714	147,669
Adjusted for acquisition of the Acquired Group	—	—	—	—	—	—	—	9,034	—	9,034
Shareholders' funds at 1 January 2002, as adjusted	86,702	(18,878)	18,072	33,025	3,017	3,017	—	9,034	22,714	156,703
Final dividend for 2001 (Note 17)	—	—	—	—	—	—	—	—	(6,936)	(6,936)
Interim dividend for 2002 (Note 17)	—	—	—	—	—	—	—	—	(1,734)	(1,734)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	16,315	16,315
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)
Realisation of deferred tax on land use rights (Note (e))	—	—	—	—	—	—	—	(5)	5	—
Transfer from retained earnings to other reserves	—	—	—	—	—	—	—	235	(235)	—
Net assets contributed from Sinopec Group Company (Note (f))	—	—	—	—	—	—	—	69	—	69
Shareholders' funds at 31 December 2002	86,702	(18,878)	18,072	31,641	4,429	4,429	7,000	9,579	20,849	163,823
Shareholders' funds at 1 January 2003	86,702	(18,878)	18,072	31,641	4,429	4,429	7,000	9,579	20,849	163,823
Final dividend for 2002 (Note 17)	—	—	—	—	—	—	—	—	(5,202)	(5,202)
Interim dividend for 2003 (Note 17)	—	—	—	—	—	—	—	—	(2,601)	(2,601)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	21,593	21,593
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 (Note (e))	—	—	—	—	—	—	—	(5)	5	—
Transfer from retained earnings to other reserves	—	—	—	—	—	—	—	326	(326)	—
Net assets distributed to Sinopec Group Company (Note (f))	—	—	—	—	—	—	—	(6,094)	—	(6,094)
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	252	31,832	167,899

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 2003, the Company transferred RMB 1,901 million (2002: RMB 1,412 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 10 June 2003, the Board of Directors was authorised to determine the amount of the transfer for the six-month period ended 30 June 2003. The directors authorised the transfer of RMB 977 million (2002: RMB 450 million), being 10% of the net profit for the six-month period ended 30 June 2003 determined in accordance with the PRC Accounting Rules and Regulations, to this fund.
- The directors authorised the transfer of RMB 924 million (2002: RMB 962 million), subject to the shareholders' approval, being 10% of the net profit for the six-month period ended 31 December 2003 determined in accordance with the PRC Accounting Rules and Regulations, to this fund.
- (c) The directors authorised the transfer of RMB 7,000 million, which was approved by the shareholders at the Annual General Meeting on 10 June 2003, to the discretionary surplus reserve for the year ended 31 December 2002. 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 2003, the amount of retained profits available for distribution was RMB 19,732 million (2002: RMB 12,569 million), being the amount determined in accordance with the PRC Accounting Rules and Regulations. Final dividend of RMB 5,202 million (2002: RMB 5,202 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) 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 2003 primarily represent certain assets retained by Sinopec Group Company in connection with the acquisition of the Acquired Group. The transaction was recorded at historical cost and was reflected as changes in other reserves in the year the transaction occurred.
- (g) 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 and Tahe Petrochemical.
- (h) 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.