

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 2004

Profit before taxation	:	RMB 53,535 million
Net profit	:	RMB 32,275 million
Net profit before non-operating profits/losses	:	RMB 35,996 million
Profit from principal operations	:	RMB 115,222 million
Profit from other operations	:	RMB 1,102 million
Operating profit	:	RMB 62,953 million
Investment income	:	RMB 1,088 million
Subsidy income	:	Nil
Net non-operating income/expenses	:	RMB 10,506 million (net expense)
Net cash flow from operating activities	:	RMB 70,139 million
Net increase in cash and cash equivalents	:	RMB 1,160 million

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

		(Income)/Expense
Gain on disposal of long-term equity investments	:	RMB (2) million
Written back of provisions on assets provided in previous years	:	RMB (322) million
Non-operating expenses (excluding normal provisions on assets provided in accordance with the Accounting Regulations for Business Enterprises)	:	RMB 6,543 million
Of which: Loss on disposal of fixed assets	:	RMB 4,304 million
Employee reduction expenses	:	RMB 919 million
Donations	:	RMB 275 million
Non-operating income	:	RMB (665) million
Tax effect	:	RMB (1,833) million
Total	:	RMB 3,721 million

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

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

	Note	For the year	For the year	For the year ended 31	
		ended 31	ended 31	December	December
		December	December	December	
		2004	2003	2002	
		RMB millions	RMB millions	RMB millions	
				After	Before
				adjustment (i)	adjustment
Income from principal operations		590,632	417,191	324,184	324,184
Net profit		32,275	19,011	14,121	14,121
Earnings per share (RMB)					
Fully diluted	(ii)	0.372	0.219	0.163	0.163
Weighted average	(iii)	0.372	0.219	0.163	0.163
Net cash flow from operating activities per share (RMB)		0.809	0.743	0.693	0.693
Return on net assets (%)					
Fully diluted	(iv)	17.320	11.667	9.307	9.638
Weighted average	(v)	18.403	12.048	9.478	9.723
Return (adjusted for non-operating profits/losses) on net assets (%)					
Fully diluted		19.316	13.690	9.611	9.953
Weighted average		20.524	14.137	9.787	10.040

	At 31	At 31	At 31	
	December	December	December	
	2004	2003	2002	
	RMB millions	RMB millions	RMB millions	
			After	Before
			adjustment (i)	adjustment
Total assets	460,081	390,213	368,375	368,375
Shareholders' funds (excluding minority interests)	186,350	162,946	151,717	146,515
Net assets per share (RMB)	2.149	1.879	1.750	1.690
Adjusted net assets per share (RMB)	2.102	1.850	1.736	1.676

Notes:

- (i) The Company adopted the revised Accounting Standard for Business Enterprises - Post Balance Sheet Events that resulted in a change in accounting policy which has been applied retrospectively.
- (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 surplus reserves to capital or share dividend distributed + (increase in number of shares during the year due to issuance of new shares or 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 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 31 December 2004		For the year ended 31 December 2003	
	Return on net assets		Return on net assets	
	Fully diluted (%)	Weighted average (%)	Fully diluted (%)	Weighted average (%)
Profit from principal operations	61.83	65.70	49.54	51.15
Operating profit	33.78	35.90	21.79	22.50
Net profit	17.32	18.40	11.67	12.05
Net profit before non-operating profits/losses	19.32	20.52	13.69	14.14

	For the year ended 31 December 2004		For the year ended 31 December 2003	
	Earnings per share		Earnings per share	
	Fully diluted RMB	Weighted average RMB	Fully diluted RMB	Weighted average RMB
Profit from principal operations	1.329	1.329	0.931	0.931
Operating profit	0.726	0.726	0.410	0.410
Net profit	0.372	0.372	0.219	0.219
Net profit before non-operating profits/losses	0.415	0.415	0.257	0.257

PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

(4) Changes to the consolidated shareholders' funds and the reasons for changes for the year

Unit: RMB millions

Items	Share	Capital	Statutory	Statutory	Discretionary	Unrecognized	Undistributed	Total
	capital	reserve	surplus reserve	public welfare fund	surplus reserve	investment losses		
Beginning of the year	86,702	36,852	6,330	6,330	7,000	(243)	19,975	162,946
Increase in the year	—	269	3,228	3,228	—	(470)	32,275	38,530
Decrease in the year	—	—	—	—	—	—	(15,126)	(15,126)
End of the year	86,702	37,121	9,558	9,558	7,000	(713)	37,124	186,350

The reasons for the changes are as follows:

- i Capital reserve at the end of 2004 was RMB 37,121 million, an increase by RMB 269 million compared with RMB 36,852 million at the beginning of the year. The increase was due to the received government grants on investments. For further information, please refer to note 30 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations;
- ii Statutory surplus reserve at the end of 2004 was RMB 9,558 million, an increase by RMB 3,228 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 2004 in accordance with the PRC Accounting Rules and Regulations of RMB 32,275 million to the statutory surplus reserve;
- iii Statutory public welfare fund at the end of 2004 was RMB 9,558 million, an increase by RMB 3,228 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 2004 in accordance with the PRC Accounting Rules and Regulations of RMB 32,275 million to the statutory public welfare fund;
- iv Discretionary surplus reserve at the end of 2004 was RMB 7,000 million, which amount remained unchanged from that at the beginning of the year;
- v Unrecognized investment losses at the end of 2004 was RMB 713 million, an increase by RMB 470 million compared with RMB 243 million at the beginning of the year. The increase represents unrecognized investment losses which exceeded the carrying value of long-term equity investment;

- vi Consolidated undistributed profits at the end of 2004 was RMB 37,124 million, an increase by RMB 17,149 million compared with that at the beginning of the year. The increase was attributable to the realization by Sinopec Corp. of a consolidated net profit for 2004 in accordance with the PRC Accounting Rules and Regulations of RMB 32,275 million, and taking into account of the deduction of RMB 6,456 million for the appropriation of statutory surplus reserve and statutory public welfare fund, and RMB 8,670 million declared as interim dividend for 2004 and final dividend for 2003; and
- vii Total shareholders' funds at the end of 2004 was RMB 186,350 million, an increase by RMB 23,404 million compared with that at the beginning of the year.

(5) Details of provisions for assets**Unit: RMB millions**

Items	Beginning of the year	Provisions for the year	Written back for the year	Written off for the year	End of the year
1 Allowance for doubtful accounts	5,533	2,176	(126)	(416)	7,167
Of which: Allowance for doubtful accounts for accounts receivable	3,185	931	(85)	(360)	3,671
Allowance for doubtful accounts for other receivables	2,348	1,245	(41)	(56)	3,496
2 Provision for impairment losses on short-term investments	—	—	—	—	—
3 Provision for diminution in value of inventories	519	621	(188)	(46)	906
4 Provision for impairment losses on long-term equity investments	271	96	(8)	(6)	353
5 Provision for impairment losses on fixed assets	1,331	4,628	(79)	(64)	5,816
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	—	—	—	—	—

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%, or such fluctuation is 5% or above of the total assets at the balance sheet date or more than 10% of the profit before taxation:

Items	At 31		Changes		Reasons of changes
	December	December	Amount	Percentage	
	2004	2003	increased/ (decreased)	increased/ (decreased)	
	RMB millions	RMB millions	RMB millions	(%)	
Bills receivable	7,812	5,953	1,859	31.23	Mainly due to the increase in income from principal operations
Inventories	63,918	44,915	19,003	42.31	Due to the increase in inventories of crude oil and refined oil products
Provision for impairment losses on fixed assets	5,816	1,331	4,485	336.96	Due to the provisions based on recoverable amount after the amendments of production and operation plans
Construction materials	430	1,226	(796)	(64.93)	Mainly due to the utilisation of construction materials for certain significant construction in progress projects according to construction work schedules
Construction in progress	45,976	28,513	17,463	61.25	Please refer to note 13 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Deferred tax assets	4,166	1,752	2,414	137.79	Please refer to note 16 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Long-term deferred expenses	3,563	97	3,466	3,573.20	Mainly due to the increase in the prepaid long-term rental expenses
Receipts in advance	8,605	5,908	2,697	45.65	Due to the Company raised the level of deposit required from customers
Wages payable	3,223	1,850	1,373	74.22	Due to the increase in staff wages
Accrued expenses	652	303	349	115.18	Mainly due to the increase in accrued and unpaid production and operation costs
Current portion of long-term liabilities	14,298	8,175	6,123	74.90	Mainly due to the increase in portion of long term loans repayable within one year in accordance with loan contracts
Debentures payable	3,500	—	3,500	—	Please refer to note 27 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Deferred tax liabilities	198	289	(91)	(31.49)	Please refer to note 16 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations

Items	For the year ended 31		Changes		Reasons of changes
	December	December	Amount	Percentage	
	2004	2003	increased	increased	
	RMB millions	RMB millions	RMB millions	(%)	
Income from principal operations	590,632	417,191	173,441	41.57	Please refer to Management's Discussion and Analysis
Cost of sales	459,207	323,104	136,103	42.12	Please refer to Management's Discussion and Analysis
Selling expenses	19,477	14,582	4,895	33.57	Mainly due to the increase in selling expenses for refined oil products
Investment income	1,088	548	540	98.54	Mainly due to the increase in net profit from associates
Non-operating income	665	292	373	127.74	Mainly due to the increase in net gains from disposal of fixed assets
Non-operating expenses	11,171	6,334	4,837	76.37	Please refer to note 37 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Taxation	16,060	9,361	6,699	71.56	Mainly due to the increase in profit before taxation
Minority interests	5,670	1,886	3,784	200.64	Mainly due to the increase in net profit from subsidiaries
Unrecognized investment losses	470	243	227	93.42	Mainly due to unrecognized investment losses which exceeded 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 years ended 31 December				
	2004	2003	2002	2001	2000
Turnover and other operating revenues	619,783	449,001	350,078	326,424	341,576
Operating profit	63,069	38,883	29,301	27,311	38,356
Profit from ordinary activities before taxation	59,606	35,041	24,916	23,930	33,020
Profit attributable to shareholders	36,019	22,424	16,296	15,503	21,732
Basic earnings per share (RMB)	0.415	0.259	0.188	0.182	0.302
Earnings per share (Based on the total number of shares in issue at the year end) (RMB)	0.415	0.259	0.188	0.179	0.259
Return on capital employed (%)	12.84	9.01	6.90	6.26	9.90
Return on net assets (%)	18.66	13.07	9.77	9.72	15.00
Net cash flow from operating activities per share (RMB)	0.797	0.716	0.655	0.663	0.360

Unit: RMB millions

	At 31 December				
	2004	2003	2002	2001	2000
Non-current assets	354,323	317,145	301,614	286,093	247,695
Net current (liabilities)/assets	(26,006)	(26,233)	(18,759)	(16,574)	11,380
Non-current liabilities	(104,231)	(93,346)	(91,927)	(86,309)	(90,682)
Minority interests	(31,046)	(26,051)	(24,151)	(23,652)	(23,472)
Net assets	193,040	171,515	166,777	159,558	144,921
Net assets per share (RMB)	2.226	1.978	1.924	1.840	1.727
Adjusted net assets per share (RMB)	2.187	1.950	1.910	1.820	1.717
Debt/equity ratio*(%)	33.58	33.73	34.25	34.03	37.85

* 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 2004 AND SHAREHOLDERS' 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

	For the years ended 31 December	
	2004	2003
	RMB millions	RMB millions
Net profit under the PRC Accounting Rules and Regulations	32,275	19,011
Adjustments:		
Disposal of oil and gas properties, net of depreciation effect	2,110	1,260
Acquisition of Sinopec Maoming, Xi'an Petrochemical, Tahe Petrochemical, Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical and Catalyst Plants	1,499	1,157
Acquisition of Sinopec National Star	117	117
Depreciation of oil and gas properties	761	1,784
Impairment losses on revalued assets	709	—
Capitalization of general borrowing costs	480	389
Revaluation of land use rights	19	18
Government grants	3	—
Unrecognized losses of subsidiaries	(531)	(182)
Pre-operating expenditures	(288)	(169)
Gain from issuance of shares by a subsidiary	—	136
Gain from debt restructuring	—	82
Effects of the above adjustments on taxation	(1,135)	(1,179)
Net profit under IFRS*	36,019	22,424

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

	At 31 December	
	2004	2003
	RMB millions	RMB millions
Shareholders' funds under the PRC Accounting Rules and Regulations	186,350	162,946
Adjustments:		
Disposal of oil and gas properties, net of depreciation effect	3,370	1,260
Acquisition of Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical and Catalyst Plants	—	3,616
Acquisition of Sinopec National Star	(2,695)	(2,812)
Depreciation of oil and gas properties	11,646	10,885
Capitalization of general borrowing costs	1,605	1,125
Revaluation of land use rights	(851)	(870)
Government grants	(592)	(326)
Effect of minority interests on unrecognized losses of subsidiaries	—	61
Pre-operating expenditures	(457)	(169)
Impairment losses on long-lived assets	(113)	(113)
Effects of the above adjustments on taxation	(5,223)	(4,088)
Shareholders' funds under IFRS*	193,040	171,515

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