

NOTES TO THE FINANCIAL STATEMENTS

for the six-month period ended 30 June 2002

1 STATUS OF THE COMPANY

China Petroleum & Chemical Corporation (the "Company") was established in the PRC on 25 February 2000 as a joint stock limited company.

According to the State Council's approval to the "Preliminary Plan for the Reorganisation of China Petrochemical Corporation" (the "Reorganisation"), the Company was established by China Petrochemical Corporation ("Sinopec Group Company"), which transferred its core businesses together with the related assets and liabilities at 30 September 1999 to the Company. Such assets and liabilities had been valued jointly by China United Assets Appraisal Corporation, Beijing Zhong Zheng Appraisal Company, CIECC Assets Appraisal Corporation and Zhong Fa International Properties Valuation Corporation ("registered valuers"). The net asset value was determined at RMB98,249,084,000. The valuation was reviewed and approved by the Ministry of Finance ("MOF") (Cai Ping Zi [2000] No. 20 "Comments on the Review of the Valuation Regarding the Formation of a Joint Stock Limited Company by China Petrochemical Corporation").

In addition, pursuant to the notice Cai Guan Zi [2000] No. 34 "Reply to the Issue Regarding Management of State-Owned Equity by China Petroleum and Chemical Corporation" issued by the MOF, 68.8 billion domestic state-owned shares with a par value of RMB1.00 each were issued to Sinopec Group Company, the amount of which is equivalent to 70% of the above net asset value transferred from Sinopec Group Company to the Company in connection with the Reorganization.

Pursuant to the notice Guo Jing Mao Qi Gai [2000] No. 154 "Reply on the Formation of China Petroleum and Chemical Corporation", the Company obtained the approval from the State Economic and Trade Commission on 21 February 2000 for the formation of a joint stock limited company.

The Company took over the exploration, development and production of crude oil and natural gas, refining, chemicals and related sales and marketing business of Sinopec Group Company after the establishment of the Company.

Pursuant to the resolution passed at the extraordinary general meeting held on 24 August 2001, the Company acquired the entire equity interest of Sinopec National Star Petroleum Company ("Sinopec National Star") from Sinopec Group Company for a consideration of RMB6.45 billion.

2 CHANGE IN ACCOUNTING POLICY

Pursuant to the notices (Cai Qi [2000] No. 295 and Cai Kuai Zi [2001] No. 5) issued by MOF on 6 September 2000 and 7 January 2001, respectively, the debit balance of Housing Revolving Fund at 31 December 2000, net of the amount attributable to minority interests, should be written-off against the undistributed profits brought forward in 2001. The shareholders' funds of the Company and its subsidiaries ("the Group") and the Company were reduced by RMB484 million accordingly.

The effect of the above change in accounting policy is as follows:

	The Group and the Company RMB millions
Undistributed profits at 31 December 2000	6,212
Write-off of debit balance of Housing Revolving Fund, net of the amount attributable to minority interests	484
Undistributed profits at 1 January 2001 (as restated)	5,728

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are in conformity with the "Accounting Standards for Business Enterprises" and "Accounting Regulations for Business Enterprises" issued by the MOF of the PRC.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(b) Basis of consolidation

The Group prepared the consolidated financial statements according to Cai Kuai Zi [1995] No. 11 "Temporary regulations on consolidated financial statements" issued by the MOF.

The consolidated financial statements include the financial statements of the Company and all of its principal subsidiaries made up to 31 December each year. Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated income statement of the Company only includes the results of the subsidiaries during the period when such control effectively commences until the date that control effectively ceases. The effect of minority interests on equity and profit/loss attributable to minority interests are separately shown in the consolidated financial statements.

Where the accounting policies adopted by the subsidiaries are different from the policies adopted by the Company, the financial statements of the subsidiaries have been adjusted in accordance with the accounting policies adopted by the Company on consolidation. All significant inter-company balances and transactions, and any unrealised gains arising from inter-company transactions, have been eliminated on consolidation. For those subsidiaries whose assets and results of operation are not significant and have no significant effect on the Group's consolidated financial statements, the Company does not consolidate these subsidiaries, but includes in the long-term equity investments.

For those jointly controlled entities which the Company has joint control with other investors under contractual arrangement, the Company consolidates their assets, liabilities, revenues, costs and expenses based on the proportionate consolidation method according to its percentage of holding of equity interest in those entities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation

The financial statements of the Group have been prepared on an accrual basis under the historical costs convention, unless otherwise stated.

(d) Reporting currency and translation of foreign currencies

The Group's financial statements are prepared in Renminbi. Foreign currency transactions during the year are translated into Renminbi at the applicable rates of exchange quoted by the People's Bank of China ("PBOC rates") prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Renminbi at the applicable PBOC rates at the balance sheet date. Exchange differences, other than those arising from foreign currency loans using to finance the construction of fixed assets before they are ready for their intended use are capitalised, are recognised as income or expenses in the income statement.

The results of overseas subsidiaries are translated into Renminbi at the annual average PBOC rates. The balance sheet items are translated into Renminbi at the applicable PBOC rates at the balance sheet date. The resulting exchange gains or losses are accounted for as foreign currency exchange differences in the income statement.

(e) Cash equivalents

Cash equivalents are short-term and highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value, including time deposits with financial institutions with an initial term of less than three months.

(f) Allowance for doubtful accounts

Doubtful debts are accounted for based on allowance method which are estimated periodically. Trade accounts receivables showing signs of uncollectibility are identified individually and allowance is then made based on the probability of being uncollectible. In respect of trade accounts receivables showing no sign of uncollectibility, allowance is made with reference to the ageing analysis and management's estimation based on past experience. Allowances for other receivables are determined based on the nature and corresponding collectibility. Specific approval from management is required for allowances made in respect of significant doubtful receivables.

(g) Inventories

Inventories, other than spare parts and consumables, are stated at the lower of cost and net realisable value. Difference between the cost and net realisable value of each category of inventories is recognised as provision for diminution in value of inventories. Cost of inventories includes the cost of purchase of raw material computed using the weighted average method and, in the case of work in progress and finished goods, an appropriate proportion of direct labor and production overheads, also computed using the weighted average method. Net realisable value is determined based on the estimated selling price subsequent to the balance sheet date in the ordinary course of business or the management's estimation based on the prevailing market conditions.

Spare parts and consumables are stated at cost less any provision for obsolescence. Consumables are expensed when being consumed.

(h) Long-term equity investments

The Group's investments in the associates and the Company's investments in subsidiaries, associates and the related investment income and the long-term equity investment are accounted for under the equity method. Equity investments difference is the difference between initial investment cost and the share of shareholders' funds of the investee companies, which is amortised on a straight-line basis and recognised in the investment income. The amortisation period is determined according to the investment period as stipulated in the relevant agreement or 10 years if not specified.

An associate is a company in which the Group holds, for long-term purposes, not less than 20% but not more than 50% of its equity interests and exercises significant influence in its management. A jointly controlled entity is an entity over which the Group can exercise joint control with other ventures.

Long-term investments in entities in which the Group does not hold more than 20% of their equity interests or those in which the Group holds more than 20% of their equity interests but does not exercise significant influence in their management are stated at cost less provision for impairment losses. Provision for impairment losses is made when there is a permanent diminution in the value of investment. Investment income is recognised when an investee company declares cash dividend or distributes profit.

Disposals or transfers of long-term equity investments are recognised in the income statement based on the difference between the disposal proceeds and the carrying amount of the investments.

(i) Fixed assets and construction in progress

Fixed assets and construction in progress are stated in the balance sheet at cost or revalued amount less accumulated depreciation and impairment losses. Valuation is carried out in accordance with the relevant rules and regulations in the PRC and fixed assets and construction in progress are adjusted to the revalued amounts accordingly.

All direct and indirect costs related to the purchase or construction of fixed assets, including interest charges and foreign exchange gains or losses on related borrowings during the construction period, are capitalised as construction in progress.

Construction in progress is transferred to fixed assets when the asset is substantially completed and ready for its intended use.

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Fixed assets and construction in progress (Continued)

The respective estimated useful lives, residual values and annual depreciation rates on fixed assets are as follows:

	Depreciation life	Residual value	Annual depreciation rate
Land and buildings	15-45 years	3%-5%	2.1%-6.7%
Oil and gas properties	10-14 years	0%-3%	6.9%-10.0%
Machinery, equipment and vehicles	4-18 years	3%	5.4%-24.3%
Oil depots and storage tanks	8-14 years	3%	6.9%-12.1%
Service station equipment	8-14 years	3%	6.9%-12.1%

No depreciation is provided in respect of construction in progress.

(j) Oil and gas properties

Costs of development wells and the related support equipment are capitalised. The cost of exploratory wells is initially capitalised as construction in progress pending determination of whether the well has found proved reserves. The impairment of exploratory well costs occurs upon the determination that the well has not found proved reserves. However, in the absence of a determination of the discovery of proved reserves, exploratory well costs are not carried as an asset for more than one year following completion of drilling. If, after one year has passed, a determination of the discovery of proved reserves cannot be made, the exploratory well costs are impaired and charged to expense. All other exploration costs, including geological and geophysical costs, are expensed as incurred.

(k) Intangible assets

Intangible assets are carried in the balance sheet at cost or valuation less accumulated amortisation and provision for impairment losses. Amortisation is provided on a straight-line basis. The amortisation period is the shorter of the beneficial period as specified in the related agreement and the legal life of the intangible asset. Amortisation is provided over 10 years if it is not specified in agreements or stipulated by law.

Intangible assets include exploration and production right. Exploration and production right are amortised on a straight-line basis over the average period of the production rights of the related oil fields.

(l) Debentures payable

Debentures payable is valued based on the proceeds received upon issuance and the related interest payable. Interest expenses are calculated using actual interest rate.

(m) Revenue recognition

Revenues associated with the sale of crude oil, natural gas, petroleum and chemical products and all other items are recorded when the customer accepts the goods and the significant risks and rewards of ownership and title have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or when the amount of revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

Revenue from the rendering of services is recognised upon performance of the services.

Interest income is recognised on a time apportioned basis that takes into account the effective yield on the asset.

(n) Income tax

Income tax is provided using the tax effect accounting method. It represents tax expense relating to the income for the period and is computed based on the income and expenses for the period.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. When the initial recognition of assets or liabilities which affect neither accounting profit nor taxable profit/loss, no deferred tax is provided for in this regard.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the same legal tax unit and jurisdiction. A valuation allowance is provided for the tax value of losses to reduce the deferred tax asset to the amount that is more likely than not to be realised through future taxable income.

(o) Borrowing costs

Borrowing costs represent interest expenses and foreign exchange difference on loans. Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being attributable to the construction of an asset which necessarily takes a period of time to get ready for its intended use.

(p) Repairs and maintenance expenses

Repairs and maintenance expenses, including cost of major overhaul, are expensed as incurred.

(q) Environmental expenditures

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed as incurred.

(r) Research and development costs

Research and development costs are recognised as expenses in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Operating leases

Operating lease payments are charged to the income statement on a straight-line basis over the period of the respective leases.

(t) Retirement benefits

The contributions payable under the Group's retirement plans are charged to the income statement according to the contribution determined by the plans.

(u) Impairment loss

The carrying amounts of long-lived assets are reviewed by the Group periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value. The amount of the reduction is recognised as an expense in the income statement.

The Group assesses at each balance sheet date whether there is any indication that an impairment loss recognised for an asset in prior years may no longer exist. The provision for impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount by which the impairment loss is reduced. The reversed amount is recognised as income in the period in the income statement.

(v) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

4 TAXATION

Major taxes applicable to the Group and the Company comprise income tax, consumption tax, resources tax and value added tax.

Income tax rate is 33% and that of certain subsidiaries is 15%.

Consumption tax is levied on gasoline and diesel at a rate of RMB277.6 per tonne and RMB117.6 per tonne respectively.

Resources tax is levied on crude oil and natural gas at rates ranging from RMB8 per tonne to RMB30 per tonne and RMB2 per 1000 cubic metre to RMB15 per 1000 cubic metre respectively.

Value added tax rate for liquefied petroleum gas, natural gas and certain agricultural products is 13% and that for other products is 17%.

The subsidiaries granted with tax concession are set out below:

Name of subsidiaries	Applicable tax rate	Reasons for granting concession
Sinopec Shanghai Petrochemical Company Limited	15%	Among the first batch of joint stock enterprises which successfully launched their overseas listings
Sinopec Yizheng Chemical Fibre Company Limited	15%	Among the first batch of joint stock enterprises which successfully launched their overseas listings
Sinopec Qilu Petrochemical Company Limited	15%	Hi-tech enterprise
Sinopec Shijiazhuang Refining-Chemical Company Limited	15%	Hi-tech enterprise
Sinopec Yangzi Petrochemical Company Limited	15%	Hi-tech enterprise
Sinopec Zhongyuan Petroleum Company Limited	15%	Hi-tech enterprise

5 CASH AT BANK AND IN HAND

	Exchange rates	The Group			The Company		
		Original currency millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	Original currency millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Cash in hand							
Renminbi			94	79		90	31
Cash at bank							
Renminbi			14,669	12,300		6,947	7,595
US Dollars	8.2771	119	986	958	3	22	37
Hong Kong Dollars	1.0606	85	90	2,332	30	32	2,217
Deutsche Marks			—	6		—	—
Japanese Yen	0.0689	203	14	17		—	—
Pound sterling	12.6852	0.32	4	3		—	—
Swiss Francs	5.5885	0.18	1	1		—	—
Euro	8.1537	5	39	29		—	—
			15,897	15,725		7,091	9,880
Deposits at related parties							
Renminbi			5,192	7,129		2,098	1,945
US Dollars	8.2771	15	121	—	6	49	—
Total cash at bank and in hand			21,210	22,854		9,238	11,825

Deposits at related parties represent deposits placed at Sinopec Finance Company Limited. Deposits interest is calculated at market rate.

6 BILLS RECEIVABLE

Bills receivable represents mainly the bills of acceptance issued by banks for sales of goods and products.

7 TRADE ACCOUNTS RECEIVABLES

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Subsidiaries	—	—	4,339	2,910
Sinopec Group Company and fellow subsidiaries	3,272	3,503	2,015	2,080
Associates and jointly controlled entities	79	10	49	8
Others	12,551	10,049	6,917	6,237
	15,902	13,562	13,320	11,235
Less: Allowance for doubtful accounts	2,637	2,480	1,850	1,774
	13,265	11,082	11,470	9,461

Ageing analysis on trade accounts receivables are as follows:

	The Group				The Company			
	Amount RMB millions	At 30 June 2002 Allowance RMB million	%	Amount RMB millions	At 31 December 2001 Allowance RMB million	%	Amount RMB millions	At 31 December 2001 Allowance RMB million
Within one year	11,572	72.8	83	0.7	9,237	68.1	13	0.1
Between one and two years	1,100	6.9	247	22.5	962	7.1	254	26.4
Between two and three years	605	3.8	292	48.3	714	5.3	346	48.5
Over three years	2,625	16.5	2,015	76.8	2,649	19.5	1,867	70.5
	15,902	100.0	2,637		13,562	100.0	2,480	

	The Company				The Company			
	Amount RMB millions	At 30 June 2002 Allowance RMB million	%	Amount RMB millions	At 31 December 2001 Allowance RMB million	%	Amount RMB millions	At 31 December 2001 Allowance RMB million
Within one year	10,519	79.0	83	0.8	8,449	75.2	7	0.1
Between one and two years	666	5.0	170	25.5	656	5.8	131	20.0
Between two and three years	447	3.4	236	52.8	442	3.9	212	48.0
Over three years	1,688	12.6	1,361	80.6	1,688	15.1	1,424	84.4
	13,320	100.0	1,850		11,235	100.0	1,774	

Major trade accounts receivables of the Group at 30 June 2002 are set out below:

Name of entity	Particulars	Balance RMB millions	Percentage of trade accounts receivables %
Exxon Mobil Corporation	Trade	201	1.3
Trafigura Pte Ltd	Trade	198	1.2
Jinan Petrochemical Factory	Trade	164	1.0
Qingdao Petrochemical Factory	Trade	153	1.0
China Petrochemical Corporation	Trade	146	1.0

Except for the balances disclosed in Note 40, there is no amount due from shareholders who hold 5% or more shareholdings of the Company included in the balance of trade accounts receivables.

During the six-month period ended 30 June 2002, the Group and the Company had no individually significant write off or write back of doubtful debts which had been fully or substantially provided in prior years.

At 30 June 2002, the Group and the Company did not have individually significant trade accounts receivables that aged over three years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

8 OTHER RECEIVABLES

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Subsidiaries	—	—	7,353	8,802
Sinopec Group Company and fellow subsidiaries	9,670	8,289	6,826	6,763
Associates and jointly controlled entities	350	373	328	373
Others	12,666	12,690	12,940	9,607
	22,686	21,352	27,447	25,545
Less: Allowance for doubtful accounts	1,614	1,550	1,216	1,242
	21,072	19,802	26,231	24,303

Ageing analysis of other receivables are as follows:

	The Group							
	At 30 June 2002				At 31 December 2001			
	Amount RMB millions	Allowance RMB million	%	%	Amount RMB millions	Allowance RMB million	%	%
Within one year	11,445	47	50.5	0.4	10,784	16	50.5	0.1
Between one and two years	2,088	53	9.2	2.5	7,715	3	36.1	0.0
Between two and three years	6,562	215	28.9	3.3	585	201	2.7	34.4
Over three years	2,591	1,299	11.4	50.1	2,268	1,330	10.7	58.6
	22,686	1,614	100.0		21,352	1,550	100.0	

	The Company							
	At 30 June 2002				At 31 December 2001			
	Amount RMB millions	Allowance RMB million	%	%	Amount RMB millions	Allowance RMB million	%	%
Within one year	17,861	—	65.1	0.0	16,538	8	64.7	0.0
Between one and two years	1,773	37	6.4	2.1	7,563	1	29.6	0.0
Between two and three years	6,386	169	23.3	2.6	226	150	0.9	66.4
Over three years	1,427	1,010	5.2	70.8	1,218	1,083	4.8	88.9
	27,447	1,216	100.0		25,545	1,242	100.0	

Major others receivables of the Group at 30 June 2002 are set out below:

Name of entity	Particulars	Balance RMB millions	Percentage of other receivables %
Daqing Petrochemical Company	Current Account	2,105	9.3
Fushun Petrochemical Company	Current Account	1,194	5.3
Baling Petrochemical Company Limited	Current Account	967	4.3
Lanzhou Chemical Industrial Company	Current Account	441	1.9
Yuelian Wanda Petrochemical Company Limited	Current Account	423	1.9

Except for the balances disclosed in Note 40, there is no amount due from shareholders who hold 5% or more shareholdings of the Company included in the balance of other receivables.

During the six-month period ended 30 June 2002, the Group and the Company had no individually significant write off of other receivables.

At 30 June 2002, the Group and the Company did not have individually significant other receivables that aged over three years.

9 ADVANCE PAYMENTS

All advance payments are due within a year.

Advance payments made to shareholders who hold 5% or more shareholdings of the Company are disclosed in Note 40.

10 INVENTORIES

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Raw materials	20,935	17,777	11,329	9,954
Work in progress	5,616	5,050	3,188	3,556
Finished goods	18,230	20,442	11,084	12,925
Spare parts and consumables	2,617	2,781	997	1,044
	47,398	46,050	26,598	27,479
Less: Provision for diminution in value of inventories	524	602	266	292
	46,874	45,448	26,332	27,187

Provision for diminution in value of inventories is mainly against finished goods.

Provision for diminution in value of inventories are analysed as follows:

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Balance at 1 January	602	841	292	560
Provision for the period/year	102	114	22	27
Written back for the period/year	(140)	(161)	(9)	(114)
Written off	(40)	(192)	(39)	(181)
Balance at 30 June/31 December	524	602	266	292

11 LONG-TERM EQUITY INVESTMENTS

The Group

	Listed stock investment RMB millions	Unlisted stock and other equity investment RMB millions	Equity investment differences RMB millions	Provision for impairment losses RMB millions	Total RMB millions
Balance at 1 January 2002	691	7,962	438	(181)	8,910
Additions for the period	—	1,049	260	—	1,309
Share of profits less losses from investments accounted for under the equity method	20	92	—	—	112
Dividends received	(8)	(36)	—	—	(44)
Disposal for the period	—	(84)	—	—	(84)
Amortisation for the period	—	—	(72)	—	(72)
Movement of provision for impairment losses	—	—	—	(3)	(3)
Balance at 30 June 2002	703	8,983	626	(184)	10,128

The Company

	Listed stock investment RMB millions	Unlisted stock and other equity investment RMB millions	Equity investment differences RMB millions	Provision for impairment losses RMB millions	Total RMB millions
Balance at 1 January 2002	35,971	54,898	385	(149)	91,105
Additions for the period	—	589	255	—	844
Share of profits less losses from investments accounted for under the equity method	449	3,577	—	—	4,026
Dividends received	(244)	(11,234)	—	—	(11,478)
Disposal for the period	(20)	—	—	—	(20)
Amortisation for the period	—	—	(67)	—	(67)
Balance at 30 June 2002	36,156	47,830	573	(149)	84,410

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

11 LONG-TERM EQUITY INVESTMENTS (Continued)

Provision for impairment losses are analysed as follows:

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Balance at 1 January	181	210	149	140
Provision for the period/year	8	18	—	9
Written back for the period/year	(5)	(42)	—	—
Written off	—	(5)	—	—
Balance at 30 June/31 December	184	181	149	149

At 30 June 2002, the Group and the Company did not have individually significant provision for impairment losses on long-term equity investments.

Other equity investments represent the Group's interests in PRC domiciled enterprises which are mainly engaged in non oil and gas and chemical activities and operations. This includes non-consolidated investments which the Group has over 50% equity interest but the costs of investment are not significant or the Group has no control on the entities' boards of directors. Stock investment of the Company represents investment in subsidiaries and associates. Details of the Company's principal subsidiaries are set out in Note 41.

At 30 June 2002, details of listed stock investment of the Group are as follows:

Name of invested company	Type of investment	No. of shares millions	Percentage of equity interest held by the Group	Initial investment cost RMB millions	Balance at 1 January 2002 RMB millions	Shares of profits accounted for under the equity method RMB millions	Dividends received RMB millions	Balance at 30 June 2002 RMB millions	Market value at 30 June 2002* RMB millions
Sinopec Shengli Oil Field Dynamic Co Ltd	Legal person shares	80	26.33%	223	393	16	(8)	401	1,020
Sinopec Shandong Taishan Petroleum Co Ltd	Legal person shares	186	38.68%	124	298	4	—	302	1,871
					691	20	(8)	703	

* Information of market price is sourced from Shenzhen Stock Exchange.

At 30 June 2002, details of principal unlisted stock and other equity investment of the Group are as follows:

Name of invested company	Initial investment cost RMB millions	Investment period	Percentage of equity interest held by the Group	Balance at 1 January 2002 RMB millions	Additions for the period RMB millions	Share of profits/(losses) accounted for under the equity method RMB millions	Dividends received RMB millions	Balance at 30 June 2002 RMB millions
BASF-YPC Company limited (i)	1,583	—	40%	1,231	352	—	—	1,583
Sinopec Finance Company Limited	1,205	—	40%	1,205	—	46	(5)	1,246
Shanghai Petroleum National Gas Corporation	300	—	30%	584	—	122	(60)	646
Shanghai Chemical Industry Park Development Company Limited (i)	580	30 years	38%	560	20	—	—	580
Shanghai Secco Petrochemical Company Limited (ii)	559	50 years	50%	165	394	—	—	559
Block A Oil Field in the Western Area Chengdao in Bohai Bay	249	15 years	43%	237	12	(30)	—	219
中石化長江燃料油有限公司 (i)	190	20 years	50%	25	165	—	—	190
China Everbright Bank	83	—	—	83	—	—	—	83
Shanghai Jinpu Packaging Material Company Limited	50	30 years	50%	78	—	11	(6)	83
Shanghai Golden Conti Petrochemical Company Limited	142	30 years	48%	71	—	(4)	(1)	66

No provision for impairment losses or equity investment difference was made for the long-term equity investments as set out above.

- (i) Due to the fact that the projects in these companies are still under construction, there are no income statements for these companies. Accordingly the Group did not have any share of profits or losses of these companies for the period ended 30 June 2002.
- (ii) Due to the fact that the projects in this jointly controlled entity are still under construction, there is no income statement for this jointly controlled entity. The assets and liabilities of this jointly controlled entity have no significant effect on the Group's consolidated financial statements, therefore, costing method is adopted.

12 FIXED ASSETS

The Group - by segment

	Exploration and production RMB millions	Refining RMB millions	Marketing and distribution RMB millions	Chemicals RMB millions	Others RMB millions	Total RMB millions
Cost/valuation						
Balance at 1 January 2002	142,354	93,357	40,683	112,482	1,657	390,533
Additions for the period	491	240	150	258	36	1,175
Transferred from construction in progress	3,785	1,701	4,280	3,817	59	13,642
Disposals	(124)	(484)	(349)	(223)	(18)	(1,198)
Balance at 30 June 2002	146,506	94,814	44,764	116,334	1,734	404,152
Accumulated depreciation:						
Balance at 1 January 2002	74,697	40,385	6,788	54,757	413	177,040
Depreciation charge for the period	5,401	2,732	833	3,460	58	12,484
Written back on disposal	(28)	(198)	(187)	(145)	(3)	(561)
Balance at 30 June 2002	80,070	42,919	7,434	58,072	468	188,963
Net book value:						
At 30 June 2002	66,436	51,895	37,330	58,262	1,266	215,189
At 31 December 2001	67,657	52,972	33,895	57,725	1,244	213,493

The Company - by segment

	Exploration and production RMB millions	Refining RMB millions	Marketing and distribution RMB millions	Chemicals RMB millions	Others RMB millions	Total RMB millions
Cost/valuation						
Balance at 1 January 2002	46,748	64,392	39,671	30,309	847	181,967
Additions for the period	234	217	142	200	9	802
Transferred from construction in progress	2,226	751	4,269	6	40	7,292
Disposals	(122)	(320)	(331)	(50)	(12)	(835)
Balance at 30 June 2002	49,086	65,040	43,751	30,465	884	189,226
Accumulated depreciation:						
Balance at 1 January 2002	23,965	30,001	6,648	15,361	229	76,204
Depreciation charge for the period	1,753	1,989	792	1,054	28	5,616
Written back on disposal	(27)	(195)	(176)	(36)	(2)	(436)
Balance at 30 June 2002	25,691	31,795	7,264	16,379	255	81,384
Net book value:						
At 30 June 2002	23,395	33,245	36,487	14,086	629	107,842
At 31 December 2001	22,783	34,391	33,023	14,948	618	105,763

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

12 FIXED ASSETS (Continued)

The Group - by asset class

	Land and buildings RMB millions	Oil and gas properties RMB millions	Oil depots, storage tanks and service stations RMB millions	Plant, machinery, equipment and others RMB millions	Total RMB millions
Cost/valuation:					
Balance at 1 January 2002	35,804	125,119	33,321	196,289	390,533
Additions for the period	108	—	39	1,028	1,175
Transferred from construction in progress	198	3,703	4,219	5,522	13,642
Disposals	(111)	(121)	(69)	(897)	(1,198)
Balance at 30 June 2002	35,999	128,701	37,510	201,942	404,152
Accumulated depreciation:					
Balance at 1 January 2002	13,226	69,055	5,902	88,857	177,040
Depreciation charge for the period	784	4,920	622	6,158	12,484
Written back on disposal	(26)	(25)	(10)	(500)	(561)
Balance at 30 June 2002	13,984	73,950	6,514	94,515	188,963
Net book value:					
At 30 June 2002	22,015	54,751	30,996	107,427	215,189
At 31 December 2001	22,578	56,064	27,419	107,432	213,493

The Company - by asset class

	Land and buildings RMB millions	Oil and gas properties RMB millions	Oil depots, storage tanks and service stations RMB millions	Plant, machinery, equipment and others RMB millions	Total RMB millions
Cost/valuation:					
Balance at 1 January 2002	17,221	39,869	32,397	92,480	181,967
Additions for the period	94	—	33	675	802
Transferred from construction in progress	172	2,146	4,110	864	7,292
Disposals	(46)	(83)	(69)	(637)	(835)
Balance at 30 June 2002	17,441	41,932	36,471	93,382	189,226
Accumulated depreciation:					
Balance at 1 January 2002	5,651	22,196	5,828	42,529	76,204
Depreciation charge for the period	398	1,495	588	3,135	5,616
Written back on disposal	(13)	(17)	(10)	(396)	(436)
Balance at 30 June 2002	6,036	23,674	6,406	45,268	81,384
Net book value:					
At 30 June 2002	11,405	18,258	30,065	48,114	107,842
At 31 December 2001	11,570	17,673	26,569	49,951	105,763

The fixed assets and construction in progress of the Group at 30 September 1999 were valued by registered valuers in the PRC. The valuation was reviewed and approved by the MOF (note 1). Surplus on revaluation was RMB29,093 million and deficit on revaluation was RMB3,210 million. A net surplus on revaluation of RMB25,883 million was resulted which has been incorporated in the Group's financial statements since the year ended 31 December 1999.

In accordance with the relevant rules and regulations in respect of the acquisition of Sinopec National Star, the fixed assets and construction in progress of Sinopec National Star have been valued by a firm of independent valuers in the PRC. Surplus on revaluation of RMB541 million has been incorporated in the Group's financial statements of 2001 and that for the six-month period ended 30 June 2002.

At 30 June 2002, the carrying amounts of fixed assets that were pledged by the Group and the Company are RMB227 million (2001: RMB233 million) and RMB114 million (2001: RMB104 million) respectively.

Provision for impairment losses on fixed assets are analysed as follows:

	The Group and the Company RMB millions
Balance at 1 January and 30 June 2002	391

13 CONSTRUCTION MATERIALS

At 30 June 2002, construction materials mainly represent the actual cost of materials such as steel and copper to be used for construction projects.

14 CONSTRUCTION IN PROGRESS

The Group

	Exploration and production RMB millions	Refining RMB millions	Marketing and distribution RMB millions	Chemicals RMB millions	Others RMB millions	Total RMB millions
Balance at 1 January 2002	3,163	6,468	8,592	7,274	509	26,006
Additions for the period	9,634	2,389	3,327	3,711	220	19,281
Dry hole costs written off	(623)	—	—	—	—	(623)
Transferred to fixed assets	(3,785)	(1,701)	(4,280)	(3,817)	(59)	(13,642)
Balance at 30 June 2002	8,389	7,156	7,639	7,168	670	31,022

At 30 June 2002, major projects of the Group are as follows:

Project name	Budgeted amount RMB millions	Balance at 1 January 2002 RMB millions	Additions for the period RMB millions	Balance at 30 June 2002 RMB millions	Percentage of completion	Source of funding	Interest capitalised for the period RMB millions
650k tonne/year ethylene project	4,487	1,647	850	2,497	56%	Bank loans & self-financing	57
Refinery plant reconstruction project	3,100	1,234	225	1,459	47%	Bank loans & self-financing	57
450k tonne/year ethylene project	2,055	380	354	734	36%	Bank loans & self-financing	13
Thermal power plant phase II expansion project	810	552	127	679	84%	Bank loans & self-financing	17
Technical reconstruction project for high sulphur-bearing crude oil	983	393	125	518	53%	Bank loans & self-financing	—

The Company

	Exploration and production RMB millions	Refining RMB millions	Marketing and distribution RMB millions	Chemicals RMB millions	Others RMB millions	Total RMB millions
Balance at 1 January 2002	1,893	5,046	8,346	728	468	16,481
Additions for the period	3,942	1,535	3,223	108	195	9,003
Dry hole costs written off	(304)	—	—	—	—	(304)
Transferred to fixed assets	(2,226)	(751)	(4,269)	(6)	(40)	(7,292)
Balance at 30 June 2002	3,305	5,830	7,300	830	623	17,888

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

15 INTANGIBLE ASSETS

The Group

	Computer Software licence RMB millions	Technical know-how RMB millions	Exploration and production right RMB millions	Others RMB millions	Total RMB millions
Cost:					
Balance at 1 January 2002	296	993	3,163	100	4,552
Additions for the period	20	96	—	35	151
Disposals	(30)	(15)	—	(64)	(109)
Balance at 30 June 2002	286	1,074	3,163	71	4,594
Accumulated amortisation:					
Balance at 1 January 2002	38	367	117	53	575
Amortisation charge for the period	14	66	58	9	147
Written back on disposal	(16)	—	—	(16)	(32)
Balance at 30 June 2002	36	433	175	46	690
Net book value:					
At 30 June 2002	250	641	2,988	25	3,904
At 31 December 2001	258	626	3,046	47	3,977

Except for exploration and production right, the above intangible assets were acquired from third parties. The Company acquired Sinopec National Star together with the exploration and production right from Sinopec Group Company. The exploration and production right was valued with reference to the proved reserves of the associated oil fields. The amortisation period of exploration and production right was 27 years. The amortisation periods of other intangible assets range from 4 to 10 years.

The Company

	Computer Software licence RMB millions	Technical know-how RMB millions	Exploration and production right RMB millions	Others RMB millions	Total RMB millions
Cost:					
Balance at 1 January 2002	156	918	3,163	43	4,280
Additions for the period	2	1	—	2	5
Disposals	(29)	(10)	—	(10)	(49)
Balance at 30 June 2002	129	909	3,163	35	4,236
Accumulated amortisation:					
Balance at 1 January 2002	24	358	117	28	527
Amortisation charge for the period	11	43	58	7	119
Written back on disposals	(15)	—	—	(8)	(23)
Balance at 30 June 2002	20	401	175	27	623
Net book value:					
At 30 June 2002	109	508	2,988	8	3,613
At 31 December 2001	132	560	3,046	15	3,753

Except for exploration and production right, the above intangible assets were acquired from third parties. The Company acquired Sinopec National Star together with the exploration and production right from Sinopec Group Company. The exploration and production right was valued with reference to the proved reserves of the associated oil fields. The amortisation period of exploration and production right was 27 years. The amortisation periods of other intangible assets range from 4 to 10 years.

16 DEFERRED TAX ASSETS AND LIABILITIES

The Group

	Assets		Liabilities		Net balance	
	At 30 June 2002	At 31 December 2001	At 30 June 2002	At 31 December 2001	At 30 June 2002	At 31 December 2001
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
<i>Current</i>						
Provision primarily for receivables and inventories	327	423	—	—	327	423
<i>Non-current</i>						
Property, plant and equipment	59	35	(676)	(671)	(617)	(636)
Tax value of losses carried forward, net of valuation allowance	208	173	—	—	208	173
Other assets	—	33	—	—	—	33
Others	27	96	(12)	(8)	15	88
Deferred tax assets/(liabilities)	621	760	(688)	(679)	(67)	81

The Company

	Assets		Liabilities		Net balance	
	At 30 June 2002	At 31 December 2001	At 30 June 2002	At 31 December 2001	At 30 June 2002	At 31 December 2001
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
<i>Current</i>						
Provision primarily for receivables and inventories	193	281	—	—	193	281
<i>Non-current</i>						
Property, plant and equipment	32	3	(48)	(33)	(16)	(30)
Others	—	53	(3)	—	(3)	53
Deferred tax assets/(liabilities)	225	337	(51)	(33)	174	304

17 SHORT-TERM LOANS

The Group's and the Company's short-term loans represent:

	The Group		The Company	
	At 30 June 2002	At 31 December 2001	At 30 June 2002	At 31 December 2001
	RMB millions	RMB millions	RMB millions	RMB millions
Short-term bank loans	27,461	34,424	15,967	23,460
Short-term other loans	61	43	34	24
Loans from Sinopec Group Company and fellow subsidiaries	4,286	3,448	2,427	2,622
	31,808	37,915	18,428	26,106

The Group's and the Company's weighted average interest rate on short-term loans was 4.4% at 30 June 2002 (2001: 5.1%) and 4.6% at 30 June 2002 (2001: 5.1%) respectively. The majority of the above loans are unsecured.

The Group and the Company had no overdue short-term loan at 30 June 2002 (2001: nil).

18 BILLS PAYABLE

Bills payable primarily represented the bank accepted bills for the purchase of material, goods and products. The repayment term is normally from three to six months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

19 TRADE ACCOUNTS PAYABLE

The ageing analysis of trade accounts payable are as follows:

The Group

	At 30 June 2002 RMB millions	%	At 31 December 2001 RMB millions	%
Within 3 months	11,232	63.6	12,494	74.4
Between 3 and 6 months	2,581	14.6	1,866	11.1
Over 6 months	3,842	21.8	2,433	14.5
	17,655	100.0	16,793	100.0

The Company

	At 30 June 2002 RMB millions	%	At 31 December 2001 RMB millions	%
Within 3 months	12,824	78.3	9,735	76.5
Between 3 and 6 months	1,836	11.2	1,313	10.3
Over 6 months	1,728	10.5	1,679	13.2
	16,388	100.0	12,727	100.0

Except for the balances disclosed in Note 40, there is no amount due to shareholders who hold 5% or more shareholdings of the Company included in the balance of trade accounts payable.

At 30 June 2002, the Group and the Company had no individually significant trade accounts payable aged over three years.

20 RECEIPTS IN ADVANCE

Receipts in advance received from shareholders who hold 5% or more shareholdings of the Company are disclosed in Note 40.

At 30 June 2002, the Group and the Company had no individually significant receipts in advance aged over one year.

21 TAXES PAYABLE

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Value added tax	(1,574)	(1,211)	(1,110)	(914)
Consumption tax	786	979	524	742
Income tax	3,041	2,809	1,252	837
Business tax	42	89	10	33
Other taxes	758	921	99	147
	3,053	3,587	775	845

The provision for PRC current income tax is based on a statutory rate of 33% of the assessable income of the Group and the Company as determined in accordance with the relevant income tax rules and regulations of the PRC during the periods ended 30 June 2001 and 2002, except for certain subsidiaries of the Company, which are taxed at a preferential rate of 15%.

22 OTHER PAYABLES

At 30 June 2002, the Group's and the Company's other payables primarily represented payables for resources compensation fee and education surcharge.

23 OTHER CREDITORS

Except for the balances disclosed in Note 40, there is no amount due to shareholders who hold 5% or more shareholdings of the Company included in the balance of other creditors.

At 30 June 2002, the Group and the Company had no individually significant other payables aged over three years.

24 ACCRUED EXPENSES

At 30 June 2002, the Group's and the Company's accrued expenses primarily represented accrued interest expenses, repair and maintenance expenses, research and development expenses and other production expenses.

25 CURRENT PORTION OF LONG-TERM LIABILITIES

The Group's and the Company's current portion of long-term liabilities represent:

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Long-term bank loans				
- Renminbi loans	7,795	8,490	4,989	5,752
- Japanese Yen loans	284	240	234	192
- US Dollar loans	1,421	1,365	305	481
- Deutsche Marks loans (Note)	—	30	—	29
- Hong Kong Dollar loans	3	4	—	—
- Dutch Guilders loans (Note)	—	11	—	11
- Euro loans	53	—	50	—
	9,556	10,140	5,578	6,465
Long-term other loans				
- Renminbi loans	298	372	192	68
- US Dollar loans	74	370	27	2
	372	742	219	70
Long-term loans from Sinopec Group Company and fellow subsidiaries				
- Renminbi loans	81	345	75	345
- US Dollar loans	9	69	9	69
	90	414	84	414
Total current portion of long-term liabilities	10,018	11,296	5,881	6,949

Note: Loans denominated in European currencies in 2001 were converted to Euro during the six-month period ended 30 June 2002.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

26 LONG-TERM LOANS

The Group's and the Company's long-term loans represent:

Interest rate and final maturity	The Group		The Company		
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	
Third parties debts					
Long-term bank loans					
Renminbi loans	Interest rates ranging from interest free to 11.2% per annum at 30 June 2002 with maturities through 2013	32,987	32,231	21,731	21,473
Japanese Yen loans	Interest rates ranging from 0.3% to 7.3% per annum at 30 June 2002 with maturities through 2024	2,520	2,401	2,406	2,272
US Dollar loans	Interest rates ranging from interest free to 7.9% per annum at 30 June 2002 with maturities through 2031	4,733	4,300	1,565	1,884
Deutsche Marks loans	Fixed rates ranging from 6.6% to 6.8% per annum at 31 December 2001 which was converted to Euro denominated during the six-month period ended 30 June 2002	—	151	—	144
Dutch Guilders loans	Fixed rate at 7.9% per annum at 31 December 2001 which was converted to Euro denominated during the six-month period ended 30 June 2002	—	28	—	28
Hong Kong Dollar loans	Floating rate at Hong Kong Prime Rate per annum plus 0.25% with maturities through 2006	12	14	—	—
Euro loans	Fixed rates ranging from 6.0% to 7.9% per annum at 30 June 2002 with maturities through 2006	178	—	171	—
Less: Current portion		9,556	10,140	5,578	6,465
		30,874	28,985	20,295	19,336
Other long-term loans					
Renminbi loans	Interest rates ranging from interest free to 7.5% per annum at 30 June 2002 with maturities through 2015	688	596	414	123
US Dollar loans	Interest rates ranging from interest free to 4.3% per annum at 30 June 2002 with maturities through 2015	530	522	136	34
French Franc loans	Interest rates ranging from 1.8% to 8.1% per annum at 31 December 2001 which was converted to Euro denominated during the six-month period ended 30 June 2002	—	15	—	15
Euro loans	Interest rates ranging from 1.8% to 8.1% per annum at 30 June 2002 with maturities through 2025	17	—	17	—
Less: Current portion		372	742	219	70
		863	391	348	102
Long-term loans from Sinopec Group Company and fellow subsidiaries					
Renminbi loans	Interest free with maturity in 2020	35,561	35,561	35,561	35,561
Renminbi loans	Interest rates ranging from 5.0% to 5.9% per annum at 30 June 2002 with maturities through 2006	1,732	796	1,726	790
US Dollar loans	Interest rates ranging from 3.3% to 3.7% per annum at 30 June 2002 with maturities through 2006	28	182	27	180
Less: Current portion		90	414	84	414
		37,231	36,125	37,230	36,117
		68,968	65,501	57,873	55,555

26 LONG-TERM LOANS (Continued)

The maturity analysis of the Group's and the Company's long-term loans are as follows:

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Between one to two years	9,221	10,383	6,614	6,043
Between two to five years	17,579	13,108	9,749	7,931
After five years	42,168	42,010	41,510	41,581
Total long-term loans	68,968	65,501	57,873	55,555

At 30 June 2002, the Group and the Company had secured loans from third parties amounting to RMB116 million (2001: RMB171 million) and RMB94 million (2001: RMB76 million) respectively.

27 DEBENTURES PAYABLE

Interest rate and final maturity	The Group		
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	
Convertible bonds	Fixed rate at 2.5% per annum and redeemable in July 2004	1,500	1,500

Convertible bonds amounting to RMB1,500 million were issued by a subsidiary on 28 July 1999. The bonds are convertible upon an initial public offering ("IPO") into ordinary shares of the subsidiary at the IPO price of the ordinary shares and at the option of the holders during the period from 28 July 2000 to 27 July 2004.

28 OTHER LONG-TERM PAYABLES

Other long-term payables primarily represent provision for future dismantlement of oil and gas properties, the costs arising from environmental restoration and specific research and development projects.

29 SHARE CAPITAL

	The Group and the Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Registered, issued and fully paid:		
67,121,951,000 domestic state-owned A shares of RMB1.00 each	67,122	67,122
16,780,488,000 H shares of RMB1.00 each	16,780	16,780
2,800,000,000 A shares of RMB1.00 each	2,800	2,800
	86,702	86,702

The Company was established on 25 February 2000 with a registered capital of 68.8 billion state-owned domestic shares with a par value of RMB1.00 each, which were all held by Sinopec Group Company (Note 1).

Pursuant to the resolutions passed in an extraordinary general meeting of the Company held on 25 July 2000 and the approval from relevant authorities, the Company issued 15,102,439,000 H shares with a par value of RMB1.00 each in its initial global offering in October 2000. The shares include 12,521,864,000 H shares and 25,805,750 American depository shares ("ADSs", each representing 100 H shares) at prices of HK\$ 1.59 and US\$20.645 respectively. As part of the offering, 1,678,049,000 shares were offered in placing to Hong Kong and overseas investors.

According to Sinopec Group Company's debt-to-equity arrangement, some of the Company's shares held by Sinopec Group Company were transferred to the following state-owned bank and asset management companies. Pursuant to the notice Cai Qi [2000] No. 261 issued by MOF, the Company, having made its global offer of H shares, adjusted the price of shares to be transferred to the following entities, based on the issue price of the H shares, in connection with the debt-to-equity arrangement and the proportion of its state-owned shares. As a result, shares of the Company held by the State Development Bank of China, China Cinda Asset Management Corporation, China Orient Asset Management Corporation, China Huarong Asset Management Corporation are 8,775,570,000 shares, 8,720,650,000 shares, 1,296,410,000 shares and 586,760,000 shares respectively. Shares of the Company held by Sinopec Group Company was adjusted to 47,742,600,000 shares accordingly. Such arrangement was approved by MOF in Cai Qi [2000] No. 754 "Comments on the issues relating to the management of the state-owned equity in China Petroleum and Chemical Corporation".

In July 2001, the Company issued 2,800,000,000 domestic listed A shares with a par value of RMB1.00 each at RMB4.22.

All the domestic state-owned ordinary shares and H shares rank pari passu in all material respects.

KPMG Huazhen had verified the above paid-in capital. The capital verification reports, KPMG-C (2000) CV No. 0007, KPMG-C (2001) CV No. 0002 and KPMG-C (2001) CV No. 0006 were issued on 22 February 2000, 27 February 2001 and 23 July 2001 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

30 CAPITAL RESERVE

The movements in capital reserve are as follows:

	The Group and the Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Balance at 1 January	36,297	27,449
Share premium from issuance of share	—	9,016
Less: underwriting and issuing expenses	—	168
Balance at 30 June/31 December	36,297	36,297

31 SURPLUS RESERVES

Movements in statutory surplus reserve and statutory public welfare fund are as follows:

	The Group and the Company		
	Statutory surplus reserve RMB millions	Statutory public welfare fund RMB millions	Total RMB millions
Balance at 1 January 2001	1,615	1,615	3,230
Appropriation of net income	1,402	1,402	2,804
Balance at 31 December 2001	3,017	3,017	6,034
Balance at 1 January 2002	3,017	3,017	6,034
Appropriation of net income	450	450	900
Balance at 30 June 2002	3,467	3,467	6,934

The Articles of Association of the Company and the following profit appropriation plans had been approved at the Extraordinary General Meeting held on 25 July 2000:

- 10% of the net profit is transferred to the statutory surplus reserve;
- 5% to 10% of the net profit is transferred to the statutory public welfare fund;
- after the transfer to the statutory surplus reserve, a transfer to discretionary surplus reserve can be made upon the passing of a resolution at the Annual General Meeting.

32 INCOME FROM PRINCIPAL OPERATIONS

The income from principal operations represents revenue from sales of crude oil, natural gas, petroleum and chemical products net of value added tax. The Group's segmental information is set out in Note 44.

For the six-month period ended 30 June 2002, revenue from sales to top five customers are RMB20,500 million which accounts for 15% of income from principal operations of the Group.

33 SALES TAXES AND SURCHARGES

	The Group		The Company	
	Six-month periods ended 30 June 2002 RMB millions	Six-month periods ended 30 June 2001 RMB millions (unaudited)	Six-month periods ended 30 June 2002 RMB millions	Six-month periods ended 30 June 2001 RMB millions (unaudited)
Consumption tax	4,300	4,401	2,872	3,017
City construction tax	774	860	411	435
Education surcharge	370	399	196	210
Resources tax	282	199	40	45
Business tax	50	67	31	44
	5,776	5,926	3,550	3,751

34 FINANCIAL EXPENSES

	The Group		The Company	
	Six-month periods ended 30 June 2002	Six-month periods ended 30 June 2001	Six-month periods ended 30 June 2002	Six-month periods ended 30 June 2001
	RMB millions	RMB millions (unaudited)	RMB millions	RMB millions (unaudited)
Interest expenses incurred	2,791	3,359	1,755	2,201
Less: Capitalised interest expenses	437	149	276	90
Financial expenses-interest expenses	2,354	3,210	1,479	2,111
Interest income	(130)	(739)	(71)	(588)
Foreign exchange losses	259	103	212	40
Foreign exchange gains	(31)	(277)	(23)	(207)
	2,452	2,297	1,597	1,356

35 EXPLORATION EXPENSES

Exploration expenses include geological and geophysical expenses and write-off of dry hole costs.

36 INVESTMENT INCOME

	The Group		The Company	
	Six-month periods ended 30 June 2002	Six-month periods ended 30 June 2001	Six-month periods ended 30 June 2002	Six-month periods ended 30 June 2001
	RMB millions	RMB millions (unaudited)	RMB millions	RMB millions (unaudited)
Investment income accounted for under the cost method	42	82	(1)	17
Investment income accounted for under the equity method	144	221	5,923	9,902
	186	303	5,922	9,919

37 NON-OPERATING EXPENSES

	The Group		The Company	
	Six-month periods ended 30 June 2002	Six-month periods ended 30 June 2001	Six-month periods ended 30 June 2002	Six-month periods ended 30 June 2001
	RMB millions	RMB millions (unaudited)	RMB millions	RMB millions (unaudited)
Loss on disposal of fixed assets	117	277	64	121
Fines, penalties and compensation	34	10	34	8
Donation	22	23	16	18
Employee reduction expenses (Note)	—	1,301	—	753
Others	172	148	135	115
	345	1,759	249	1,015

Note: There was no employee reduction expenses incurred during the six-month period ended 30 June 2002. In accordance with the Group's voluntary employee reduction plan, the Group recorded employee reduction expenses of RMB1,301 million (unaudited) during the six-month period ended 30 June 2001 in respect of the voluntary termination of approximately 27,000 employees.

38 INCOME TAX

	The Group		The Company	
	Six-month periods ended 30 June 2002	Six-month periods ended 30 June 2001	Six-month periods ended 30 June 2002	Six-month periods ended 30 June 2001
	RMB millions	RMB millions (unaudited)	RMB millions	RMB millions (unaudited)
Provision for PRC income tax	2,026	3,555	1,939	3,379
Deferred taxation	148	(144)	130	(45)
	2,174	3,411	2,069	3,334

39 DIVIDENDS

Pursuant to the shareholder's approval at the Annual General Meeting on 13 June 2002, the Board of Directors was authorised to declare the interim dividends for the year ending 2002. According to the resolution passed at the Director's meeting on 16 August 2002, an interim dividend of RMB0.02 (2001: nil (unaudited)) per share totalling RMB1,734 million (2001: nil (unaudited)) was declared. The interim dividend for the year ending 2002 has been provided for in this financial statement.

Pursuant to the shareholders' approval at the Annual General Meeting on 13 June 2002, a final dividend of RMB0.08 per share totalling RMB6,936 million in respect of the year ended 31 December 2001 was declared and paid on 8 August 2002. Pursuant to the shareholders' approval at the Annual General Meeting on 5 June 2001, a final dividend of RMB0.08 per share totalling RMB6,712 million in respect of the year ended 31 December 2000 was declared and was paid on 27 July 2001.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

40 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(a) Related parties having the ability to exercise control over the Group

The name of the company	:	China Petrochemical Corporation ("Sinopec Group Company")
Registered address	:	No. 6A, Huixin East Street, Chaoyang District, Beijing
Principal activities	:	Processing crude oil into refined products and petrochemical products, petrochemical products which include: petrochemical products made from crude oil and natural gas; production, sale and import and export of synthetic fibre and synthetic fibre monomer.
Relationship with the Group	:	Ultimate holding company
Types of legal entity	:	State-owned
Authorised representative	:	Li Yizhong
Registered capital	:	RMB104,912 million

There is no movement in the above registered capital for the six-month period ended 30 June 2002.

At 30 June 2002, Sinopec Group Company held 55.1% shares of the Company and there is no change on percentage shareholdings during this reporting period.

(b) Related parties not having the ability to exercise control over the Group

Sinopec Finance Company Limited
 Nanjing Chemical Industry Company Limited
 Zhongyuan Petrochemical Company
 Sichuan Vinylon Company Nanjing Petrochemical Company
 Qingjiang Petrochemical Limited Liability Company
 Baoding Petrochemical Company
 Maoming Ethylene Plant Luoyang Petrochemical Polypropylene Industrial Company
 Baling Petrochemical Yueyang Petrochemical Company
 Tianjin United Chemical Company

The above companies and the Company are under common control of a parent company.

(c) The principal related party transactions carried out in the ordinary course of business are as follows:

	Note	Six-month periods ended 30 June	
		2002 RMB millions	2001 RMB millions (unaudited)
Sales of goods	(i)	14,785	19,925
Purchases	(ii)	10,320	10,106
Transportation and storage	(iii)	619	722
Exploration and development services	(iv)	5,273	3,237
Production related services	(v)	2,792	2,377
Ancillary and social services	(vi)	982	1,259
Operating lease charges	(vii)	1,358	1,239
Agency commission income	(viii)	2	3
Intellectual property license fee paid	(ix)	5	5
Interest received	(x)	28	38
Interest paid	(xi)	226	290
Net deposits placed with related parties	(xii)	1,816	(2,018)
Net loans obtained/(repaid to) from related parties	(xiii)	1,620	(728)

The amounts set out in the table above in respect of the six-month periods ended 30 June 2002 and 2001 represent the relevant costs to the Group as determined by the corresponding contracts with the related parties.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

Notes:

- Sales of goods represent the sale of crude oil, intermediate petrochemical products and petroleum products.
- Purchases represent the purchase of material and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.
- Transportation and storage represent the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.
- Exploration and development services comprise direct costs incurred in the exploration of crude oil such as geophysical, drilling, well testing and well measurement services.
- Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, fire fighting, security, product quality testing and analysis, information technology, design and engineering, construction which includes the construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management and environmental protection.

40 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

- (vi) Ancillary and social services represent expenditures for social welfare and support services such as educational facilities, media communication services, sanitation, accommodation, canteens, property maintenance and management services.
- (vii) Operating lease charges represent the rental paid to Sinopec Group Company for operating leases in respect of land and buildings.
- (viii) Agency commission income represents commission earned for acting as an agent in respect of sales of products of certain entities owned by Sinopec Group Company.
- (ix) Intellectual property license fee represents reimbursement paid to Sinopec Group Company for fees required to maintain the validity of certain licenses for trademarks, patents, technology and computer software.
- (x) Interest received represents interest received from deposits placed with related companies. The applicable interest rate is determined in accordance with the prevailing saving deposit rate. The balances of deposits at 31 December 2001 and 30 June 2002 were RMB7,129 million and RMB5,313 million respectively.
- (xi) Interest paid represents interest charges on the loans and advances obtained from Sinopec Group Company and Sinopec Finance Company Limited, a finance company controlled by Sinopec Group Company.
- (xii) Deposits were placed with/withdrawn from Sinopec Finance Company Limited.
- (xiii) The Group obtained/repaid loans and advances from/to Sinopec Group Company and Sinopec Finance Company Limited.

In connection with the Reorganisation, the Company and Sinopec Group Company entered into a number of agreements under which 1) Sinopec Group Company will provide goods and products and a range of ancillary, social and supporting services to the Group and 2) the Group will sell certain goods to Sinopec Group Company. These agreements impacted the operating results of the Group for the six-month period ended 30 June 2002. The terms of these agreements are summarised as follows:

- (a) The Company entered into a three-year Agreement for Mutual Provision of Products and Ancillary Services ("Mutual Provision Agreement") with Sinopec Group Company in which Sinopec Group Company has agreed to provide the Group with certain ancillary production services, construction services, information advisory services, supply services and other services and products. While each of Sinopec Group Company and the Company is permitted to terminate the Mutual Provision Agreement upon at least six months' notice, Sinopec Group Company agrees not to terminate the agreement if the Group is unable to obtain comparable services from a third party. The pricing policy for these services and products provided by Sinopec Group Company to the Group is as follows:
 - the government-prescribed price;
 - where there is no government-prescribed price, the government guidance price;
 - where there is neither a government-prescribed price nor a government guidance price, the market price; or
 - where none of the above is applicable, the price to be agreed between the parties, which shall be based on a reasonable cost incurred in providing such services plus a profit margin not exceeding 6%.
- (b) The Company has entered into a three-year non-exclusive Agreement for Provision of Cultural and Educational, Health Care and Community Services with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain cultural, educational, health care and community services on the same pricing terms and termination conditions as agreed to in the above Mutual Provision Agreement.
- (c) The Company has entered into lease agreements with Sinopec Group Company effective from 1 January 2000 to lease certain land and buildings for terms the shorter of the period of the existing land use rights and 50 years for land and 20 years for buildings at a rental of approximately RMB2,007 million and RMB482 million per annum respectively. The Company and Sinopec Group Company can renegotiate the rental amount every three years for land and every year for buildings, such amounts not to exceed the market price as determined by an independent third party. The Group has the option to terminate these leases upon six months' notice to Sinopec Group Company.
- (d) The Company has entered into agreements with Sinopec Group Company effective from 1 January 2000 under which the Group has been granted the right to use certain trademarks, patents, technology and computer software developed by Sinopec Group Company for a term of ten years. The Group will reimburse Sinopec Group Company for fees required to maintain the validity of these licenses.
- (e) The Company has entered into agency agreements for a period of three years effective from 1 January 2000 with certain entities owned by Sinopec Group Company under which the Group acts as a sole agent in respect of the sale of all the products of these entities. In exchange for the Group's sales agency services, Sinopec Group Company has agreed to pay the Group a commission of between 0.2% and 1.0% of actual sales receipts depending on the products and to reimburse the Group for reasonable costs incurred in the capacity as its sales agent.
- (f) The Company has entered into a service stations franchise agreement with Sinopec Group Company for a term of ten years under which its service stations and retail stores would exclusively sell the refined products supplied by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

40 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(g) Balances with related party

The balances with the Group's related parties at 30 June 2002 are as follows:

	The ultimate holding company		Other related companies	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Trade accounts receivables	146	627	3,126	2,876
Advance payments	7	151	771	981
Other receivables	31	357	9,639	7,932
Trade accounts payables	—	1,244	1,800	1,989
Receipts in advance	—	—	713	—
Other creditors	305	2,818	13,104	7,402

41 PRINCIPAL SUBSIDIARIES

The Company's principal subsidiaries are limited companies operating in the PRC and had been consolidated into the Group's financial statements for the period ended 30 June 2002. Except for Sinopec Kantons Holdings Limited, which is incorporated in Bermuda, the companies below are incorporated in the PRC. The following list contains only the particulars of subsidiaries which principally affected the results or assets of the Group.

Name of company	Registered capital/paid-up capital RMB millions	Percentage of equity held by the Company	Principal activities
Sinopec Beijing Yanhua Petrochemical Company Limited	3,374	70.01	Manufacturing of chemical products
Sinopec Sales Company Limited	1,700	100.00	Marketing and distribution of refined petroleum products
Sinopec Shengli Oilfield Company Limited	29,000	100.00	Exploration and production of crude oil and natural gas
Sinopec Fujian Petrochemical Company Limited	2,253	(i) 50.00	Manufacturing of plastics, intermediate petrochemical products and petroleum products
Sinopec Hubei Xinghua Company Limited	282	57.58	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Maoming Refining and Chemical Company Limited	1,064	98.79	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Qilu Petrochemical Company Limited	1,950	82.05	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Shanghai Petrochemical Company Limited	7,200	55.56	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products
Sinopec Shijiazhuang Refining Chemical Company Limited	1,154	79.73	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Kantons Holdings Limited	HK\$104	72.40	Trading of crude oil and petroleum products
Sinopec Wuhan Petroleum Group Company Limited	147	(i) 46.25	Marketing and distribution of refined petroleum products
Sinopec Wuhan Phoenix Company Limited	519	(i) 40.72	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Yangzi Petrochemical Company Limited	2,330	84.98	Manufacturing of petrochemical products and petroleum products
Sinopec Yizheng Chemical Fibre Company Limited	4,000	(i) 42.00	Production and sale of polyester chips and polyester fibres
Sinopec Zhenhai Refining and Chemical Company Limited	2,524	71.32	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Zhongyuan Petroleum Company Limited	816	75.00	Exploration and production of crude oil and natural gas

(i) The Company consolidated the results of the entity because the Company controlled the board of this entity and had the power to govern its financial and operating policies.

42 COMMITMENTS

Operating lease commitments

The Group and the Company lease service stations and other equipment through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

At 30 June 2002, the future minimum lease payments under operating leases are as follows:

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Within one year	2,814	2,844	2,558	2,590
Between one to two years	2,658	2,736	2,530	2,565
Between two to three years	2,597	2,563	2,522	2,494
Between three to four years	2,588	2,559	2,513	2,492
Between four to five years	2,578	2,550	2,504	2,484
After five years	84,426	85,368	83,277	84,250
	97,661	98,620	95,904	96,875

Capital commitments

At 30 June 2002, the Group and the Company had capital commitments as follows:

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Authorised and contracted for	20,993	21,636	12,355	8,436
Authorised but not contracted for	18,299	18,204	11,058	12,437
	39,292	39,840	23,413	20,873

These capital commitments relate to oil and gas exploration and development, refining and petrochemical production capacity expansion projects, and the construction of service stations and oil depots.

Exploration and production licenses

Exploration licenses for exploration activities are registered with the Ministry of Land and Resources. The maximum term of the Group's exploration licenses is 7 years, and these may be renewed twice within 30 days prior to expiration of the original term with each renewal being for a two-year term. The Group is obligated to make progressive annual minimum exploration investment relating to the exploration blocks in respect of which the license is issued. The Ministry of Land and Resources also issues production licenses to the Group on the basis of the reserve reports approved by relevant authorities. The maximum term of a full production license is 30 years unless a special dispensation is given by the State Council. The maximum term of the production licenses issued to the Group is extended to 55 years as a special dispensation is given by the State Council. The Group's production license is renewable upon application by the Group 30 days prior to expiration. The Group is required to make payments for its exploration and production licenses and the amounts are recognised in the income statement.

The Group has to make payments of exploration license fees and the production right usage fees to the Ministry of Land and Resources annually. Payments incurred for the six-month period ended 30 June 2002 was approximately RMB22 million (2001: RMB2 million (*unaudited*)).

At 30 June 2002, the estimated annual payments as to exploration and production licenses in the future are as follows:

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Within one year	76	43	51	28
Between one to two years	80	39	44	26
Between two to three years	72	51	33	26
Between three to four years	73	62	37	31
Between four to five years	55	56	13	24
After five years	266	284	104	114
	622	535	282	249

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six-month period ended 30 June 2002

43 CONTINGENT LIABILITIES

- (a) The Company has been advised by its PRC lawyers that, except for liabilities constituting or arising out of or relating to the business assumed by the Company in the Reorganisation, no other liabilities were assumed by the Company, and the Company is not jointly and severally liable for other debts and obligations incurred by Sinopec Group Company prior to the Reorganisation.
- (b) At 30 June 2002, guarantees given by the Group and the Company to banks in respect of banking facilities granted to the parties below were as follows:

	The Group		The Company	
	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions	At 30 June 2002 RMB millions	At 31 December 2001 RMB millions
Associates and jointly controlled entities	7,422	546	7,002	—
Third parties	65	322	—	—
	7,487	868	7,002	—

Environmental contingencies

To date, the Group has not incurred any significant expenditures for environmental remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: i) the exact nature and extent of the contamination at various sites including, but not limited to refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold; ii) the extent of required cleanup efforts; iii) varying costs of alternative remediation strategies; iv) changes in environmental remediation requirements; and v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. The Group paid normal routine pollutant discharge fee of approximately RMB105 million for the six-month period ended 30 June 2002 (2001: RMB94 million (*unaudited*)).

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

44 SEGMENTAL INFORMATION

The Group has five operating segments as follows:

- (i) Exploration and production - which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Company and external customers.
- (ii) Refining - which processes and purifies crude oil, which is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Company and external customers.
- (iii) Marketing and distribution - which owns and operates oil depots and service stations in the PRC, and distributes and sells refined petroleum products (mainly gasoline and diesel) in the PRC through wholesale and retail sales networks.
- (iv) Chemicals - which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products to external customers.
- (v) Others - which largely comprise the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

The segments were determined primarily because the Group manages its exploration and production, refining, marketing and distribution, chemicals, and others businesses separately. The reportable segments are each managed separately because they manufacture and/or distribute distinct products with different production processes and due to their distinct operating and gross margin characteristics. In view of the fact that the Company and its subsidiaries operate mainly in the PRC, no geographical segment information is presented.

The Group evaluates the performance and allocates resources to its operating segments on an operating income basis, without considering the effects of finance costs or investment income. The accounting policies of the Group's segments are the same as those described in the Principal Accounting Policies (see Note 3). Corporate administrative costs and assets are not allocated to the operating segments; instead, operating segments are billed for direct corporate services. Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by the Group's policy.

44 SEGMENTAL INFORMATION (Continued)

Reportable information on the Group's business segments is as follows:

	Six-month periods ended 30 June	
	2002 RMB millions	2001 RMB millions (unaudited)
Turnover		
Exploration and production		
External sales	5,185	5,684
Inter-segment sales	17,252	21,693
	22,437	27,377
Refining		
External sales	21,991	26,747
Inter-segment sales	69,500	81,615
	91,491	108,362
Marketing and distribution		
External sales	81,081	93,844
Inter-segment sales	1,281	1,372
	82,362	95,216
Chemicals		
External sales	24,800	26,087
Inter-segment sales	2,760	2,928
	27,560	29,015
Others		
External sales	7,571	7,952
Inter-segment sales	3,518	4,841
	11,089	12,793
Elimination of inter-segment sales	(94,311)	(112,449)
Turnover	140,628	160,314
Cost of sales, sales taxes and surcharges		
Exploration and production	13,570	14,275
Refining	87,522	103,469
Marketing and distribution	72,349	87,837
Chemicals	25,283	26,233
Others	11,004	12,277
Elimination of inter-segment cost of sales	(94,580)	(113,917)
Cost of sales, sales taxes and surcharges	115,148	130,174
Operating profit		
Exploration and production	9,216	14,046
Refining	3,889	5,417
Marketing and distribution	10,013	7,379
Chemicals	2,277	2,782
Others	85	516
Total operating profit	25,480	30,140