

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 2005

Items	For the year ended 31 December 2005 RMB millions
Profit before taxation	61,482
Net profit	39,558
Net profit before non-operating profits/losses	34,999
Profit from principal operations	113,714
Profit from other operations	839
Operating profit	56,856
Investment income	813
Subsidy income	9,415
Net non-operating income/expenses	5,602 (net expense)
Net cash flow from operating activities	84,963
Net decrease in cash and cash equivalents	2,636

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

Items	For the year ended 31 December 2005 (Income)/Expense RMB millions
Gain on disposal of long-term equity investments	(25)
Written back of provisions for impairment losses on assets provided in previous years	(1,115)
Non-operating expenses (excluding normal provisions on assets provided in accordance with the Accounting Regulations for Business Enterprises)	4,118
Of which: Loss on disposal of fixed assets	2,422
Employee reduction expenses	369
Donations	203
Non-operating income	(367)
Subsidy income	(9,415)
Tax effect	2,245
<b>Total</b>	<b>(4,559)</b>

## PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

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

Items	Note	For the years ended 31 December		
		2005 RMB millions	2004 RMB millions	2003 RMB millions
Income from principal operations		<b>799,115</b>	590,632	417,191
Net profit		<b>39,558</b>	32,275	19,011
Earnings per share (RMB)				
Fully diluted	(i)	<b>0.456</b>	0.372	0.219
Weighted average	(ii)	<b>0.456</b>	0.372	0.219
Net cash flow from operating activities per share (RMB)		<b>0.980</b>	0.809	0.743
Return on net assets (%)				
Fully diluted	(iii)	<b>18.346</b>	17.320	11.667
Weighted average	(iv)	<b>19.682</b>	18.403	12.048
Return (before non-operating profits/losses) on net assets (%)				
Fully diluted		<b>16.232</b>	19.316	13.690
Weighted average		<b>17.414</b>	20.524	14.137

  

Items	At 31 December		
	2005 RMB millions	2004 RMB millions	2003 RMB millions
Total assets	<b>520,572</b>	460,081	390,213
Shareholders' funds (excluding minority interests)	<b>215,623</b>	186,350	162,946
Net assets per share (RMB)	<b>2.487</b>	2.149	1.879
Adjusted net assets per share (RMB)	<b>2.426</b>	2.102	1.850

#### Notes:

- i Fully diluted earnings per share = net profit for the year/total number of shares in issue at the end of the year
- ii Weighted average earnings per share = net profit for the year/(number of shares at the beginning of the year + number of shares increased due to the transfer from surplus reserves to capital or share dividend distributed + (increase in number of shares during the year due to issuance of new

- shares or capitalisation of debt x number of months from the month following the increase of shares to the end of the year/number of months in the year) – (number of shares decreased due to share repurchases or reduction in share capital x number of months from the month following the decrease of shares to the end of the year/number of months for the year))
- iii Fully diluted return on net assets = (net profit for the year/shareholders funds at the end of the year) x 100%

- iv Weighted average return on net assets = (net profit for the year/(shareholders' funds at the beginning of the year + net profit for the year/2 + (shareholders' funds increased due to issuance of new shares or capitalisation of debt during the year x number of months from the month following the increase of shareholders' funds to the end of the year/number of months in the year) – (shareholders' funds decreased due to share repurchases or cash dividends during the year x number of months from the month following the decrease of shareholders funds to the end of the year/number of months in the year))) x 100%

**(3) Appendix to income statement prepared in accordance with the PRC Accounting Rules and Regulations**

Items	For the year ended 31 December 2005		For the year ended 31 December 2004	
	Return on net assets (%)		Return on net assets (%)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	52.74	56.58	61.83	65.70
Operating profit	26.37	28.29	33.78	35.90
Net profit	18.35	19.68	17.32	18.40
Net profit before non-operating profits/losses	16.23	17.41	19.32	20.52

Items	For the year ended 31 December 2005		For the year ended 31 December 2004	
	Earnings per share		Earnings per share	
	Fully diluted RMB	Weighted average RMB	Fully diluted RMB	Weighted average RMB
Profit from principal operations	1.312	1.312	1.329	1.329
Operating profit	0.656	0.656	0.726	0.726
Net profit	0.456	0.456	0.372	0.372
Net profit before non-operating profits/losses	0.404	0.404	0.415	0.415

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

Unit: RMB millions

Items	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Unrecognised investment losses	Retained profits	Total shareholders' funds
Beginning of the year	86,702	37,121	9,558	9,558	7,000	(713)	37,124	186,350
Increase in the year	—	—	3,956	3,956	—	—	39,558	47,470
Decrease in the year	—	—	—	—	—	119	(18,316)	(18,197)
End of the year	86,702	37,121	13,514	13,514	7,000	(594)	58,366	215,623

The reasons for the changes are as follows:

- i Statutory surplus reserve at the end of 2005 was RMB 13,514 million, an increase by RMB 3,956 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 2005 in accordance with the PRC Accounting Rules and Regulations of RMB 39,558 million to the statutory surplus reserve.
- ii Statutory public welfare fund at the end of 2005 was RMB 13,514 million, an increase by RMB 3,956 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 2005 in accordance with the PRC Accounting Rules and Regulations of RMB 39,558 million to the statutory public welfare fund.
- iii Unrecognised investment losses at the end of 2005 was RMB 594 million, a decrease of RMB 119 million compared with RMB 713 million at the beginning of the year. The decrease represents a reversal of unrecognised investment losses which exceeded the carrying value of long-term equity investment.
- iv Consolidated retained profits at the end of 2005 was RMB 58,366 million, an increase by RMB 21,242 million compared with that at the beginning of the year. The increase was attributable to the realisation by Sinopec Corp. of a consolidated net profit for 2005 in accordance with the PRC Accounting Rules and Regulations of RMB 39,558 million, and taking into account of the deduction of RMB 7,912 million for the appropriation of statutory surplus reserve and statutory public welfare fund, and RMB 10,404 million declared and paid as interim dividend for 2005 and final dividend for 2004; and
- v Total shareholders' funds at the end of 2005 were RMB 215,623 million, an increase by RMB 29,273 million compared with that at the beginning of the year.

## PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

### (5) Details of provisions for assets

Unit: RMB millions

Items	Beginning of the year	Provisions for the year	Written back for the year	Written off for the year	End of the year
1 Allowance for doubtful accounts	7,167	774	(918)	(371)	6,652
Of which: Allowance for doubtful accounts for accounts receivable	3,671	328	(503)	(356)	3,140
Allowance for doubtful accounts for other receivables	3,496	446	(415)	(15)	3,512
2 Provisions for impairment losses on short-term investments	—	—	—	—	—
3 Provisions for diminution in value of inventories	906	262	(180)	(96)	892
4 Provision for impairment losses on long-term equity investments	353	77	(17)	(86)	327
Of which: long-term equity investments	353	77	(17)	(86)	327
5 Provision for impairment losses on fixed assets	5,816	1,851	—	(1,433)	6,234
Of which: Land and buildings	331	79	—	(59)	351
Oil and gas properties	783	60	—	—	843
Oil depots, storage tanks and service stations	1,249	261	—	(593)	917
Plant, machinery, equipment, vehicles and others	3,453	1,451	—	(781)	4,123
6 Provision for impairment losses on intangible assets	—	—	—	—	—
7 Provision for impairment losses on construction in progress	—	—	—	—	—
8 Provision for impairment losses on entrusted loans	—	—	—	—	—

**(6) Significant changes of items in the financial statements**

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

Items	At 31 December		Increased/(decreased)		Reasons of changes
	2005 RMB millions	2004	Amount RMB millions	Percentage (%)	
Accounts receivable	14,532	9,756	4,776	49.0	Mainly due to the increase in income from principal operations
Inventories	88,936	63,918	25,018	39.1	Due to the increase in price of crude oil and refined oil products
Deferred tax assets	5,701	4,166	1,535	36.8	Please refer to note 16 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Short-term loans	16,124	26,723	(10,599)	(39.7)	Please refer to note 17 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Accounts payable	52,967	23,792	29,175	122.6	Mainly due to the increase in processed volume of crude oil and crude oil prices, leading to increase in accounts payable in relation to crude oil procurement
Receipt in advance	14,086	8,605	5,481	63.7	Mainly due to increase in receipt in advance in relation to sales of refined oil products
Short-term debentures payable	9,921	—	9,921	N/A	Please refer to note 27 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Deferred tax liabilities	—	198	(198)	(100.0)	Please refer to note 16 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations

	For the years ended 31 December		Increased/(decreased)		Reasons of changes
	2005 RMB millions	2004	Amount RMB millions	Percentage (%)	
Income from principal operations	799,115	590,632	208,483	35.3	Please refer to Management's Discussion and Analysis
Cost of sales	668,249	459,207	209,042	45.5	Please refer to Management's Discussion and Analysis
Subsidy income	9,415	—	9,415	N/A	Please refer to note 37 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Non-operating income	367	665	(298)	(44.8)	Mainly due to decrease in net gains from disposal of fixed assets
Non-operating expenses	5,969	11,171	(5,202)	(46.6)	Please refer to note 38 to the financial statements prepared in accordance with the PRC Accounting Rules and Regulations
Minority interests	2,902	5,670	(2,768)	(48.8)	Please refer to Management's Discussion and Analysis
(Reversal of) unrecognised investment losses	(119)	470	(589)	(125.3)	Due to reversal of unrecognised investment losses which exceeded the carrying value of the long-term equity investment

## PRINCIPAL FINANCIAL DATA AND INDICATORS (CONTINUED)

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

Unit: RMB millions

Items	For the years ended 31 December				
	2005	2004	2003	2002	2001
Turnover, other operating revenues and other income	<b>832,532</b>	619,783	449,001	350,078	326,424
Operating profit	<b>66,814</b>	63,069	38,883	29,301	27,311
Profit before taxation	<b>63,228</b>	59,606	35,041	24,916	23,930
Profit attributable to equity shareholders of the Company	<b>40,920</b>	36,019	22,424	16,296	15,503
Basic earnings per share (RMB)	<b>0.472</b>	0.415	0.259	0.188	0.182
Earnings per share (based on the total number of shares in issue at the year end) (RMB)	<b>0.472</b>	0.415	0.259	0.188	0.179
Return on capital employed (%)	<b>11.99</b>	12.84	9.01	6.90	6.26
Return on net assets (%)	<b>18.30</b>	18.66	13.07	9.77	9.72
Net cash flow from operating activities per share (RMB)	<b>0.882</b>	0.797	0.716	0.655	0.663

Unit: RMB millions

Items	At 31 December				
	2005	2004	2003	2002	2001
Non-current assets	<b>392,030</b>	354,323	317,145	301,614	286,093
Net current liabilities	<b>25,358</b>	26,006	26,233	18,759	16,574
Non-current liabilities	<b>113,676</b>	104,231	93,346	91,927	86,309
Minority interests	<b>29,440</b>	31,046	26,051	24,151	23,652
Total equity attributable to equity shareholders of the Company	<b>223,556</b>	193,040	171,515	166,777	159,558
Net assets per share (RMB)	<b>2.578</b>	2.226	1.978	1.924	1.840
Adjusted net assets per share (RMB)	<b>2.518</b>	2.187	1.950	1.910	1.820
Debt/equity ratio*(%)	<b>32.37</b>	33.58	33.73	34.25	34.03

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

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

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

	For the years ended 31 December	
	2005	2004
	RMB millions	RMB millions
<b>Net profit under the PRC Accounting Rules and Regulations</b>	<b>39,558</b>	<b>32,275</b>
<b>Adjustments:</b>		
Depreciation of oil and gas properties	751	761
Capitalisation of general borrowing costs, net of depreciation effect	507	480
Pre-operating expenditures	435	(288)
Equity investment differences	200	—
Unrecognised investment losses	119	(531)
Acquisition of Sinopec National Star	117	117
Acquisitions of Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical and Catalyst Plants	—	2,119
Reduced amortisation on revaluation of land use rights	24	19
Reduced depreciation on government grants	4	3
Impairment losses on revalued assets	—	709
Disposal of oil and gas properties, net of depreciation effect	(310)	2,110
Effects of the above adjustments on taxation	(485)	(1,755)
Minority interests	2,920	5,772
<b>Profit for the year under IFRS</b>	<b>43,840</b>	<b>41,791</b>

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

	At 31 December	
	2005	2004
	RMB millions	RMB millions
<b>Shareholders' funds under the PRC Accounting Rules and Regulations</b>	<b>215,623</b>	<b>186,350</b>
<b>Adjustments:</b>		
Depreciation of oil and gas properties	12,233	11,482
Capitalisation of general borrowing costs	2,112	1,605
Pre-operating expenditures	(22)	(457)
Equity investment differences	200	—
Acquisition of Sinopec National Star	(2,578)	(2,695)
Revaluation of land use rights	(953)	(977)
Government grants	(588)	(592)
Disposal of oil and gas properties	3,060	3,370
Effects of the above adjustments on taxation	(5,531)	(5,046)
Minority interests	29,440	31,046
<b>Total equity under IFRS</b>	<b>252,996</b>	<b>224,086</b>