



中国石油化工股份有限公司  
CHINA PETROLEUM & CHEMICAL CORPORATION  
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

First Quarterly Report for 2003

Highlights of the results of the Company for the first quarter ended 31 March 2003

During this reporting period, income from principal operations and net profit of the Company under the PRC Accounting Rules and Regulations amounted to RMB98,519 million and RMB5,813 million respectively. Turnover and profit attributable to shareholders of the Company under International Financial Reporting Standards amounted to RMB98,519 million and RMB6,420 million respectively.

This quarterly report announcement is prepared in accordance with the regulations on Disclosure of Information in Quarterly Reports for Listed Companies issued by the China Securities Regulatory Commission ("CSRC"). This announcement is published simultaneously in Shanghai and Hong Kong and the contents of the announcements published in Shanghai and Hong Kong are the same. Financial information set out in this quarterly report announcement has been prepared in accordance with the PRC Accounting Rules and Regulations. Although it is not required by CSRC, Sinopec Corp. has also included in this announcement the relevant financial information prepared in accordance with International Financial Reporting Standards.

This announcement is made pursuant to the disclosure requirement under paragraph 2 of the Listing Agreement.

1. Important Notice

- 1.1 The Board of Directors of China Petroleum & Chemical Corporation ("Sinopec Corp.") and its Directors warrant that there are no material omissions from, or misrepresentations or misleading statements contained in this report, and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.
- 1.2 This quarterly report has been reviewed and unanimously approved at the second meeting of the second session of the Board of Directors of Sinopec Corp.
- 1.3 This quarterly financial report has not been audited.
- 1.4 Mr. Chen Tonghai, Chairman of the Board of Sinopec Corp., Mr. Wang Jiming, President of Sinopec Corp., Mr. Zhang Jiaren, Chief Financial Officer of Sinopec Corp., and Mr. Liu Yun, Head of the Accounting Division of Sinopec Corp., hereby declare that the authenticity and completeness of the financial statements contained in this quarterly report are warranted.

2. Basic Information of Sinopec Corp.

2.1 Basic information of Sinopec Corp.

|                  |   |                         |                                     |                                      |
|------------------|---|-------------------------|-------------------------------------|--------------------------------------|
| Stock name       | SINOPEC CORP  | SINOPEC CORP            | SINOPEC CORP                        | 中國石化                                 |
| Stock code       | 386   | SNP                     | SNP                                 | 600028                               |
| Place of listing | Hong Kong Stock Exchange                                | New York Stock Exchange | London Stock Exchange               | Shanghai Stock Exchange              |
|                  | Authorized Representatives                              |                         | Secretary to the Board of Directors | Representative on Securities Matters |
| Name             | Mr. Wang Jiming   | Mr. Chen Ge             | Mr. Chen Ge                         | Mr. Shao Jingyang                    |
| Address          | 6A Huixindong Street, Chaoyang District, Beijing, China |                         |                                     |                                      |
| Tel              | 64990060  | 64990060                | 64990060                            | 64990060                             |
| Fax              | 64990022  | 64990022                | 64990022                            | 64990022                             |
| E-mail           | ir@sinopec.com.cn/media@sinopec.com.cn                  |                         |                                     |                                      |

2.2 Financial Information

2.2.1 Principal accounting data and financial indicators

2.2.1.1 Principal accounting data and financial indicators prepared in accordance with the PRC Accounting Rules and Regulations

|   | Changes at the end of this reporting period compared with data at the end of the previous reporting period (%) |                     |      |
|---|--|---------------------|------|
|   | At 31 March 2003   | At 31 December 2002 |      |
| Total assets (RMB millions)                                       | 380,330  | 368,375             | 3.25 |
| Shareholders' funds (excluding minority interests) (RMB millions) | 152,328  | 146,515             | 3.97 |
| Net assets per share (RMB)  | 1.757  | 1.690               | 3.97 |
| Adjusted net assets per share (RMB)                               | 1.743  | 1.676               | 4.00 |

|   | Changes in this reporting period compared to the same period of the preceding year (%) |  |                         |
|---|--|--|-------------------------|
|   | Three-month period ended 31 March 2003   | Three-month period ended 31 March 2002 |                         |
| Net cash flows from operating activities (RMB millions)                       | 13.605   | N/A                                    | N/A                     |
| Earnings per share (RMB)  | 0.067  | 0.001                                  | 6,600                   |
| Return on net assets (%)  | 3.816  | 0.073                                  | 3,743 percentage points |
| Return on net assets before non-operating income/expenses (%) (Fully diluted) | 3.921  | 0.128                                  | 3,793 percentage points |
| (Weighted average)  | 3.997  | 0.128                                  | 3,869 percentage points |

Non operating income/expenses

|                        | Three-month period ended 31 March 2003 (RMB millions) | Three-month period ended 31 March 2002 (RMB millions) | Changes as compared with the same period last year (%) |
|------------------------|---|---|--|
| Non-operating income   | 26  |   |  |
| Non-operating expenses | (264)   |   |  |
| Income tax effect      | 79  |   |  |
| Total                  | (159)   |   |  |

2.2.1.2 Principal accounting data and financial indicators prepared in accordance with International Financial Reporting Standards ("IFRS")

|                             | Changes at the end of this reporting period compared with data at the end of the previous reporting period (%) |                     |      |
|-----------------------------|--|---------------------|------|
|                             | At 31 March 2003   | At 31 December 2002 |      |
| Total assets (RMB millions) | 388,467  | 375,881             | 3.35 |

2.2.3.2 Effects of major differences between the PRC Accounting Rules and Regulations and IFRS on the shareholders' funds are analysed as follows:

|  | At 31 March       |                   |
|--|-------------------|-------------------|
|  | 2003 RMB millions | 2002 RMB millions |
| Shareholders' funds under the PRC Accounting Rules and Regulations | 152,328           | 146,515           |
| Adjustments:   |                   |                   |
| Depreciation of oil and gas properties                             | 9,866             | 9,112             |
| Capitalisation of general borrowing costs                          | 864               | 736               |
| Impairment losses on long-lived assets                             | (113)             | (113)             |
| Government grants  | (291)             | (291)             |
| Dividends  | 5,202             | 5,202             |
| Other adjustments  | (3,718)           | (3,751)           |
| Effects of the above adjustments on taxation                       | (3,233)           | (2,925)           |
| <b>Shareholders' funds under IFRS</b>                              | <b>160,905</b>    | <b>154,485</b>    |

2.3 Total number of shareholders at the end of this reporting period is 486,931 at the end of this reporting period, among which 466,243 shareholders are domestic shareholders, and 20,688 shareholders are overseas shareholders.

3 Management's Discussion and Analysis

3.1 Business review

In the first quarter of 2003, the PRC economy has continued to maintain a rapid growth momentum, with a gross domestic product ("GDP") growth rate of 9.9%, which in turn has led to a strong growth in domestic demand for refined oil and petrochemical products. Influenced by the global market, the prices of domestic crude oil and refined oil products were maintained at a fairly high level, and the prices of petrochemical products increased to some extent over the same period last year. Benefited from the PRC government's great efforts in regulating the market order for refined oil products in the previous year and the active co-ordination and cooperation between Sinopec Corp. and its subsidiaries (the "Company") and other domestic suppliers of refined oil products in China, the market condition of domestic refined oil products has further improved. By seizing the market opportunities and adopting various measures for increasing both production and income, the Company has obtained fairly good operating results.

3.1.1 Exploration and Production Segment

In the first quarter of this year, the Company has achieved good results in terms of exploration, development and production. In respect of exploration, in the developed oil fields of eastern regions, the Company has made significant achievements in expansion of exploration activities. Exploration in Yangxin depressed layers in the conjunction areas of Shengli oil field has made breakthrough, the production test of many test wells in the eastern region of Wangzhuang has generated industrial oil stream and the exploration of a few key wells in Zhuanghai region has been successful. In the new oil fields of western regions, two oil wells of Tahe oil field have generated high-yield oil stream. The Tabamiao region of Ordos Basin has generated high-yield gas stream, and No. 1 central well at Tazhong region of Tarim Basin and No. 1 peacock well at the southern region of Tarim River have generated industrial gas stream. In the southern regions, No. 1 well of Maoba region, Sichuan Province, has generated high-yield natural gas. In respect of development, the newly added production capacity of crude oil and natural gas amounted to approximately 0.83 million tonnes per year and 94 million cubic meters respectively. In respect of production, the Company produced 9.2872 million tonnes of crude oil, representing an increase of 0.05% over the same period last year, and produced 1.26 billion cubic meters of natural gas, representing an increase of 6.51% over the same period last year.

In the first quarter of this year, the average crude oil price realized by the Company was approximately RMB1,762 per tonne, representing an increase of 74.46% over the same period last year, and the average natural gas price realized by the Company was RMB619 per thousand cubic meters, representing an increase of 1.48% over the same period last year.

|                            | Unit                             | Three-month periods ended 31st March |        | Changes as compared with the same period last year (%) |
|----------------------------|----------------------------------|--------------------------------------|--------|--|
|                            |                                  | 2003                                 | 2002   |  |
| Crude oil production       | Ten thousand tonnes              | 928.72                               | 928.26 | 0.05   |
| Natural gas production     | One hundred million cubic meters | 12.60                                | 11.83  | 6.51   |
| Realized crude oil price   | RMB yuan/tonne                   | 1,762                                | 1,010  | 74.46  |
| Realized natural gas price | RMB yuan/thousand cubic meters   | 619                                  | 610    | 1.48   |

3.1.2 Refining Segment

In the first quarter of 2003, along with the increase of international crude oil price, the Company's refining margin has fallen slightly compared to that of the fourth quarter of last year. Based on the market conditions, the Company set the processing volume of crude oil at an appropriate level, optimized its product mix and increased the production of chemical feedstock. Relying on technological advancements, the Company significantly improved all major technological and economic indicators such as light yield and refining yield in the refining segment. Light yield and refining yield reached 74.30% and 92.64% respectively, representing an increase of 1.64 and 0.85 percentage points over the same period last year. In the first quarter, the refining margin of the Company was US\$3.76 per barrel, representing an increase of 17.1% over the same period last year.

In the first quarter, the crude processing volume of the Company amounted to 27.54 million tonnes.

Operating Summary of Refining Segment

|  | Unit | Three-months periods ended 31 March |      | Changes as compared with the same period last year (%) |
|--|------|-------------------------------------|------|--|
|  |      | 2003                                | 2002 |  |
|  |      |                                     |      |  |

The table below shows segment information prepared in accordance with the PRC Accounting Rules and Regulations:

| Segments or products                 | Income from principal operations (RMB million) | Costs of sales, sales taxes and surcharges (RMB million) | Profit from principal operations (RMB million) | Gross profit margin (%) (Note) |
|--------------------------------------|--|--|--|--------------------------------|
| Exploration and production           | 16,221   | 7,605  | 7,164  | 44.17                          |
| Refining                             | 65,660   | 63,062   | 2,531  | 3.85                           |
| Marketing and distribution           | 56,932   | 49,571   | 7,361  | 12.93                          |
| Chemicals                            | 19,270   | 17,254   | 2,016  | 10.46                          |
| Corporate and others                 | 14,075   | 13,967   | 108  | 0.77                           |
| Elimination of inter-segment sales   | (73,639)                                       | (72,120)   |  |                                |
| Total                                | 98,519   | 79,339   | 19,180   | 19.47                          |
| Of which: related party transactions | 6,988  | 6,084  | 904  | 12.94                          |

Note: Gross profit margin = profit from principal operations/income from principal operations

The table below shows segment information prepared in accordance with IFRS are as follows:

| Segments or products       | Operating revenues (RMB million) | Operating expenses (RMB million) | Operating profit/(loss) (RMB million) | Percentage of operating profit/(loss) over operating revenues (%) |
|----------------------------|----------------------------------|----------------------------------|---------------------------------------|---|
| Exploration and production | 17,401                           | 11,784                           | 5,617                                 | 32.28   |
| Refining                   | 66,807                           | 65,612                           | 1,195                                 | 1.79  |
| Marketing and distribution | 57,033                           | 53,217                           | 3,816                                 | 6.69  |
| Chemicals                  | 20,821                           | 20,154                           | 667                                   | 3.20  |
| Corporate and others       | 14,296                           | 14,625                           | (329)                                 | 2.30  |

3.2.2 Seasonal or periodic nature of the Company's operations

applicable  inapplicable

3.2.3 The composition of the profits during this reporting period (the significant changes as compared with the previous reporting period with explanations for the percentages of profit before taxation attributable to profit from principal operations, profit from other operations, period expenses, investment income, subsidy income and net non-operating income/expenses prepared in accordance with the PRC Accounting Rules and Regulations)

applicable  inapplicable

| Item                              | Three-month period ended 31 March 2003 |  | Year ended 31 December 2002 |  | Change in percentage of profit before taxation (percentage points) |
|-----------------------------------|--|--|-----------------------------|--|--|
|                                   | Amount (RMB million)                   | Percentage of profit before taxation (%) | Amount (RMB million)        | Percentage of profit before taxation (%) |  |
| Profit from principal operations  | 19,180                                 | 211.02                                   | 61,150                      | 277.80                                   | -66.78   |
| Profit from other operations      | 119                                    | 1.31                                     | 889                         | 4.04                                     | -2.73  |
| Period expenses                   | 10,042                                 | 110.49                                   | 39,222                      | 178.18                                   | -67.70   |
| Investment income                 | 70                                     | 0.77                                     | 505                         | 2.29                                     | -1.52  |
| Net non-operating income/expenses | 238                                    | 2.62                                     | 1,310                       | 5.95                                     | -3.33  |
| Profit before taxation            | 9,089                                  | 100.00                                   | 22,012                      | 100.00                                   | 0.00   |

Significant changes and explanations:

• Profit from principal operations

The percentage of profit from principal operations to the profit before taxation was 211.02%, representing a decrease of 66.78 percentage points over 277.8% of the previous year. This was largely due to the fact that the domestic prices of crude oil, refined oil products and petrochemical products fell to a trough in January and February of 2002. This led to a drastic drop of profits for the Company during the first quarter of 2002 and resulted in adverse impact on the overall profits of the Company during the whole year. However, the profit from principal operations increased significantly during the first quarter of 2003, representing an increase of 25.46% over the quarterly average value of the previous year. The period expenses were basically maintained at the same level as compared with RMB9.806 billion of the quarterly average value of the previous year, leading to a growth of 65.16% for the profit before taxation as compared with the quarterly average value of the previous year.

• Period expenses

Period expenses amounted to RMB10.042 billion, accounting for 110.49% of the profit before taxation, representing a decrease of 67.7 percentage points over 178.18% of the previous year. This is mainly due to the fact that period expenses rose slightly by RMB0.237 billion as compared with RMB9.806 billion of the quarterly average value of the previous year. The profit before taxation amounted to RMB9.089 billion, representing an increase of 65.16% as compared with RMB5.503 billion of the quarterly average value of the previous year.

3.2.4 Significant changes in, and explanations of, the principal operations and their structures as compared with those during the previous reporting period

applicable  inapplicable

3.2.5 Significant changes in, and explanations of, the profitability (gross profit margin) of principal operations as compared with those during the previous reporting period prepared in accordance with

|   | Changes at the end of this reporting period compared with data at the end of the previous reporting period (%) |   |   |
|---|--|---|---|
|   | At 31 March 2003   | At 31 December 2002                           | At 31 March 2003  |
| Total assets (RMB millions)                                       | 388,467  | 375,881                                       | 3.35  |
| Shareholders' funds (excluding minority interests) (RMB millions) | 160,905  | 154,485                                       | 4.16  |
| Net assets per share (RMB)  | 1.856  | 1.782   | 4.16  |
| Adjusted net assets per share (RMB)                               | 1.842  | 1.768   | 4.19  |
|   |  |   | <b>Changes in this reporting period compared to the same period of the preceding year (%)</b> |
|   | <b>Three-month period ended 31 March 2003</b>  | <b>Three-month period ended 31 March 2002</b> | <b>Three-month period ended 31 March 2003</b>   |
| Net cash flows from operating activities (RMB millions)           | 12,366   | N/A   | N/A   |
| Earnings per share (RMB)  | 0.074  | 0.006   | 1,133   |
| Return on net assets (%)  | 3.990  | 0.366   | 3,624 percentage points   |

## 2.2.2 Income statements

This section includes the income statements for the first quarter ended 31 March 2003 prepared in accordance with both the PRC Accounting Rules and Regulations and IFRS with comparative figures for the corresponding period in 2002.

### 2.2.2.1 Income statements prepared in accordance with the PRC Accounting Rules and Regulations

| Item                                      | Three-month periods ended 31 March 2003 |              | Three-month periods ended 31 March 2002 |              |
|---|---|--------------|---|--------------|
|   | The Group                               | The Company  | The Group                               | The Company  |
|   | (Note)                                  | (Note)       | (Note)                                  | (Note)       |
|   | RMB millions                            | RMB millions | RMB millions                            | RMB millions |
| 1. Income from principal operations       | 98,519                                  | 63,927       | 62,995                                  | 50,030       |
| Less: Cost of sales                       | 76,178                                  | 53,129       | 51,667                                  | 44,034       |
| Sales taxes and surcharges                | 3,161                                   | 1,969        | 2,697                                   | 1,723        |
| 2. Profit from principal operations       | 19,180                                  | 8,829        | 8,631                                   | 4,273        |
| Add: Profit/(loss) from other operations  | 119                                     | (20)         | 166                                     | 24           |
| Less: Selling expenses                    | 3,393                                   | 2,239        | 2,941                                   | 2,040        |
| Administrative expenses                   | 4,270                                   | 2,684        | 3,713                                   | 2,114        |
| Financial expenses                        | 1,168                                   | 730          | 999                                     | 629          |
| Exploration expenses, including dry holes | 1,211                                   | 873          | 990                                     | 615          |
| 3. Operating profit/(loss)                | 9,257                                   | 2,283        | 154                                     | (1,101)      |
| Add: Investment income                    | 70                                      | 6,290        | 64                                      | 1,338        |
| Subsidy income                            | —                                       | —            | —                                       | —            |
| Non-operating income                      | 26                                      | 16           | 67                                      | 18           |
| Less: Non-operating expenses              | 264                                     | 169          | 180                                     | 103          |
| 4. Profit before taxation                 | 9,089                                   | 8,420        | 105                                     | 152          |
| Less: Taxation                            | 2,788                                   | 2,607        | 35                                      | 50           |
| Minority interests                        | 488                                     | —            | (32)                                    | —            |
| 5. Net profit                             | 5,813                                   | 5,813        | 102                                     | 102          |

Note: The "Company" means China Petroleum & Chemical Corporation.

The "Group" means China Petroleum & Chemical Corporation and its subsidiaries.

### 2.2.2.2 Consolidated income statement prepared in accordance with IFRS

| Item   | Three-month periods ended 31 March 2003 |              | Three-month periods ended 31 March 2002 |              |
|--|---|--------------|---|--------------|
|  | RMB millions                            | RMB millions | RMB millions                            | RMB millions |
| 1. Turnover and other operating revenues                                     | 102,719                                 | 66,003       | 62,995                                  | 50,030       |
| Including: Turnover  | 98,519                                  | 62,995       | 4,200                                   | 3,008        |
| Other operating revenues   | (91,753)                                | (64,391)     | (72,309)                                | (47,183)     |
| 2. Operating expenses  | (72,309)                                | (47,183)     | (5,533)                                 | (4,598)      |
| Including: Purchased crude oil, products and operating supplies and expenses | (5,533)                                 | (4,598)      | (6,098)                                 | (5,904)      |
| Selling, general and administrative expenses                                 | (6,098)                                 | (5,904)      | (1,211)                                 | (990)        |
| Depreciation, depletion and amortisation                                     | (3,203)                                 | (2,902)      | (3,203)                                 | (2,902)      |
| Exploration expenses, including dry holes                                    | (3,203)                                 | (2,902)      | (2,701)                                 | (2,701)      |
| Personnel expenses   | (238)                                   | (113)        | (113)                                   | (113)        |
| Taxes other than income tax  | (10,966)                                | 1,612        | (1,021)                                 | (904)        |
| Other operating expenses, net  | (1,021)                                 | (904)        | (1,080)                                 | (1,008)      |
| 3. Operating profit  | 10,966                                  | 1,612        | 90                                      | 12           |
| 4. Finance costs   | (1,021)                                 | (904)        | 64                                      | 23           |
| Interest expense   | (1,080)                                 | (1,008)      | (8)                                     | 3            |
| Interest income  | 64                                      | 90           | 3                                       | 5            |
| Foreign exchange losses  | (8)                                     | 9            | 5                                       | 12           |
| Foreign exchange gains   | 3                                       | 23           | 65                                      | 27           |
| 5. Investment income   | 5                                       | 12           | 65                                      | 27           |
| 6. Share of profits less losses from associates                              | 65                                      | 27           | 10,015                                  | 747          |
| 7. Profit from ordinary activities before taxation                           | 10,015                                  | 747          | (3,096)                                 | (2,355)      |
| 8. Taxation  | (3,096)                                 | (2,355)      | 6,919                                   | 512          |
| 9. Profit from ordinary activities after taxation                            | 6,919                                   | 512          | (499)                                   | 30           |
| 10. Minority interests   | (499)                                   | 30           | 6,420                                   | 542          |
| 11. Profit attributable to shareholders                                      | 6,420                                   | 542          |   |              |

2.2.3 Difference between the net profit for the first quarter of 2003 and shareholders' funds as at 31 March 2003 under the PRC Accounting Rules and Regulations and IFRS

2.2.3.1 Effects of major differences between the PRC Accounting Rules and Regulations and IFRS on the net profit are analysed as follows:

|   | Three-month periods ended 31 March 2003 |              | Three-month periods ended 31 March 2002 |              |
|---|---|--------------|---|--------------|
|   | RMB millions                            | RMB millions | RMB millions                            | RMB millions |
| Net profit under the PRC Accounting Rules and Regulations | 5,813                                   | 102          |   |              |
| Adjustments:  |   |              |   |              |
| Depreciation of oil and gas properties                    | 754                                     | 525          |   |              |
| Capitalisation of general borrowing costs                 | 128                                     | 86           |   |              |
| Other adjustments   | 33                                      | 29           |   |              |
| Effects of the above adjustments on taxation              | (308)                                   | (200)        |   |              |
| <b>Net profit under IFRS</b>                              | <b>6,420</b>                            | <b>542</b>   |   |              |

## Operating Summary of Refining Segment

|  | Unit                | Three-month periods ended 31 March |       | Changes as compared with the same period last year (%) |
|--|---------------------|------------------------------------|-------|--|
|  |                     | 2003                               | 2002  |  |
| Crude processing volume                  | Ten thousand tonnes | 2,754                              | 2,394 | 15.0   |
| Gasoline, diesel and kerosene production | Ten thousand tonnes | 1,640                              | 1,410 | 16.3   |
| Of which: Gasoline                       | Ten thousand tonnes | 512                                | 424   | 20.8   |
| Diesel                                   | Ten thousand tonnes | 987                                | 883   | 11.8   |
| Kerosene                                 | Ten thousand tonnes | 141                                | 103   | 36.9   |
| Chemical feedstock                       | Ten thousand tonnes | 420                                | 347   | 21.0   |
| Light yield                              | %                   | 74.30                              | 72.66 | 1.64 percentage points                                 |
| Refining yield                           | %                   | 92.64                              | 91.79 | 0.85 percentage points                                 |

### 3.1.3 Marketing and Distribution Segment

In the first quarter of 2003, domestic market conditions were good and prices for domestic refined oil products were stable. By seizing the market opportunities and maintaining the increase of total sales volume of domestic refined oil products, the Company continued to raise its retail volume. While maintaining the stable supply of refined oil products in its principal markets, the Company made endeavors to reduce its inventory to an appropriate level; actively promoted the sales of gasoline of high octane number, with the sales volume of gasoline of high octane number during the first quarter amounting to approximately 1.68 million tonnes and representing an increase of approximately 7 percentage points over the same period last year; continued to grasp the market opportunities and expanded the export of refined oil products. The export volume of refined oil products during the first quarter amounted to approximately 1.59 million tonnes, representing an increase of 124% over the same period last year.

In the first quarter of 2003, the Company continued to increase the operating efficiency of petrol stations. The average annual throughput per COCO (Company Owned and Company Operated) petrol station projected from the throughput in the first quarter amounted to 1,628 tonnes, representing an increase of 9.6% over the same period last year.

### Operating Summary of the Marketing and Distribution Segment

|  | Unit                | Three-month periods ended 31 March |        | Changes as compared with the same period last year (%) |
|--|---------------------|------------------------------------|--------|--|
|  |                     | 2003                               | 2002   |  |
| Total domestic sales of refined oil products | Ten thousand tonnes | 1,781                              | 1,734  | 2.7  |
| Of which: Retail sales volume                | Ten thousand tonnes | 895                                | 794    | 12.7   |
| Direct distribution volume                   | Ten thousand tonnes | 328                                | 338    | -3.0   |
| Wholesale volume                             | Ten thousand tonnes | 558                                | 601    | -7.2   |
| Total number of petrol stations (Note 1)     | Station             | 28,894                             | 28,127 | 2.7  |
| Of which: COCO petrol stations               | Station             | 24,065                             | 24,000 | 0.3  |
| Franchised petrol stations                   | Station             | 4,829                              | 4,127  | 17.0   |
| Throughput per petrol station (Note 2)       | Tonne/station       | 1,628                              | 1,560  | 4.4  |

Note 1: Total number of petrol stations represents the number at the end of the relevant reporting period.

Note 2: Throughput per petrol station of 2003 was projected annual average, and that of 2002 was actual annual average.

### 3.1.4 Chemical Segment

In the first quarter of 2003, the prices of the Company's major chemical products increased to some extent as compared with that at the beginning of this year. The Company's major chemical production facilities continued running at full-capacity. Other than fertilizer, the production of major chemical products such as synthetic resins, synthetic rubbers, monomers and polymers for synthetic fibers and synthetic fibers have increased significantly. The Company continued to improve its product mix and increase the product quality while the production of performance compound resins and differential fibers further increased.

### Production of Major Chemicals (ten thousand tonnes)

|  | Three-month periods ended 31 March |       | Changes as compared with the same period last year (%) |
|--|------------------------------------|-------|--|
|  | 2003                               | 2002  |  |
| Ethylene                                   | 76.46                              | 58.26 | 31.24  |
| Synthetic resins                           | 113.46                             | 88.15 | 28.71  |
| Of which: performance compound resins      | 51.18                              | 38.77 | 32.01  |
| Synthetic rubbers                          | 11.71                              | 10.97 | 6.75   |
| Monomers and polymers for synthetic fibers | 100.52                             | 92.91 | 8.19   |
| Synthetic fibers                           | 29.91                              | 27.51 | 8.72   |
| Of which: differential fibers              | 11.50                              | 8.91  | 29.07  |
| Urea                                       | 39.03                              | 72.81 | -46.39   |

### 3.1.5 Capital expenditure

The capital expenditure of the Company during the first quarter was about RMB9.36 billion. The exploration and production segment utilized RMB4.82 billion, whereby the developed oil fields in the eastern regions have made breakthroughs with many exploratory wells generating industrial oil stream; some new oil fields of western regions have generated high-yield industrial gas stream or discoveries; No. 1 well of Maoba region, Sichuan Province in the southern regions has generated high-yield natural gas. The newly added production capacity of crude oil and natural gas amounted to 0.83 million tonnes and 94 million cubic meters respectively. The refining segment utilized RMB1.22 billion, whereby some facilities for capacity expansion and technological renovation were subject to test run and then put into operation while the projects such as the Ningbo-Shanghai-Nanjing imported crude oil pipeline have progressed smoothly. The chemical segment utilized RMB2.85 billion, whereby the revamping project of ethylene facilities in Guangzhou and the PTA project in Yizheng Chemical Fiber will be put into trial run, the cyano ethylene facilities in Shanghai Petrochemical has been successfully put into trial run, and the second round revamping projects of paraxylene facilities in Zhenhai Refining and the ethylene facilities in Sinopec Qilu have progressed smoothly. In addition, Yangzi BASF integration project and Shanghai Secco ethylene project are under construction. The marketing and distribution segment utilized RMB0.47 billion, whereby the construction and revamping projects for the petrol stations are implementing on schedules.

3.2 The brief analysis of the Company's general operating activities during the reporting period

Based on the PRC Accounting Rules and Regulations, the income from principal operations of the Company for the first quarter of 2003 amounted to RMB98,519 billion, representing an increase of 56.39% over the same period last year, and the net profits amounted to RMB 5,813 billion, representing an increase of RMB5,711 billion over the same period last year.

Based on IFRS, the turnover and other operating revenues of the Company for the first quarter of 2003 amounted to RMB102,719 billion, representing an increase of 55.63% over the same period last year. Profit attributable to shareholders amounted to RMB6.42 billion, representing an increase of RMB5,878 billion over the same period last year.

3.2.1 The principal segments or products accounting for over 10% of income or profit from principal operations

✓ applicable □ inapplicable

3.2.2 Significant changes in, and explanations of, the principal operations and their structures as compared with those during the previous reporting period

□ applicable ✓ inapplicable

3.2.5 Significant changes in, and explanations of, the profitability (gross profit margin) of principal operations as compared with those during the previous reporting period prepared in accordance with the PRC Accounting Rules and Regulations

□ applicable ✓ inapplicable

3.3 Significant events and their impacts as well as the analysis and explanations for the solutions

✓ applicable □ inapplicable

Sinopec Corp. published an announcement on 20 January 2003, concerning the transaction under which certain Sinopec Corp. branch companies leased petrol stations from certain subsidiaries of China Petrochemical Corporation ("Sinopec Group Company"). In 2003, Sinopec Corp. will lease about 983 petrol stations and enter into about 983 new lease contracts with the subsidiaries of Sinopec Group Company, each of which will expire on 31 December 2003 for a term of 1 year. It is expected that the total amount of annual rentals for the new lease contracts during 2003 are approximately RMB0.12 billion. The Board of Directors (including independent Directors) of Sinopec Corp. believes that, through the conclusion of new lease contracts, Sinopec Corp. will reduce the competition with the subsidiaries of Sinopec Group Company, expand and focus on its retail operations of refined oil products and enhance its market manoeuvrability. Details of the transaction are stated in the relevant announcements of Sinopec Corp. published in the China Securities News, Shanghai Securities News and Securities Times in China, and the South China Morning Post and the Hong Kong Economic Times on 20 January 2003 in Hong Kong.

On 22 April 2003, Sinopec Corp. held the first extraordinary general meeting of 2003, during which "The Work Review of the First Session of the Board of Directors of Sinopec Corp.", and "The Work Review Report of the First Session of the Board of Supervisors of Sinopec Corp." have been reviewed, and the members of the Second Session of each of the Board of Directors and the Supervisory Committee of Sinopec Corp. have been elected. Mr. Chen Tonghai, Mr. Wang Jiming, Mr. Mou Shuling, Mr. Zhang Jiaren, Mr. Cao Xianghong, Mr. Fan Yifei, Mr. Chen Qingtai, Mr. Ho Tsu Kwok Charles, Mr. Shi Wanpeng, Mr. Zhang Youcai and Mr. Cao Yaofeng were elected as members of the Second Session of the Board of Directors of Sinopec Corp. Mr. Wang Zuoran, Mr. Zhang Chongqing, Mr. Wang Peijun, Mr. Wang Xianwen, Mr. Zhang Baojian, Mr. Kang Xianzhang, Mr. Cui Jianmin and Mr. Li Yonggui were elected as shareholder representative supervisors of the Second Session of the Supervisory Committee of Sinopec Corp. During the first meeting of the Second Session of the Board of Directors of Sinopec Corp. which was held on the same day, Mr. Chen Tonghai and Mr. Wang Jiming were elected as Chairman and Vice Chairman respectively. Mr. Wang Jiming was appointed as the President. Mr. Mou Shuling, Mr. Zhang Jiaren, Mr. Cao Xianghong and Mr. Wang Tianpu were appointed as Senior Vice-Presidents, Mr. Wang Zhigang, Mr. Zhang Jianhua, Mr. Cai Yiyu and Mr. Li Chunguang were appointed as Vice-Presidents, and Mr. Zhang Jiaren was also appointed as Chief Financial Officer. Mr. Chen Ge was appointed as Secretary to the Board. The Board of Directors has decided to hold the Annual General Meeting for the year 2002 on 10 June 2003 and issued the relevant notice of the Annual General Meeting to the shareholders. Upon the nomination of the Board of Directors, Mr. Liu Genyuan and Mr. Liu Keguo were appointed as the candidates of directors of the Second Session of the Board of Directors. However, it will be subject to the approval of the Annual General Meeting for the year 2002. During the first meeting of Second Session of the Supervisory Committee of Sinopec Corp. which was held on the same day, Mr. Wang Zuoran was elected as the Chairman of the Second Session of the Supervisory Committee of Sinopec Corp. Details are stated in the relevant announcements of Sinopec Corp. published in the China Securities News, Shanghai Securities News and Securities Times in China, and the South China Morning Post and the Hong Kong Economic Times on 23 April 2003 in Hong Kong.

3.4 Disclosure and explanations as to the changes in accounting policies, accounting estimates and scope of consolidation and significant accounting errors

□ applicable ✓ inapplicable

3.5 Relevant explanations made by the Board of Directors and the Supervisory Committee after the audit and presentation of "non standard opinion".

□ applicable ✓ inapplicable

### 3.6 Business prospects

Looking into the future for the second quarter of 2003, the domestic demand of refined oil and petrochemical products will maintain a rapid growth, creating a positive market for the Company to expand its production and operation. Meanwhile, the international market prices of crude oil, refined oil and petrochemical products experienced downturn following the conclusion of the massive US-Iraq war. It is predicted that the prices of crude oil and refined oil products during the second quarter will be maintained at a relatively high level and the chemical products will rebound slowly from cyclical trough for a long period of time. However, the influence of the US-Iraq war on global economy is hard to predict, the trend of world economy is uncertain, bringing challenges to the operation and business of the Company. Based on the above-mentioned market conditions, the Company will closely track the market changes, optimize production and operation, adopt flexible operating policies and continue to implement its development strategies of "expanding resources, developing market, reducing costs and disciplining investments" as detailed below:

Exploration and Production Segment: The Company will continue to maintain stable and increased production of crude oil and natural gas, and strive for the substitution of resources and construction of capacity expansion facilities. The planned production of crude oil and natural gas during the second quarter will amount to 9.51 million tonnes and 1.39 billion cubic meters respectively.

Refining Segment: Based on the market conditions, the Company will continue to adjust the product mix and throughput and increase production of petrochemical feedstock and those products with high added value. The planned processing volume of crude oil during the second quarter will amount to 27.79 million tonnes.

Marketing and Distribution Segment: The Company will further enhance the network construction of refined oil products and continue to increase retail volume and direct distribution volume. The planned total sales volume of domestic refined oil products during the second quarter will amount to 17.60 million tonnes, of which retail volume will be 8.7 million tonnes and direct distribution volume will be 3.3 million tonnes.

Chemical Segment: The Company will maintain the full-capacity operation of high-efficiency chemical facilities, promote the production of major chemicals and continue to increase the production of those products with high added value. The planned production of ethylene during the second quarter will amount to 0.75 million tonnes.

3.7 Caution and explanation as to the anticipated loss of accumulated net profits from the beginning of the year to the end of the next reporting period or significant changes over the same period last year

✓ applicable □ inapplicable

In January and February of 2002, domestic prices of crude oil, refined oil products and petrochemical products fell to a trough. This led to the poor performance of the Company's profits during the first quarter of 2002, with the net profits of only RMB0.1 billion. Although prices recovered and market conditions improved during the second quarter, and the Company attained good performance in promoting its total production and cost reduction, the consolidated net profits during the first half of 2002 amounted to RMB4.5 billion, representing a decrease of 22.4% as compared with RMB5.8 billion of the first quarter of 2003. The Company expects that the prices of crude oil and refined oil products during the second quarter will be maintained at a relatively high level and the chemical products will experience downturn but will rebound slowly from cyclical trough. In the meantime, the Company will continue to increase its total production and reduce costs. It is expected that the accumulated net profits during the first half of 2003 will significantly improve over the same period last year.

3.8 Adjustments to the annual business plan or budget which have been disclosed

□ applicable ✓ inapplicable

3.9 The full version of the Company's balance sheet, income statement and cash-flow statement is published on the website of the Shanghai Stock Exchange at <http://www.sse.com.cn>.

3.10 This quarterly report is published in both English and Chinese languages. The Chinese version shall prevail.

By Order of the Board  
Chen Ge  
Secretary to the Board of Directors

Beijing, the PRC, 28 April 2003