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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)

Third Quarterly Report for 2003

Highlights of the results of the Company for the third quarter ended 30 September 2003

During the third quarter of 2003, income from principal operations and net profit of China Petroleum & Chemical Corporation and its subsidiaries (the "Company") under the PRC Accounting Rules and Regulations amounted to RMB 105,820 million and RMB 5,039 million respectively, increased by 23.69% and 10.72% over the third quarter of 2002 respectively. Turnover & other operating revenues and profit attributable to shareholders of the Company under International Financial Reporting Standards ("IFRS") amounted to RMB 110,755 million and RMB 6,336 million respectively, increased by 20.44% and 35.94% over the third quarter of 2002 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 results 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 IFRS.

This announcement is made pursuant to the disclosure requirement under paragraph 2 of the Listing Agreement for its publication in Hong Kong.

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 fourth meeting of the second session of the Board of Directors of Sinopec Corp.
- 1.3 The quarterly financial statements contained in this report have not been audited.
- 1.4 Mr. Chen Tonghai, Chairman of the Board of Sinopec Corp., Mr. Wang Jiming, Vice Chairman and President of Sinopec Corp., Mr. Zhang Jiaren, Director, Senior Vice President and Chief Financial Officer of Sinopec Corp., and Mr. Liu Yun, Head of the Accounting Department of Sinopec Corp., hereby warrant the authenticity and completeness of the financial statements contained in this quarterly report.

2. Basic Information

2.1 Basic information of Sinopec Corp.

Stock name	SINOPEC CORP.	SINOPEC CORP.	SINOPEC CORP.	SINOPEC CORP.
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. Huang Wensheng
Address	6A Huixindong Street, Chaoyang District, Beijing, PRC			
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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

	At 30 September 2003		At 31 December 2002		Changes compared with the preceding year-end (%)	
Total assets (RMB millions)	374,676		368,375		1.71	
Shareholders' funds (excluding minority interests) (RMB millions)	158,718		151,717		4.61	
Net assets per share (RMB)	1.831		1.750		4.63	
Adjusted net assets per share (RMB)	1.809		1.736		4.21	
	Three-month period ended 30 September (July to September)			Nine-month period ended 30 September (January to September)		
	2003	2002	Changes compared with the same period of the preceding year (%)	2003	2002	Changes compared with the same period of the preceding year (%)
Net cash flows from operating activities (RMB millions)	15,987	N/A	N/A	45,969	N/A	N/A
Earnings per share (RMB)	0.058	0.052	11.54%	0.171	0.104	64.42%
Return on net assets (%)	3.17	3.11	0.06 percentage points	9.33	6.19	3.14 percentage points
Return on net assets before non-operating profits/losses (%) (Fully diluted)	4.26	3.17	1.09 percentage points	10.70	6.34	4.36 percentage points
(Weighted average)	4.28	3.19	1.09 percentage points	10.81	6.27	4.54 percentage points

Non operating profits/losses	Nine-month period ended 30 September 2003
	<i>(RMB millions)</i>
Non-operating income	165
Non-operating expenses	(3,409)
Tax effect	1,071
Total	(2,173)

2.2.1.2 Principal accounting data and financial indicators prepared in accordance with IFRS

	At 30 September 2003	At 31 December 2002	Changes compared with the preceding year-end (%)
Total assets (RMB millions)	386,199	375,881	2.75
Shareholders' funds (excluding minority interests) (RMB millions)	163,670	154,485	5.95
Net assets per share (RMB)	1.888	1.782	5.95
Adjusted net assets per share (RMB)	1.867	1.768	5.60

	Three-month period ended 30 September (July to September)			Nine-month period ended 30 September (January to September)		
	2003	2002	Changes compared with the same period of the preceding year (%)	2003	2002	Changes compared with the same period of the preceding year (%)
Net cash flows from operating activities (RMB millions)	15,080	N/A	N/A	42,935	N/A	N/A
Earnings per share (RMB)	0.073	0.054	35.19%	0.197	0.116	69.83%
Return on net assets (%)	3.87	3.14	0.73 percentage points	10.41	6.80	3.61 percentage points

2.2.2 Income statements

This section includes the income statements for the third quarter ended 30 September 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

(1) Income statements for the three-month period ended 30 September (July to September)

Item	Three-month period ended 30 September 2003 (July to September)		Three-month period ended 30 September 2002 (July to September)	
	The Group	The Company	The Group	The Company
	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
1. Income from principal operations	105,820	66,781	85,555	55,144
Less: Cost of sales	81,906	53,945	65,861	45,085
Sales taxes and surcharges	3,411	2,190	2,923	1,791
2. Profit from principal operations	20,503	10,646	16,771	8,268
Add: Profit from other operations	238	39	353	40
Less: Selling expenses	3,800	2,784	3,379	2,294
Administrative expenses	4,158	2,496	4,177	2,549
Financial expenses	1,151	685	1,157	696
Exploration expenses, including dry holes	1,213	867	1,218	779
3. Operating profit	10,419	3,853	7,193	1,990
Add: Investment income	56	4,707	156	4,904

Non-operating income	77	9	34	36
Less: Non-operating expenses	2,641	1,457	159	124
4. Profit before taxation	7,911	7,112	7,224	6,806
Less: Taxation	2,233	2,073	2,325	2,255
Minority interests	639	-	348	-
5. Net profit	5,039	5,039	4,551	4,551

Note: The “Company” means China Petroleum & Chemical Corporation.

The “Group” means China Petroleum & Chemical Corporation and its subsidiaries (the “Company”).

(2) Income statements for the nine-month period ended 30 September (January to September)

Item	Nine-month period ended 30 September 2003 (January to September)		Nine-month period ended 30 September 2002 (January to September)	
	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	300,662	199,048	226,183	153,478
Less: Cost of sales	234,209	165,733	175,233	126,955
Sales taxes and surcharges	9,552	6,045	8,699	5,341
2. Profit from principal operations	56,901	27,270	42,251	21,182
Add: Profit/(loss) from other operations	821	116	851	58

Less: Selling expenses	10,492	7,232	9,847	6,757
Administrative expenses	13,804	8,669	12,194	7,349
Financial expenses	3,385	1,885	3,609	2,293
Exploration expenses, including dry holes	3,997	2,833	3,127	2,023
3. Operating profit/(loss)	26,044	6,767	14,325	2,818
Add: Investment income	397	16,656	342	10,826
Non-operating income	165	38	178	108
Less: Non-operating expenses	3,409	2,025	504	373
4. Profit before taxation	23,197	21,436	14,341	13,379
Less: Taxation	6,995	6,632	4,499	4,324
Minority interests	1,398	-	787	-
5. Net profit	14,804	14,804	9,055	9,055

Note: The “Company” means China Petroleum & Chemical Corporation.

The “Group” means China Petroleum & Chemical Corporation and its subsidiaries (the “Company”).

2.2.2.2 Consolidated income statements prepared in accordance with IFRS

Item	Three-month periods ended 30 September (July to September)		Nine-month periods ended 30 September (January to September)	
	RMB millions		RMB millions	
	2003	2002	2003	2002

1.	Turnover and other operating revenues	110,755	91,955	313,229	238,152
	Including: Turnover	105,820	85,555	300,662	226,183
	Other operating revenues	4,935	6,400	12,567	11,969
2.	Operating expenses	(99,895)	(83,438)	(283,933)	(218,928)
	Including: Purchased crude oil, products and operating Supplies and expenses	(78,624)	(65,251)	(221,305)	(165,822)
	Selling, general and administrative expenses	(6,070)	(5,570)	(17,342)	(15,384)
	Depreciation, depletion and amortisation	(5,955)	(5,447)	(18,399)	(16,793)
	Exploration expenses, including dry holes	(1,213)	(1,218)	(3,997)	(3,127)
	Personnel expenses	(3,281)	(2,904)	(11,312)	(8,777)
	Taxes other than income tax	(3,411)	(2,923)	(9,552)	(8,699)
	Other operating expenses, net	(1,341)	(125)	(2,026)	(326)
3.	Operating profit	10,860	8,517	29,296	19,224
4.	Finance costs	(1,043)	(1,024)	(3,044)	(3,385)
	Including : Interest expense	(982)	(1,090)	(3,101)	(3,353)
	Interest income	69	84	211	214
	Foreign exchange losses	(148)	(30)	(186)	(289)

	Foreign exchange gains	18	12	32	43
5.	Investment income	5	75	33	117
6.	Share of profits less losses from associates	41	55	312	145
7.	Profit from ordinary activities before taxation	9,863	7,623	26,597	16,101
8.	Taxation	(2,877)	(2,599)	(8,138)	(5,193)
9.	Profit from ordinary activities after taxation	6,986	5,024	18,459	10,908
10.	Minority interests	(650)	(363)	(1,422)	(814)
11.	Profit attributable to shareholders	6,336	4,661	17,037	10,094

2.2.3 Differences between the net profit for the first three quarters of 2003 and shareholders' funds 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:

	Nine-month period ended 30 September	
	2003	2002
	<i>RMB millions</i>	<i>RMB millions</i>
Net profit under the PRC Accounting Rules and Regulations	14,804	9,055
Adjustments:		
Depreciation of oil and gas properties	1,914	1,514
Disposal of oil and gas properties	1,199	-
Capitalization of general borrowing costs	295	119
Acquisition of Sinopec National Star	87	87
Revaluation of land use rights	13	13
Impairment losses on long-lived assets	(5)	-
Pre-operating expenditures	(127)	-
Effects of the above adjustments on taxation	(1,143)	(694)
Net profit under IFRS	17,037	10,094

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 30 September 2003	At 31 December 2002
	RMB millions	RMB millions
Shareholders' funds under the PRC Accounting Rules and Regulations	158,718	151,717
Adjustments:		
Depreciation of oil and gas properties	11,026	9,112
Disposal of oil and gas	1,199	-
Capitalization of general borrowing costs	1,031	736
Acquisition of Sinopec National Star	(2,842)	(2,929)
Revaluation of land use rights	(809)	(822)
Government grants	(340)	(291)
Impairment losses on long-lived assets	(118)	(113)
Pre-operating expenditures	(127)	-
Effects of the above adjustments on taxation	(4,068)	(2,925)
Shareholders' funds under IFRS	163,670	154,485

- 2.3 Total number of shareholders at the end of this reporting period is 436,119, among which 420,453 shareholders are domestic shareholders, and 15,666 shareholders are overseas shareholders.

3 Management's Discussion and Analysis

3.1 Business Review

In the first three quarters of year 2003, the Chinese economy continues to grow rapidly with a GDP growth rate of 8.5%. As a result, domestic demands for petroleum and petrochemical products have kept growing steadily.

Looking back into the first three quarters of this year, in the first and second quarters, the Company paid close heed to the trends of international and domestic political and economic situations, made correct judgments on price trends of crude oil and petrochemical products in domestic and overseas markets, formulated and put into force a series of effective countermeasures in time. As a result of all such measures, the Company managed to overcome the adverse influences brought forth by the dramatic fluctuations of international crude oil price and the outbreak of SARS, and recorded fairly good results. Since the third quarter, international oil prices remained at a relatively high level. Post-SARS, domestic demands for refined oil products and chemical products in China have surged by leaps, and the prices of chemical products also picked up steadily. The Company seized such opportunities, and made solid efforts in expanding its sales volume and optimizing its operation practices on the basis of market demand. Thus, the Company has continued its successfulness in achieving good results in oil and gas production, crude oil processed volume, refined oil products sales volume, and ethylene production, etc.

In the first three quarters of 2003, the Company's income from principal operations and net profit, according to the PRC Accounting Rules and Regulations, were RMB 300.662 billion and RMB 14.804 billion respectively (among others, those recorded in the third quarter were RMB 105.820 billion and RMB 5.039 billion respectively).

In the first three quarters of 2003, according to the IFRS, turnover and other operating revenues amounted to RMB 313.229 billion and profit attributable to shareholders was RMB 17.037 billion (among others, those recorded in the third quarter were RMB 110.755 billion and RMB 6.336 billion respectively).

Exploration and Production Segment:

In the third quarter, the Company posted encouraging achievements in exploration, development and production of crude oil and natural gas. In respect of exploration and development, remarkable progress was made in the existing oil fields in eastern China, exploration in the Heba No.1 Well in southern China showed good indication of natural gas reserves. Significant discovery was also made in natural gas exploration in the northwestern part of Sichuan province. The possible and probable reserves in the Tahe Oil Field in western China surged by leaps. In

respect of oil and gas production, major efforts were made to enhance the recovery ratio in the existing oil fields and improve development technologies in the oil fields; smooth progress was made in Tahe Oil Field in western China in its “one-million-tonne-per-year-capacity drive”, and production of crude oil and natural gas was modestly increased.

Refining Segment:

In the third quarter, the Company seized market opportunities, optimized the deployment of its resources, adjusted its product mix, and increased the refining throughput according to market situation. In fact, its refining facilities were running smoothly at high utilization rate. At the same time, the Company reacted to changes in terms of market situation promptly, and endeavored to increase the sales volume of other petroleum products than refined oil products.

Marketing and Distribution Segment:

In the third quarter, the Company seized the market opportunities of strong demands for refined oil products in the domestic market, leveraged the synergy between production and marketing efforts, and, rationally arranged resources and total supply in the domestic market. As a result, the Company’s domestic sales volume of refined oil products was increased significantly; besides, the Company focused its efforts in enhancing its retail and distribution volume, and further improved its sales structure.

Chemicals Segment:

In the third quarter, under the influence of international market, domestic prices of major chemical products and margins were increased to a certain extent. The Company adhered to its operating strategy featuring “closely follow the market, and sell out all the products produced”. In fact, principal chemicals production facilities of the Company continued to keep running at full loads. A remarkable growth was recorded in terms of the Company’s production of major chemical products such as synthetic resins, synthetic rubber, synthetic fiber monomer and polymer, and synthetic fibers, etc. except for chemical fertilizers. In addition, production of performance compound resins and differential fibers were further increased.

Summary of Principal Operating Results for the first three quarters

Operating Results	Unit	Nine-months period ended September 30		Changes compared with the same period of the preceding year (%)
		2003	2002	

Exploration and Production

Crude oil production	‘000 tonne	28,548.8	28,419.3	0.46
Natural gas production	billion cubic meter	3.918	3.735	4.90
Crude oil realized price	RMB/tonne	1,635.75	1,248.80	30.99
Natural gas realized price	RMB/ ‘000 cubic meter	598.11	590.00	1.37

Refining

Refining throughput	‘000 tonne	84,591.3	76,979.8	9.89
Production of gasoline, diesel and kerosene	‘000 tonne	50,017.5	45,898.9	8.97
Of which:	‘000 tonne	15,779.3	14,294.7	10.39
Gasoline	‘000 tonne	30,396.1	27,985.7	8.61
Diesel	‘000 tonne	3,842.1	3,618.5	6.18
Kerosene	‘000 tonne	12,272.2	11,337.4	8.25
Chemical feedstock	‘000 tonne	73.22%	73.32%	-0.1 percentage points
Light yield	%	92.71%	92.55%	0.16 percentage points
Refining yield	%			

Marketing and Distribution

Total domestic sales of refined oil products	‘000 tonne	55,170.4	52,113.7	5.87
Of which: Retail volume	‘000 tonne	27,992.2	25,719.0	8.84

Direct distribution volume	‘000 tonne	11,315.5	9,575.9	18.17
Wholesale volume	‘000 tonne	15,863.7	16,818.8	-5.68
Total number of petrol stations	station	29,612	27,798	6.53
Owned and self-operated	station	24,286	24,348	-0.25
Franchised	station	5,326	3,450	54.37
Throughput volume per petrol station (*)	tonne/station	1,652	1,528	8.12

Chemicals

Ethylene	‘000 tonne	2,326.4	1,911.4	21.71
Synthetic resin	‘000 tonne	3,437.9	2,839.1	21.09
Of which : performance compound resins	‘000 tonne	1,591.9	1,283.3	24.05
Synthetic rubber	‘000 tonne	356.8	329.9	8.15
Synthetic fiber and monomer	‘000 tonne	3,231.5	2,822.6	14.49
Synthetic fiber	‘000 tonne	935.3	845.2	10.66
Of which: Differential fiber	‘000 tonne	379.8	284.8	33.36
Urea	‘000 tonne	1,617.1	2,263.4	-28.55

(*) Throughput per petrol station of 2003 was projected annual average, and that of 2002 was

actual annual average.

Capital Expenditure:

The Company adheres to its investment principle characterized by “optimization of investment allocation, reinforcement of structure adjustment, and with profitability as first priority”. In the past three quarters of year 2003, its total capital expenditure was RMB 29.318 billion; including, RMB 12.945 billion was spent in the Exploration and Production Segment, RMB 5.998 billion spent in the Refining Segment, RMB 5.333 billion spent in the Chemicals Segment, RMB 4.852 billion spent in the Marketing and Distribution Segment, and RMB 190 million spent in the Corporate and others.

In order to seize the opportunity when oil prices stays at high level, realize the increase in reserve and production of oil and gas, and make further efforts in exploring strategic replacement resources in the west of China, and also considering that the Company has kept its Refining Segment running at high utilization rate in response to the strong demands for oil products in domestic market since the third quarter, as well as the chemicals market having recovered gradually, and with an aim to achieve effective and long-term development, the Company’s Board of Directors discussed and determined to make adjustments to the Company’s capital expenditure plan for Year 2003. As a result of such adjustments, the budgeted amount of its capital expenditure was increased to RMB 43.322 billion, an increase of RMB 5.722 billion, from RMB 37.6 billion originally planned at the beginning of the year. Including:

The budgeted capital expenditure for the Exploration and Production Segment was increased by RMB 1.874 billion, which is to be used mainly in such regions such as Tahe and Jungel, northeast of Sichuan province, Tabamiao in Ordos basin, Shengli oil field, and Zhongyuan oil field for the purposes of oil & gas exploration, development and construction of production capacity. Such efforts were made by the Company in order to seize the opportunity when the oil prices remain on a high side this year so as to lay down a sound foundation for increasing reserves and production in the above mentioned regions in the next year. It is estimated that in year 2003, the newly added geological reserves of crude oil will rise to 250 million tonnes from 200 million tonnes as planned at the beginning of this year; the newly added geological reserves of natural gas will be increased to 57 billion cubic meters from 55 billion cubic meters as planned at the beginning of this year; the newly built production capacity of crude oil will climb to 6.025 million tonnes/year, from 5.58 million tonnes/year as planned at the beginning of 2003; and the newly added production capacity of natural gas will surge to 800 million cubic meters/year, from 674 million cubic meters/year as planned at the beginning of 2003.

The budgeted capital expenditure for the Refining Segment was increased by RMB 2.083 billion; among others, the amount of investment in the current year is increased by RMB 1.434 billion with an aim to speed up the construction pace, mainly because of factors such as: the utilization rate of Refining Segment in the third quarter has surged to more than 90% and the necessity for the Company to enhance its comprehensive processing capacities in the Refining Segment and its production capacity of chemical feedstock. With such considerations, the Company decided to accelerate its pace by revamping and expanding a part of the refining facilities, and constructing the Ningbo-Shanghai-Nanjing crude oil pipeline which is estimated to commence operation at the beginning of 2004. In addition, the Zhenhai PX and its auxiliary facilities were transferred from the Chemicals Segment to the Refining Segment, leading to an increment of RMB 650 million.

The budgeted capital expenditure for the Chemicals Segment was increased by RMB 232 million; among others, the newly added investment in the current year, which aims at accelerating the pace of construction of the second round of renovation of the ethylene project in Qilu Petrochemical Co., Ltd., and the coal-gasification project for chemical fertilizers plant, etc. was RMB 883 million, mainly because of the fact that the chemicals market situation is looking positive gradually. In addition, the Zhenhai PX and its auxiliary facilities were transferred from the Chemicals Segment to the Refining Segment, leading to a decrement of RMB 650 million.

The budgeted capital expenditure for the Marketing and Distribution Segment was increased by RMB 1.05 billion, which is to be used in full for speeding up the construction of the Maoming-Guiyang-Kunming oil products pipeline project, with an aim to complete construction by the end of 2004.

The budgeted capital expenditure for the Corporate and others were increased by RMB 483 million, mainly for the purpose of constructing information network and purchasing of devices and equipment, etc.

After such adjustments as mentioned above, the capital expenditure budget for each Segment are as follows: RMB 19.874 billion for the Exploration and Production Segment, RMB 8.423 billion for the Refining Segment, RMB 7.872 billion for Chemicals Segment, RMB 6.05 billion for the Marketing and Distribution Segment, and RMB 1.103 billion for the Corporate and others.

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

In the third quarter of 2003, according to the PRC Accounting Rules and Regulations, the Company's income from principal operations was RMB 105.82 billion, increased by 23.69% over the same period of the preceding year; while its net profit was RMB 5.039 billion, increased by 10.72% over the same period of the preceding year.

In the third quarter of 2003, according to the IFRS, turnover and other operating revenues of the Company was RMB 110.755 billion, increased by 20.44% over the same period of the preceding year; and the profit attributable to shareholders was RMB 6.336 billion, increased by 35.94% over the same period of the preceding year.

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

√ applicable	not applicable
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The table below shows segment information prepared in accordance with the PRC Accounting Rules and Regulations:

Segments	Income from principal operations	Costs of sales, sales taxes and surcharges	Profit from principal operations	Gross profit margin (%)
	<i>(RMB millions)</i>	<i>(RMB millions)</i>	<i>(RMB millions)</i>	<i>(Note)</i>
Exploration and production	14,870	7,969	6,939	46.66
Refining	66,647	63,104	3,571	5.36
Marketing and distribution	60,215	52,848	7,367	12.23
Chemicals	20,169	17,645	2,524	12.51
Corporate and others	15,522	15,420	102	0.66
Elimination of inter-segment sales	(71,603)	(71,669)	-	-
Total	105,820	85,317	20,503	19.38
Of which: connected transactions	5,688	4,880	808	14.21

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

The table below shows segment information prepared in accordance with IFRS

Segments	Operating revenues	Operating expenses	Operating profit/(loss)	Percentage of operating profit/(loss) over operating revenues
	<i>(RMB millions)</i>	<i>(RMB millions)</i>	<i>(RMB millions)</i>	<i>(%)</i>
Exploration and production	16,119	10,959	5,198	32.25
Refining	67,894	66,063	1,859	2.74
Marketing and distribution	60,327	56,862	3,465	5.74
Chemicals	21,988	21,259	729	3.32
Corporate and others	16,030	16,421	(391)	(2.44)
Elimination of inter-segment sales	(71,603)	(71,669)	-	-
Total	110,755	99,895	10,860	9.81

3.2.2 Seasonal or periodic nature of the Company's operations

applicable not applicable

3.2.3 The composition of the profits during this reporting period (Under the PRC Accounting Rules and Regulations, significant changes in the profit from principal operations, profit from other operations, period expenses, investment income, subsidy income and net non-operating income/expenses as a percentage of profit before taxation are listed and explained below)

applicable not applicable

Item	Three-month period ended 30 September 2003 (July to September)		Six-month period ended 30 June 2003 (January to June)		Changes in percentage of profit before taxation
	Amount	As a percentage of profit before taxation	Amount	As a percentage of profit before taxation	
	(RMB millions)	(%)	(RMB millions)	(%)	(percentage point)
Profit from principal operations	20,503	259.2	36,398	238.1	21.1
Profit from other operations	238	3.0	583	3.8	(0.8)
Period expenses	(10,322)	(130.5)	(21,356)	(139.7)	9.2
Investment income	56	0.7	341	2.2	(1.5)
Net non-operating income/expenses	(2,564)	(32.4)	(680)	(4.4)	(28)
Profit before taxation	7,911	100.0	15,286	100.0	-

Significant changes and explanations:

- Profit from principal operations:

Profit from principal operations as a percentage of profit before taxation was 259.2%, increased by 21.1 percentage points compared with 238.1% for the period from January to June, largely because of the fact that in the third quarter, prices of crude oil remained at high level, domestic demand for oil products and chemical products were robust, and prices of chemical products gradually recovered, which led to significant increase in the profit from principal operations. At the same time, the Company seizes this opportunity, and achieved an increase in oil and gas production, crude oil processed volume, refined oil products sales volume and chemical products processed volume, which thus led the profit from principal operations to go up markedly as a result.

- Net of non-operating income and expenses

The net of non-operating income and expenses was RMB -2.56 billion, down by RMB 1.88 billion compared with RMB -0.68 billion for the period from January and June, mainly because of the influence brought forth by the write-off of assets according to relevant regulations, which running with poor efficiency, high energy consumption, or out-dated technology. According to the PRC Accounting Rules and Regulations in the third quarter, the total assets' net book value being written off was RMB 1.65 billion, of which a total net book value of RMB 1.2 billion of assets of Exploration and Production Segment have been written off, mainly because of oil sources depletion, oil well collapse, and fallen objects etc., which made it impossible to conduct oil extraction any more and thus met the conditions of single-well writing off. In addition, a total net book value of RMB 0.45 billion of Chemicals Segment' assets also have been written off mainly because the products manufactured by these facilities delivered relatively poor competitiveness in the market, or because these facilities were of relatively small scale, out-dated technology or high consumption of materials or energy. Writing off the above assets is conducive to improving the quality of the Company's assets, and reducing the negative influence brought forth by those assets running at a poor efficiency upon the Company's production and business operation, as well as laying down a solid foundation for its asset operations and management in each of the ensuing years. Such write-offs are estimated to reduce the depreciation of its assets by RMB 411.25 million next year.

Pursuant to the existing conditions of asset operations and in line with the changes in market situation, the Company will further optimize its structure of assets and enhance the efficiency of its assets by all means in the future. Moreover, the Company will further inspect its assets of different categories in various segments, and write off those assets with low efficiency or high energy consumption.

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

applicable not applicable

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 (January to June)

applicable not applicable

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

√ applicable not applicable

3.3.1 Acquisition of Maoming Ethylene

Maoming Petrochemical Company, wholly owned by China Petrochemical Corporation is located in Guangdong Province, a well-developed region in Southern China. In view of chemical cycle upturn and in order to further reinforce Sinopec Corp.'s core business, enhance its competitiveness, improve profitability, avoid competition within the same industry and reduce connected transactions, the fourth meeting held by the second session of the Board of Directors of the Company has reached a resolution to acquire the core operating assets of Maoming Petrochemical Company (Maoming Ethylene) for a cash consideration of RMB 3.3 billion. The major assets under acquisition consist of a total of 11 production facilities including 380,000 tonne per year ethylene cracker, a 105,000 tonne per year high-pressure polyethylene unit, a 170,000 tonne per year full-density polyethylene unit, a 170,000 tonne per year polypropylene unit, a 110,000 tonne per year styrene unit, a 50,000 tonne per year synthetic rubber unit, and related utilities and auxiliary facilities, as well as a complete range of environmental protection facilities.

For further information, please refer to the relevant announcement of Sinopec Corp. published in domestic PRC newspapers including China Securities Journal, Shanghai Securities News and Securities Times, and the newspapers in Hong Kong including South China Morning Post and Hong Kong Economic Times on 29 October 2003.

3.3.2 Ongoing connected transactions

When listed in 2000, Sinopec Corp. signed a series of agreements with China Petrochemical Corporation (Sinopec Group) upon ongoing connected transactions. The Stock Exchange of Hong Kong Limited has conditionally granted Sinopec Corp. a three-year (2001-2003) waiver with regard to disclosure of its ongoing connected transactions. By the end of 2003, the waiver shall expire. The Company shall readjust the scope and amount of ongoing connected transactions and upper limit on such a waiver, and reapply to the Stock Exchange of Hong Kong Limited for a new 3-year waiver from compliance with the disclosure and/or shareholder's requirement of the Listing Rules for the ongoing connected transactions arising. Such waiver and these ongoing connected transactions are both subject to approval by the general meeting of shareholders. For further information, please refer to the relevant announcement of Sinopec Corp. published in domestic PRC newspapers including China Securities Journal, Shanghai Securities News and Securities Times, and the newspapers in Hong Kong including South China Morning Post and Hong Kong Economic Times on 29 October 2003.

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

applicable √ not applicable

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

applicable √ not applicable

3.6 Business prospects

Looking into the fourth quarter of 2003, domestic demands for refined oil products and chemicals are expected to keep growing robust, hence creating a favorable external environment for the Company’s business expansion. The Company forecasts that in the fourth quarter, prices of crude oil and refined oil products will remain at a relatively high level; the Refining Segment will continue to register a relatively high profit margin; and the prices of chemical products are to rebound. Considering the above market situation, the Company will continue to carry out its corporate development strategy featuring “expanding resources, expanding market, cost saving and prudent investment”, keep a close eye on changes in the market and make rational arrangements of its production and operational plans. In particular:

Exploration and Production: seize the opportunity when oil prices remain at high level by endeavoring to increase its production, carry out more exploration and development activities, especially in new blocks in western and southern China, to fulfill plans for construction of development capacities in such area and lay down a sound foundation for sustainable development in the next year. The Company plans to produce 9.64 million tonnes of crude oil and 1.42 billion cubic meters of natural gas in the fourth quarter of this year.

Refining: rationally adjust refining throughput in view of market demand, and continue to optimize crude oil resources allocation; keep high utilization rate and stable production; adjust product mix to satisfy market demands. The Company is expected to process 31.00 million tonnes of crude oil in the fourth quarter.

Marketing and Distribution: to further optimize the distribution network of oil products, secure product supply and market shares by rationally deploying product resources; continue to optimize sales structure by increasing the retail and distribution volume. The Company is expected to sell 19.8 million tonnes of refined oil products to the domestic market in the fourth quarter(among others, 9.51 million tonnes for retail, and 3.55 million tonnes for distribution).

Chemicals: to increase production of major chemical products by running chemical production facilities at full loads. At the meantime, continue to increase production of high value-added products. In the fourth quarter, the Company is expected to produce 810 thousand tonnes of ethylene.

By means of making efforts as mentioned above, the Company is expected to over fulfill the production and business operation plan for the full year of 2003.

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

applicable not applicable

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

applicable not applicable

- 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 Tonghai
Chairman

Beijing, PRC, 28 October 2003