



SINOPEC Corp.

(386 HK; SNP US; SNP LSE; 600028 CH)



News from China Petroleum & Chemical Corporation (Sinopec Corp.)

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Sinopec Announces FY2003 Results

Solid Turnover and Net Profit Growth

- Revenue up 28.39%
- Profit attributable to shareholders up 32.35%
- ROACE up 1.96%
- EPS increased from RMB 0.188 to RMB 0.249

Beijing, People's Republic of China (PRC) — March 29, 2004 — China Petroleum & Chemical Corporation (“Sinopec Corp.” or “the Company”) (HKEX: 386; NYSE: SNP; LSE: SNP; CH: 600028) today announced its financial results for the twelve months ended December 31, 2003.

“In 2003, a year under difficult and changing market conditions, the Company exercised great flexibility with its operating strategy, reinforced its corporate governance, and carried forward its internal reform. The Company has nonetheless managed to record good operating results, despite having disposed some of its low efficiency assets and paid for its reform,” Chen Tonghai, Sinopec Corp’s Chairman, commented.

“All segments continued to post encouraging growth. Particularly, positive growth in the Marketing and Distribution Segment has showcased the Company’s leading position in the Chinese market, which is attributed to its efforts in building and consolidating its marketing and distribution network across the country through the years. As a result, the Company’s efforts have been acknowledged by the capital market, leading to greater returns to shareholders and an elevation of its valuation,” Mr. Chen continued.

In accordance with International Financial Reporting Standards (IFRS), revenue for 2003 was RMB 443.14 billion (US\$ 53.54 billion), a 28.39% increase from the year before. Operating profit was RMB 37.27 billion (US\$4.50 billion), representing a 29.95% year-over-year increase. Profit attributable to shareholders reached RMB 21.59 billion (US\$2.61 billion), a 32.35% increase compared to 2002. ROACE increased to 9.04% from 7.24% in 2002, representing an increase of 1.96 percentage points. Earnings per share based on the total number of outstanding shares at the end of 2003 was RMB0.249 (US\$0.029).

The Board of Sinopec Corp. proposed a dividend of RMB 0.09 (US\$0.011) per share for 2003. The year-end dividend will be RMB 0.06 (US\$0.007), or US\$0.72 per American Depositary Share (ADS), which reflects the difference between the mid-year dividend amount of RMB 0.03 (US\$0.004) and the proposed full-year amount.

Operating Highlights

Financial Highlights (IFRS)

(for the year ended 31 December)

	2003 RMB millions	2002 RMB millions	2001 RMB millions	2003/2002 yoy (%)
Revenue	443,136	345,145	323,629	28.39
Operating profit	37,267	28,679	27,669	29.95
Profit from ordinary activities before tax	34,081	25,085	24,900	35.86
Profit / (loss) attributable to shareholders	21,593	16,315	16,246	32.35
Basic earnings per share (RMB)	0.249	0.188	0.191	32.45
Net profit per share (Based on total number of shares in issue at the year end) (RMB)	0.249	0.188	0.187	32.45
Returns on capital employed (%)	9.04	7.08	6.79	1.96 percentage points
Return on net assets (%)	12.86	9.96	10.37	2.90 percentage points
Net cash flow from operating activities per share (RMB)	0.699	0.635	0.654	10.08

2003 Operating Overview by Segment
(for the year ended December 31)

	2003 RMB billions	2002 RMB billions		2003/2002 yoy (%)
Exploration and production				
Operating revenues	70.3	57.6		22.0
Operating expenses	51.1	42.8		19.4
Operating profit	19.2	14.8		29.7
Refining				
Operating revenues	273.8	213.8		28.1
Operating expenses	267.8	207.8		28.9
Operating profit	6.0	6.0		0.0
Marketing and distribution				
Operating revenues	241.4	187.0		29.1
Operating expenses	229.5	178.6		28.5
Operating profit	11.9	8.4		41.7
Chemicals				
Operating revenues	92.3	75.1		22.9
Operating expenses	90.1	74.5		20.9
Operating profit	2.2	0.6		266.7
Corporate and others				
Operating revenues	63.6	45.7		39.2
Operating expenses	65.6	46.8		40.2
Operating profit	(2.0)	(1.1)		81.8

Exploration & Production

In 2003, the Company made significant exploration achievements in burial hills, and new and hidden layers in Shengli Oil Fields in Eastern China, which are expected to become stable sources of oil supply for the Company in the near future. Important discoveries were also made in Tarim and Jungel Basins in Western China whose reserves are expected to provide important supplemental resources for the final two years during the 10th Five-Year Plan period. In Southern China and Erdos Basin, new natural gas discovery was made and it was expected to boost the Company's future reserves. Owing to a change in Sinopec Corp's rights and interests in the joint venture project, "Development of Petroleum & Natural Gas Field at West Lake in East China Sea", the Company's proved reserves of crude oil were reduced by 25.4 million barrels, and proved reserves of natural gas were reduced by 649 billion cubic feet accordingly. With regard to development, the Company had newly built crude oil and natural gas production capacity of 5.93 million tonnes per year, and 890 million cubic meters per year, respectively. In 2003, the Company's production of crude oil and natural gas reached 270.96 million barrels and 187.7 billion cubic feet, representing an increase of 0.43% and 4.98% over 2002, respectively.

In 2003, the domestic crude oil price followed closely to that of the international market. The Company's realized price of crude oil was US\$ 27.56 per barrel, up by US\$ 5.14 per barrel over 2002, whereas the realized price of natural gas increased by 3.57% to US\$2.03 per thousand cubic feet in 2003.

Operating Summary of the Exploration and Production Segment

	2003	2002	2001	2003/2002 yoy (%)
Crude oil production (mmbbls)	270.96	269.80	269.16	0.43
Natural gas production (bcf)	187.7	178.8	162.8	4.98
Newly added proved crude oil reserves (mmbbls)	208	375	316	-44.53
Newly added proved gas reserves (bcf)	-254.3	20.2	309.0	-1,358.90
Year-end proved reserves of crude oil (mmbbls)	3,257	3,320	3,215	-1.90
Year-end proved reserves of natural gas (bcf)	2,887.6	3,329.4	3,488.0	-13.27
Year-end proved reserves of oil and gas (mmboe)	3,738	3,875	3,796	-3.54

Refining

In 2003, Sinopec optimized its resources by adjusting its product mix and by increasing exports. Crude oil throughput increased and the Company maintained good control over production for refined oil products. The Company also increased production of high value-added products and chemical feedstock to meet market demands. Crude oil throughput increased by 10.71% to 116.26 million. Meanwhile, the Company has upgraded its existing oil refining facilities, and in doing so the quality of its gasoline and diesel oil has also been upgraded to meet the new national standards. The Company produced 9.23 million tonnes of high-grade gasoline, an increase of 38.80% over 2002. The Company has also expanded its market share in lubricating oil by integrating its resources and launching a unified brand. In 2003, the light product yield reached 73.80%, up by 0.58 percentage point over 2002 while the refining yield reached 92.63%, an increase of 0.13 percentage point over 2002. Refining margins were US\$4.09/barrel, an increase of 3.28% compared to the year before.

Operating Summary of the Refining Segment

	2003	2002	2001	2003/2002 yoy (%)
Crude processing volume (1,000bbls/day)	2,341.0	2,114.60	2,042.40	10.7
Of which: Sour crude processing volume (1,000 bbls/day)	478.70	402.80	387.60	18.8
Refinery utilization (%)	87.80	79.30	77.90	8.5 percentage points
Gasoline, diesel and kerosene production (million tonnes)	68.72	62.42	61.14	10.1
Of which: Gasoline (million tonnes)	21.74	19.62	18.74	10.8
Diesel (million tonnes)	41.67	37.74	37.93	10.4
Kerosene (million tonnes)	5.31	5.06	4.47	4.9
Chemical feedstock	16.46	15.04	12.36	9.4
Light product yield (%)	73.80	73.22	72.33	0.58 percentage point
Refining yield (%)	92.63	92.50	92.23	0.13 percentage point

Notes: a) Crude oil processing volume is converted at 1 tonne = 7.35 barrels.

b) All the operating data excluded Xi'an Petrochemical and Tahe Petrochemical.

Marketing and Distribution

In 2003, the total domestic sales volume of refined oil products increased by 8.3% to 75.92 million tonnes over 2002, of which retail sales increased 11.9% to 38.85 million tonnes. The Company's retail market share in its principal markets increased by one percentage point to 69%. Average throughput per petrol station increased 8.1% to 1,686 tonnes. Domestic retail sales and direct distribution volumes of refined oil products accounted for 71.36% of the Company's total domestic sales volume, which represented a 3.76 percentage points increase over 2002. In line with market demands, the Company exported 6.08 million tonnes of refined oil products in total, up by 21.2% over that in 2002.

Summary of the Marketing and Distribution Segment

	2003	2002	2001	2003/2002 yoy (%)
Total domestic sales of refined oil products (10,000 tonnes)	7,592	7,009	6,774	8.3
Of which: Retail volume (10,000 tonnes)	3,885	3,473	3,043	11.9
Direct Distribution volume (10,000 tonnes)	1,533	1,263	1,164	21.4
Wholesale volume (10,000 tonnes)	2,174	2,273	2,567	-4.4
Average annual throughput / petrol station (tonne/station)	1,686	1,560	1,473	8.1
Total number of petrol stations under Sinopec Corp. brand at year-end	30,242	28,127	28,246	7.5
Of which: Number of petrol stations operated	24,506	24,000	24,062	2.1
Number of franchised petrol stations	5,736	4,127	4,184	39.0
Percentage of retail volume to total sales volume (%)	51.2	49.6	44.9	1.6 percentage points

Chemicals

The Company continued to maintain a high utilization rate of its petrochemical facilities. In 2003, the Company produced 3.17 million tonnes of ethylene, an increase of 16.67% over the year before. Major chemicals such as synthetic resin, synthetic fiber, monomers and polymers for synthetic fiber, and synthetic rubber, all recorded significant increases in production. The Company has also established an acrylon sales and marketing subsidiary, marking a step toward reforming its chemical product distribution and marketing system.

Production of Major Chemicals

(Unit: 1,000 tonnes)

	2003	2002	2001	2003/2002 yoy (%)
Ethylene	3,169.1	2,716.4	2,153	16.67
Synthetic resins	4,691.0	4,004.8	3,204	17.13
Of which: Performance compound resins	2,304.9	1,846.9	1,332	24.80
Synthetic rubbers	501.9	457.7	398	9.66
Monomers/polymers for synthetic fibers	4,417.5	3,833.5	3,598	15.23
Synthetic fibers	1,279.5	1,153.0	1,028	10.97
Of which: Differential fibers	477.4	402.0	326	18.76
Urea	2,027.6	2,666.3	2,342	(23.95)

Notes: all the operating data excluded Maoming Ethylene

Technology Development

In its continued efforts to enhance its core competitiveness, the Company launched an active drive for scientific & technological innovation and advancement, and has succeeded in achieving a wide range of results:

- Successfully developed supporting technologies for exploring hidden oil and gas reserves
- Harnessed a number of key technological know-hows, including the complete 2nd generation world-class polypropylene technologies
- Met the new national standard for clean gasoline
- The Greatwall brand of lubricating oil and grease were used in the heralded launch of Shenzhou No.5 Spaceship
- Breakthrough in promoting and expanding pilot testing ERP

Cost Savings

In 2003, the Company reduced its costs by RMB 2.72 billion (US\$329 mm). The Exploration and Production Segment recorded a cost saving totaled RMB 805 million (US\$97 mm) while the Refining Segment reduced its cost by RMB 740 million (US\$89 mm) with cash operating cost slightly declined to US\$ 2.00 per barrel from US\$ 2.02 per barrel the year before. The Marketing and Distribution Segment achieved a cost saving of RMB 538 million (US\$65 mm) and the Chemicals Segment recorded a cost saving of RMB 639 million (US\$77 mm) with cash operating cost of ethylene dropped to US\$ 142.63 per tonne from US\$ 149.24 per tonne the year before.

Capital Expenditures

In 2003, the Company's capital expenditure was RMB 45.05 billion (US\$5.44 billion). A detailed breakdown by segment is as follows:

<i>E&P</i>	:	RMB 20.63 billion (US\$2.49 billion) to optimize reserves, increase production and rationalize reserve profile.
<i>Refining</i>	:	RMB 9.73 billion (US\$1.18 billion) to put a number of reconstruction and expansion projects online, improve production capacity of clean fuel. Ningbo-Shanghai-Nanjing crude oil pipeline will be opened soon.
<i>Marketing & Distribution</i>	:	RMB 6.83 billion (US\$825 mm) to acquire, construct and reconfigure gas stations, storage and transport facilities. Also, construction on the southwest refined oil pipeline has already begun.
<i>Chemicals</i>	:	RMB 7.35 billion (US\$888 mm) to reconfigure existing ethylene and fertilizer projects.
<i>Others</i>	:	RMB 518 million (US\$63 mm) to construct and improve information systems.

Progress on Major Joint Venture (JV) Projects

The Company's major joint venture projects made good progress in 2003. The details are as follows:

- Natural gas exploration and development at West Lake, East China Sea with CNOOC, Royal Dutch Shell and US Unocal was officially launched.
- Grass-root ethylene projects with BASF in Nanjing and BP in Shanghai are in the construction phase and are expected to go into production by early 2005.
- The Coal Gasification Project with Royal Dutch Shell in Hunan Province is in the construction phase and production is expected in 2005.
- The feasibility study report on "Integration of Oil Refining and Chemicals Production in Fujian Province", a joint-venture project with Exxon Mobil and Saudi Aramco, was approved by the authorities and preparation work is now under way.
- The joint feasibility study report on retail business cooperation of refined oil products in Jiangsu Province, a joint venture with Royal Dutch, was approved by the State Council, and a joint venture company will be established soon.
- The joint feasibility study report on retail business cooperation of refined oil products in Zhejiang Province, a joint venture with BP, was submitted to the Ministry of Commerce for approval.

Corporate Governance

In its continued efforts in improving its corporate governance standards and meeting the regulatory requirements of all four listing boards, the Company revised the Articles of Association, among other documents, in 2003. In the meantime, with regard to the Board of Directors, the decision making process was further streamlined and the “Three Committees” function was fully leveraged. In the area of information disclosure, the Company has become more transparent by disseminating information in a more timely, accurate, and thorough manner through its complete investor relations management system.

Health, Safety and Environment (HSE)

Sinopec Corp. strives to balance between HSE and economic development. The Company’s goal has always been to establish safe production mechanisms with long-term benefits.

- Steady promotion of HSE management: By the end of 2003, 49 branch companies or subsidiaries of Sinopec Corp. had already established fairly complete HSE management systems and put them into operation.
- Implementation of safety pre-appraisals for new projects: According to this policy, the emphasis is on prevention.
- Active promotion of clean production, water conservation and pollution reduction: The Company’s industrial water consumption was reduced by 1% as compared to 2002.
- Development of a number of technologies that improve the quality of petroleum products: The Company began completely implementing the new national standard for light diesel on July 1, 2002 and reduced the sulfur content in its light diesel products from 1.0%(m/m) under the old standard, to 0.2%(m/m) under the new one. Sinopec Corp. has already implemented the new national standard for automotive gasoline effective July 1, 2003.

Forward Looking

Looking ahead for 2004, Chairman Chen Tonghai commented: “In keeping with the reform-led development mindset, we will continue our strategy of meeting market demands while pursuing reform and technological advancement, and will place more emphasis on business restructuring for maximizing benefits, and asset structure optimization. We will also ensure our continuous growth is in harmony with the environment and the society at large. This way, we will achieve sustainable, long-term corporate development which enables us to give back to our shareholders, employees, customers and the society.”

Market Outlook

Opportunities:

The global economy is expected to recover quickly. Both Refining and Chemicals businesses are now in an upturn cycle. It is predicted that China will maintain its robust GDP growth at around 7% in 2004. Growth in demand for petroleum and petrochemical products will be on a sustainable basis, thereby further providing a sound environment for the Company's overall business growth.

Challenges:

The Company anticipates challenges in the following areas:

- Crude oil price is likely to fall from the high of 2003 as the international oil market undergoes big fluctuations.
- Fierce competition is expected given further opening of the domestic market, such as the cancellation of import quota of state-traded refined oil products and the increase in import quota of non-state-traded refined oil products, as well as a reduction in import duty for chemical products.

Operations:

In 2004, the Company will adopt a flexible operating strategy to reach the following objectives:

Exploration and Production: Sinopec Corp. will adhere to the principle of “unified reserves, production, investment and effectiveness”. In maintaining a stable production of crude oil and natural gas, the Company will continue to accelerate explorations in the western areas while increasing existing production in the eastern areas. In 2004, the target for annual crude oil production is 38.60 million tonnes and 5.8 billion cubic meters for natural gas. The target for newly added annual capacity for crude oil production is 5.98 million tonnes and 1.53 billion cubic meters for natural gas.

Refining: The target for annual production for processing crude oil is 120.3 million tonnes. The Company will continue to look for markets in refined products other than gasoline, diesel and kerosene, and endeavor to increase the production of products with high added value, such as LPG, propylene, high-grade road asphalt, and lubricating oil. The target for light oil and composite commercial yield is 74% and 92.7% respectively.

Chemicals: The Company will continue to follow the market closely and increase its efforts in areas of sales and customer service. Production targets for chemicals are as follows: 3.56 million tonnes of ethylene, 5.4 million tonnes of synthetic resins, 520,000 tonnes of synthetic rubbers, 1.28 million tonnes of synthetic fiber, and 4.76 million tonnes of synthetic fiber monomers and polymers. The Company will increase the production of compounding synthetic resins and differential fibers.

Marketing and distribution: Sinopec Corp. will further adjust its marketing mix, increase its retail and direct distribution volumes as well as increase its retail market share. The target for annual domestic sales volume for refined oil products is 80 million tonnes, of which 42 million tonnes are retail, and 16.5 million tonnes are direct distribution.

Cost Reduction

The target for total cost reduction is RMB2.5 billion (US\$301 mm), of which E&P Segment will target to reduce RMB 600 million (US\$72 mm), Refining Segment RMB 600 million (US\$72 mm), Chemicals Segment RMB700 million (US\$85 mm), and Marketing and Distribution Segment RMB 600 million (US\$72 mm).

Prudent Investment

The Company's target for annual CAPEX is RMB 50.20 billion (US\$6.06 billion), of which RMB 19.90 billion (US\$2.40 billion) will be used for the E&P Segment, RMB 11.80 billion (US\$1.43 billion) for the Refining Segment, RMB 8.0 billion (US\$966 mm) for the Marketing and Distribution Segment, RMB 9.50 billion (US\$1.15 billion) for the Chemical Segment, and RMB 1 billion (US\$121 mm) will be used for the implementation of the ERP system and other such similar technological enhancements.

The capital expenditure in 2004 will focus on the following areas:

- Adjust oil and gas reserve/production profile, and increase both reserves and production.
- Accelerate reconfiguration and expansion of refineries in the coastal regions, readjust product structure, and leverage advantage of being an integrated operator in both refining & chemicals.
- Construct and acquire gas stations in strategic locations such as city centers and new expressways.
- Focus on core business, accelerate structural adjustment and technical upgrade.
- Establish a modern logistics system.

Notice: Sinopec Corp. will announce its 2003 annual results at www.sinopec.com.cn and in major newspapers on Monday, March 29, 2004, Beijing time. An archived webcast to discuss Sinopec Corp's results will take place on Wednesday, March 31, 2003, at 6:30p.m. Beijing time (11:30 a.m. London time and 5:30 a.m. New York time) on the Company's website at www.sinopec.com.cn.

About Sinopec Corp.: Sinopec Corp. is the first Chinese company that has been listed in Hong Kong, New York, London and Shanghai. The Company is an integrated energy and chemical company with upstream, midstream and downstream operations. The principal operations of Sinopec Corp. and its subsidiaries include: exploring, developing, producing and trading crude oil and natural gas; processing crude oil into refined oil products; producing, trading, transporting, distributing and marketing refined oil products; and producing and distributing chemical products. Based on 2003 turnover, Sinopec Corp. is the largest listed company in China. The Company is one of the largest crude oil and petrochemical companies in China and Asia. It is also one of the largest gasoline, diesel and jet fuel and other major chemical products producers and distributors in China and Asia.

For additional information about Sinopec Corp., please visit the Company's website at www.sinopec.com.cn.

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