

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005  
(Amounts in millions)

	Total equity attributable to equity shareholders of the Company										Minority interests	Total equity
	Share capital	Capital reserve	Share premium	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Other reserves	Retained earnings	of the Company		
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB		
Balance at 1 January 2004	86,702	(18,960)	18,072	30,341	6,330	6,330	7,000	3,868	31,832	171,515	26,051	197,566
Net loss recognised directly in equity:												
Revaluation surplus of Petrochemical and Catalyst Assets	—	(257)	—	257	—	—	—	257	—	257	—	257
Impairment losses on revalued assets (Note 10)	—	—	—	(709)	—	—	—	—	—	(709)	—	(709)
	—	(257)	—	(452)	—	—	—	257	—	(452)	—	(452)
Profit for the year	—	—	—	—	—	—	—	—	36,019	36,019	5,772	41,791
Total recognised income for the year	—	(257)	—	(452)	—	—	—	257	36,019	35,567	5,772	41,339
Final dividend for 2003 (Note 16)	—	—	—	—	—	—	—	—	(5,202)	(5,202)	—	(5,202)
Interim dividend for 2004 (Note 16)	—	—	—	—	—	—	—	—	(3,468)	(3,468)	—	(3,468)
Appropriation (Note (a) and (b))	—	—	—	—	3,228	3,228	—	—	(6,456)	—	—	—
Revaluation surplus realised	—	—	—	(1,891)	—	—	—	—	1,891	—	—	—
Realisation of deferred tax on land use rights	—	—	—	—	—	—	—	(5)	5	—	—	—
Transfer from retained earnings to other reserves	—	—	—	—	—	—	—	1,499	(1,499)	—	—	—
Net assets distributed to Sinopec Group Company (Note (e))	—	—	—	—	—	—	—	(2,244)	—	(2,244)	—	(2,244)
Consideration for Acquisition of Petrochemical and Catalyst Assets (Note 1)	—	—	—	—	—	—	—	(3,128)	—	(3,128)	—	(3,128)
Distributions to minority interests net of contribution	—	—	—	—	—	—	—	—	—	—	(777)	(777)
<b>Balance at 31 December 2004</b>	<b>86,702</b>	<b>(19,217)</b>	<b>18,072</b>	<b>27,998</b>	<b>9,558</b>	<b>9,558</b>	<b>7,000</b>	<b>247</b>	<b>53,122</b>	<b>193,040</b>	<b>31,046</b>	<b>224,086</b>
Balance at 1 January 2005	86,702	(19,217)	18,072	27,998	9,558	9,558	7,000	247	53,122	193,040	31,046	224,086
Profit for the year	—	—	—	—	—	—	—	—	40,920	40,920	2,920	43,840
Final dividend for 2004 (Note 16)	—	—	—	—	—	—	—	—	(6,936)	(6,936)	—	(6,936)
Interim dividend for 2005 (Note 16)	—	—	—	—	—	—	—	—	(3,468)	(3,468)	—	(3,468)
Appropriation (Note (a) and (b))	—	—	—	—	3,956	3,956	—	—	(7,912)	—	—	—
Revaluation surplus realised	—	—	—	(1,656)	—	—	—	—	1,656	—	—	—
Realisation of deferred tax on land use rights	—	—	—	—	—	—	—	(5)	5	—	—	—
Acquisition of minority interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	(2,957)	(2,957)
Distributions to minority interests net of contribution	—	—	—	—	—	—	—	—	—	—	(1,569)	(1,569)
<b>Balance at 31 December 2005</b>	<b>86,702</b>	<b>(19,217)</b>	<b>18,072</b>	<b>26,342</b>	<b>13,514</b>	<b>13,514</b>	<b>7,000</b>	<b>242</b>	<b>77,387</b>	<b>223,556</b>	<b>29,440</b>	<b>252,996</b>

## Notes:

- (a) According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined in accordance with the PRC Accounting Rules and Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.
- Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. During the year ended 31 December 2005, the Company transferred RMB 3,956 million (2004: RMB 3,228 million), being 10% of the current year's net profit determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.
- (b) According to the Company's Articles of Association, the Company is required to transfer 5% to 10% of its net profit, as determined in accordance with the PRC Accounting Rules and Regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the Company's employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.
- Pursuant to the Company's Articles of Associations and a resolution passed at the Directors' meeting on 26 August 2005, the directors authorised to transfer RMB 1,804 million (2004: RMB 1,504 million) for the six-month period ended 30 June 2005, being 10% of the net profit for the six-month period ended 30 June 2005 determined in accordance with the PRC Accounting Rules and Regulations, to this fund.
- The directors authorised the transfer of RMB 2,152 million (2004: RMB 1,724 million), subject to the shareholders' approval, being 10% of the net profit for the six-month period ended 31 December 2005 determined in accordance with the PRC Accounting Rules and Regulations, to this fund.
- (c) The usage of the discretionary surplus reserve is similar to that of statutory surplus reserve.
- (d) According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the PRC Accounting Rules and Regulations and the amount determined in accordance with IFRS. At 31 December 2005, the amount of retained earnings available for distribution was RMB 20,591 million, being the amount determined in accordance with IFRS. Final dividend of RMB 7,803 million (2004: RMB 6,936 million) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.
- (e) The net assets distributed to Sinopec Group Company during the year ended 31 December 2004 represent certain net assets retained, including certain property, plant and equipment with net book value of RMB 1,840 million and certain construction in progress with net book value of RMB 232 million, by Sinopec Group Company in connection with the Acquisition of Petrochemical and Catalyst Assets. These transactions were recorded at historical cost and were reflected as changes in other reserves in the year the acquisition occurred.
- (f) The capital reserve represents (i) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation and (ii) the difference between the considerations paid over the amount of the net assets acquired from Sinopec National Star, Sinopec Maoming, Xi'an Petrochemical, Tahe Petrochemical, Tianjin Petrochemical, Luoyang Petrochemical, Zhongyuan Petrochemical, Guangzhou Petrochemical and Catalyst Plants.
- (g) The application of the share premium account is governed by Sections 178 and 179 of the PRC Company Law.

The notes on pages 130 to 163 form part of these financial statements.