

Financial Summary

1. Summary of the principal financial information and financial indicators of the Group:

1.1 Extracted from the financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs")

	For the year ended 31 December or as at 31 December				
	2006 Rmb'000	2005 Rmb'000	2004 Rmb'000	2003 Rmb'000	2002 Rmb'000
Turnover	17,027,846	15,798,665	13,348,471	10,343,641	8,009,669
Profit/(loss) before taxation	64,333	(1,009,336)	276,792	313,398	156,745
Income tax expense	23,450	(41,343)	33,860	48,652	7,156
Minority interests	415	(485)	2,549	5,615	5,268
Profit/(loss) attributable to equity shareholders of the Company	40,468	(967,508)	240,383	259,131	144,321
Total assets	10,155,439	9,833,113	11,234,701	11,921,981	12,003,096
Total liabilities	1,982,235	1,709,196	2,061,850	2,899,673	3,179,823
Shareholders' funds (excluding minority interests)	8,125,552	8,071,813	9,120,322	8,968,853	8,765,795
Minority interests	47,652	52,104	52,529	53,455	57,478
Basic earnings/(loss) per share	Rmb 0.010	Rmb (0.242)	Rmb 0.060	Rmb 0.065	Rmb 0.036
Net assets per share	Rmb 2.031	Rmb 2.018	Rmb 2.280	Rmb 2.242	Rmb 2.191
Ratio of shareholders' funds	80.01%	82.09%	81.18%	75.23%	73.03%
Return on net assets	0.50%	(11.99%)	2.64%	2.89%	1.65%

1.2 Extracted from the financial statements prepared in accordance with the PRC Accounting Rules and Regulations

	For the year ended 31 December or as at 31 December			
	2006 Rmb'000	2005 Rmb'000	Increase from 2005 [%]	2004 Rmb'000
Income from principal operations	17,027,846	15,798,665	7.8	13,348,471
Net profit/(loss)	37,415	(954,279)	Not applicable	231,237
Total assets	10,115,603	9,984,875	1.3	11,382,534
Shareholders' funds (excluding minority interests)	8,274,261	8,223,575	0.6	9,268,155
Earnings/(loss) per share	Rmb 0.009	Rmb (0.239)	Not applicable	Rmb 0.058
Return on net assets	0.45%	(11.60%)	Increased by 12.05 percentage points	2.50%
Return on net assets before non-recurring items (weighted average)	0.26%	(10.52%)	Increased by 10.78 percentage points	3.52%
Net assets per share	Rmb 2.069	Rmb 2.056	0.6	Rmb 2.317
Adjusted net assets per share	Rmb 2.067	Rmb 2.054	0.6	Rmb 2.315
Net cash inflow from operating activities per share	Rmb 0.198	Rmb 0.162	22.2	Rmb 0.073

Financial Summary

2. Details of the Group's results for the year ended 31 December 2006 (extracted from the financial statements prepared in accordance with the PRC Accounting Rules and Regulations)

(Expressed in Rmb'000)

Profit from principal operations	545,938
Loss from other operations	1,323
Operating profit	45,534
Investment income	15,039
Net non-operating income	169
Total profit	60,742
Net profit before non-recurring items	21,772
Non-recurring items (after taxation)*	15,643
Net profit	37,415
Net cash inflow from operating activities	792,608
Net increase in cash and cash equivalents	660,730

* Non-recurring items

(Expressed in Rmb'000)

Net gains on disposal or transfer of long-term investment	18,235
Forfeited deposit	14,950
Write-back of employee reduction expenses over-accrued in prior year	14,076
Compensation income	6,110
Other non-operating income excluding write-back of employee reduction expenses over-accrued in prior year, forfeited deposits, compensation income and gains on disposal of fixed assets	11,888
Net losses on disposal of fixed assets	(19,396)
Employee reduction expenses	(10,450)
Flood prevention fees	(10,939)
Compensation loss	(3,000)
Other non-operating expenses excluding losses on disposal of fixed assets, employee reduction expenses, flood prevention fees and compensation loss	(3,070)
Effect of income tax	(2,761)
Total	<u>15,643</u>

3. Supplementary schedule for the income statement of the Group prepared in accordance with the PRC Accounting Rules and Regulations

Profit during the reporting period	Return on net assets (%)		Earnings per share (Rmb)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Income from principal operations	6.598	6.618	0.136	0.136
Operating profit	0.550	0.552	0.011	0.011
Net profit	0.452	0.454	0.009	0.009
Net profit before non-recurring items	0.263	0.264	0.005	0.005

Financial Summary

4. Changes in shareholders' funds during the reporting period (extracted from the financial statements prepared in accordance with the PRC Accounting Rules and Regulations)

Item	Share capital (Rmb'000)	Capital reserve ⁱ (Rmb'000)	Surplus reserves (Rmb'000)	Statutory public welfare fund ⁱⁱ (Rmb'000)	Accumulated losses ⁱⁱⁱ (Rmb'000)	Total shareholders' funds (Rmb'000)
At the beginning of the year	4,000,000	3,103,537	1,456,004	348,411	(335,966)	8,223,575
Increase for the year	-	13,271	-	-	37,415	50,686
Decrease for the year	-	-	-	348,411	-	-
At the end of the year	<u>4,000,000</u>	<u>3,116,808</u>	<u>1,456,004</u>	<u>-</u>	<u>(298,551)</u>	<u>8,274,261</u>

i The change in the capital reserve during the reporting period represents the payment for insurance premium on risk control and safe technology.

ii Pursuant to the Company Law of the PRC ("Company Law") that was effective since 1 January 2006, the Group transferred the opening balance of the statutory public welfare fund to the surplus reserves, and the Company is no longer required to make profit appropriations to the statutory public welfare fund.

iii Changes in accumulated losses during the reporting period represent the Group's net profits during the reporting period of Rmb 37,415,000.

5. Statement of impairment of assets (extracted from the financial statements prepared in accordance with the PRC Accounting Rules and Regulations)

5.1 Statement of impairment of assets of the Group

	At 1 January 2006 Rmb'000	Increase for the year Rmb'000	Decrease for the year Rmb'000	At 31 December 2006 Rmb'000
1. Total provisions for bad and doubtful debts	52,763	3,971	13,757	42,977
Including: Accounts receivable	25,518	1,157	4,919	21,756
Other receivables	27,245	2,814	8,838	21,221
2. Total provision for diminution in value of inventories	80,450	38,482	59,647	59,285
Including: Raw materials	11,197	16,001	22,224	4,974
Finished goods	5,513	18,481	18,423	5,571
Spare parts and consumables	63,740	4,000	19,000	48,740
3. Total provision for impairment of fixed assets	417,621	-	392,259	25,362
Including: Properties and buildings	78,424	-	78,424	-
Machinery, equipment and others	339,197	-	313,835	25,362
Total	<u>550,834</u>	<u>42,453</u>	<u>465,663</u>	<u>127,624</u>

Financial Summary

5. Statement of impairment of assets (extracted from the financial statements prepared in accordance with the PRC Accounting Rules and Regulations) (Continued)

5.2 Statement of impairment of assets of the Company

	At 1 January 2006 Rmb'000	Increase for the year Rmb'000	Decrease for the year Rmb'000	At 31 December 2006 Rmb'000
1. Total provisions for bad and doubtful debts	70,905	2,245	2,838	70,312
Including: Accounts receivable	1,082	-	593	489
Other receivables	69,823	2,245	2,245	69,823
2. Total provision for diminution in value of inventories	57,863	23,873	23,873	57,863
Including: Raw materials	4,600	10,440	10,440	4,600
Finished goods	4,523	13,433	13,433	4,523
Spare parts and consumables	48,740	-	-	48,740
3. Total impairment of long-term investment	797,288	-	797,288	-
Including: long-term investment- other receivables due after one year	797,288	-	797,288	-
4. Total provision for impairment of fixed assets	25,860	-	498	25,362
Including: Properties and buildings	453	-	453	-
Machinery, equipment and others	25,407	-	45	25,362
Total	<u>951,916</u>	<u>26,118</u>	<u>824,497</u>	<u>153,537</u>

Financial Summary

6. Changes of financial statements items (extracted from the financial statements prepared in accordance with the PRC Accounting Rules and Regulations)

Item	At 31	At 31	Change	Reason for change
	December	December		
	2006	2005		
	Rmb'000	Rmb'000	(%)	
Cash at bank and on hand	1,059,263	398,533	165.8	Increase in trade payables at the year end and proceeds from consideration on disposal of investment during the year
Accounts receivable	302,635	189,407	59.8	Increase in export volume during the year
Payments in advance	66,159	17,328	281.8	Prepaid purchase of raw materials at the year end
Long-term equity investments	-	62,500	(100.0)	Disposal of the equity of Sinopec Finance Company Limited ("Sinopec Finance") during the year
Provision for impairment of fixed assets	25,362	417,621	(93.9)	Write off on disposal of a subsidiary
Construction in progress	121,818	270,963	(55.0)	Transferred to fixed assets
Accounts payable	1,144,022	507,729	125.3	Extended credit term given by suppliers during the year
Bills payable	-	5,501	(100.0)	Settled during the year
Taxes payable	(161,070)	12,931	(1,345.6)	Prepaid value added taxes
Other payables	12,013	22,799	(47.3)	Education surcharge paid at the year end
Other creditors	167,491	354,590	(52.8)	Paid employee reduction expenses and the joint venture transferred other creditors to share capital during the year
Accrued expenses	-	279	(100.0)	No accrued interest expense due to repayment of loans during the year
Long-term liabilities due within one year	6,079	97,431	(93.8)	Settled during the year
Long-term loans	-	50,000	(100.0)	Repaid during the year
Long-term payables	6,755	12,834	(47.4)	Transferred to long-term liabilities due within one year during the year
Item	For the year ended		Change	Reason for Change
	2006	2005		
	Rmb'000	Rmb'000	(%)	
(Loss)/profit from other operations	(1,323)	2,288	(157.8)	No refund income of city construction tax during the year
Net financial (income)/expenses	(2,723)	56,630	(104.8)	Decrease in bank loans and bills discounted during the year
Investment income	15,039	36,491	(58.8)	No investment income arisen from the decrease in equity-investment difference during the year
Non-operating income	53,095	23,088	130.0	Received forfeited deposit and compensation income during the year
Non-operating expenses	52,926	911,550	(94.2)	No provision for impairment of fixed assets made during the year
Income tax	22,912	(42,485)	Not applicable	The Company made profit during the year
Minority interests	415	(485)	Not applicable	The subsidiaries made profit

Financial Summary

7. Differences between the financial statements of the Group and the Company prepared in accordance with the PRC Accounting Rules and Regulations and the IFRSs

	PRC Accounting Rules and Regulations		IFRSs	
	The Group	The Company	The Group	The Company
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Profit for the year	37,415	31,705	40,883	62,877

For detailed explanations of difference, please refer to the section on “**Significant Differences Between the Financial Statements of the Group Prepared in Accordance with the PRC Accounting Rules and Regulations and IFRSs**” of this Annual Report.