

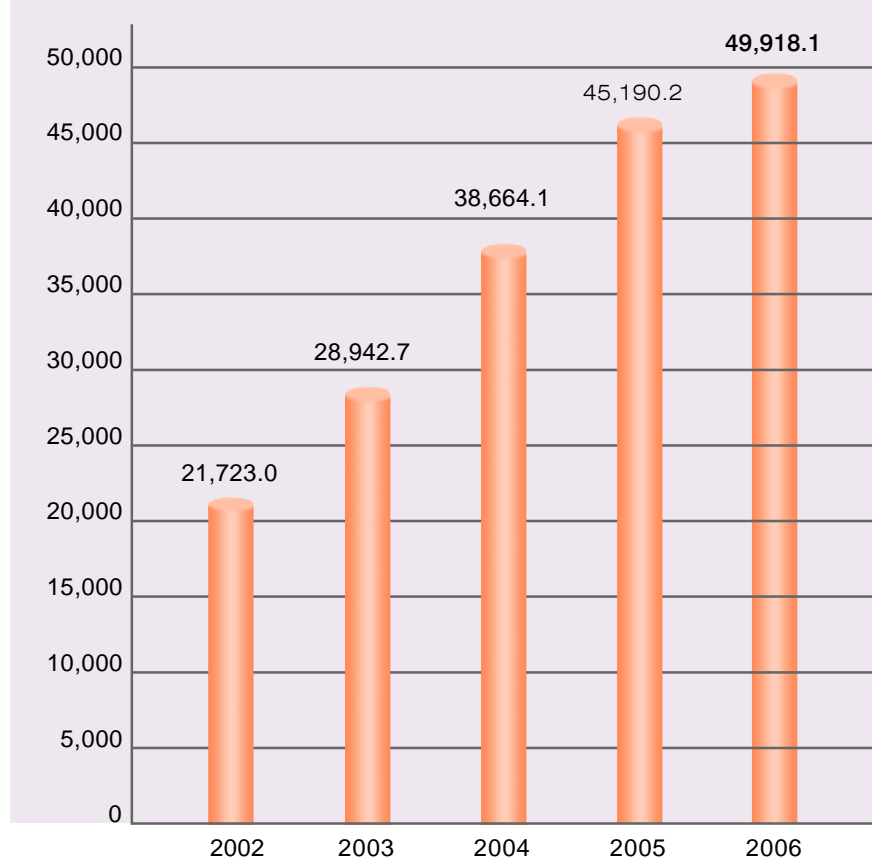
Financial Highlights

(Prepared under International Financial Reporting Standards)

Expressed in RMB millions	2006	2005	2004	2003	2002
Year ended 31 December:					
Net sales	49,918.1	45,190.2	38,664.1	28,942.7	21,723.0
Profit before taxation	964.2	2,287.6	4,696.2	1,590.4	1,045.0
Profit after taxation	911.0	1,921.3	4,059.2	1,445.3	960.5
Profit attributable to equity shareholders of the Company	844.4	1,850.4	3,971.1	1,401.7	916.4
Earnings per share	RMB0.12	RMB0.26	RMB0.55	RMB0.20	RMB0.13
At 31 December:					
Total equity attributable to equity shareholders of the Company	18,976.3	18,830.0	18,417.0	15,021.9	13,980.2
Total assets	27,406.1	26,810.4	28,276.6	27,101.5	26,085.9
Total liabilities	8,093.7	7,632.9	9,486.5	11,738.4	11,739.0

Net sales

(RMB millions)



1. Major business data

(Prepared under PRC Accounting Rules and Regulations)

RMB'000

Item	2006	2005	For the years ended 31 December	
			Increase/decrease compared to the previous year(%)	2004
Income from principal operations	50,479,436	45,897,807	9.98	39,402,533
Total profit	843,669	2,137,208	-60.52	4,693,059
Net profit	736,851	1,704,627	-56.77	3,971,265
Net profit excluding non-recurring items	577,682	1,298,766	-55.52	4,078,483
Net cash flow from operating activities	2,040,679	4,245,115	-51.93	4,908,020

Item	2006	2005	As at 31 December	
			Increase/ decrease compared to last year (%)	2004
Current assets	7,543,151	7,462,181	1.09	8,613,655
Current liabilities	7,010,095	6,087,263	15.16	7,432,559
Total assets	27,684,200	27,101,918	2.15	28,757,089
Shareholders' equity (excluding minority interest)	19,273,088	19,166,908	0.55	18,902,281

Non-recurring Items 2006
RMB'000

Non-operating expenses (excluding provision for impairment losses on fixed assets)	(221,036)
Gain on disposal of long-term equity investments	56,194
Non-operating income	69,958
Subsidy income	282,142
Less: tax effect for the above items	(28,089)
Total	159,169



Financial Highlights (continued)

(Prepared under PRC Accounting Rules and Regulations)

2. Financial indicators

Item	<u>For the years ended 31 December</u>			
	2006	2005	Increase/decrease compared to last year (%)	2004
Earnings per share - diluted (RMB)	0.102	0.237	-56.96 Decrease	0.552
Return on net assets - diluted(%)	3.82	8.89	5.07 percentage points Decrease	21.01
Return on net assets based on net profit excluding non-recurring items - diluted(%)	3.00	6.78	3.78 percentage points Decrease	21.58
Net cash flow per share from operating activities (RMB)	0.283	0.590	-52.03	0.682
Earnings per share - weighted average (RMB)	0.102	0.237	-56.96	0.552
Earnings per share based on net profit excluding non-recurring items - diluted (RMB)	0.080	0.180	-55.56	0.566
Earnings per share based on net profit excluding non-recurring items - weighted average (RMB)	0.080	0.180	-55.56 Decrease	0.566
Return on net assets - weighted average (%)	3.83	8.96	5.13 percentage points	23.08
Return on net assets based on net profit excluding non-recurring items - weighted average(%)	3.01	6.82	3.81 percentage points	23.71

Item	<u>As at 31 December</u>			
	2006	2005	Increase/ decrease compared to last year (%)	2004
Net asset value per share (RMB)	2.677	2.662	0.56	2.625
Adjusted net asset value per share (RMB)	2.651	2.662	-0.34	2.623

Notes:

The above indicators were derived from the data included in the audited financial statements for 2004, 2005 and 2006. The total number of shares in issue as at 31 December 2004, 2005 and 2006 was 7,200,000,000.



3. Changes in Shareholders' Equity

Description	Share	Capital	Surplus	Retained	Total
	Capital	Reserve	Reserve	Earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year	7,200,000	2,856,278	4,537,022	4,573,608	19,166,908
Increase during the year	-	89,329	73,685	663,166	826,180
Decrease during the year	-	-	-	720,000	720,000
End of the year	7,200,000	2,945,607	4,610,707	4,516,774	19,273,088

Reasons for movement in shareholders' equity:

For the year ended 31 December 2006, the balance of total shareholders' equity of the Company increased from RMB19,166,908,000 at the beginning of the year to RMB19,273,088,000 at the year end. The increase in the capital reserve increased from RMB2,856,278,000 at the beginning of the year to RMB2,945,607,000 at the year end was due to the increase in the reserve for equity investment amounted to RMB57,776,000 and the increase in the surplus of related party transactions amounted to RMB31,553,000. The increase in the statutory surplus reserve from RMB3,174,419,000(restated) at the beginning of the year to RMB3,248,104,000 at the year end was due to the transfer of RMB73,685,000 from profit attributable to shareholders in 2006. The decrease in the statutory public welfare fund from RMB1,546,165,000 at the beginning of the year to RMB nil at the year end was due to the fact that the Company ceased to contribute to the statutory public welfare fund from 1 January 2006, in accordance with the Ministry of Finance notice "Cai Qi (2006) No.67", on 31 December 2005, the statutory public welfare fund balance was transferred to the statutory surplus reserve. The change in the retained earnings was due to the dividend distribution in 2005 and profit appropriation in 2006.

4. Return on net assets and earnings per share prepared in compliance with the "Regulation on the preparation of information disclosures by companies publicly issuing securities, No. 9" issued by the China Securities Regulatory Commission:

Profit for the reporting period	Return on net assets		Earnings per share	
	Fully diluted (%)	Weighted average (%)	Fully diluted RMB	Weighted average RMB
Profit from principal operations	9.73	9.76	0.261	0.261
Operating profit	0.46	0.46	0.012	0.012
Net profit	3.82	3.83	0.102	0.102
Net profit excluding non-recurring items	3.00	3.01	0.080	0.080

Fully diluted return on net assets=profit for the reporting period/net assets at the end of the period × 100%

Weighted average return on net assets= profit for the reporting period/((net assets at the beginning of the period+ net assets at the end of the period)/2)× 100%

Fully diluted earnings per share= profit for the reporting period/number of shares issued at the end of period

Weighted average earnings per share= profit for the reporting period/((number of shares issued at the beginning of period+ number of shares issued at the end of period)/2)

Financial Highlights (continued)

(Prepared under PRC Accounting Rules and Regulations)

5. Statements of assets provisions

Year ended 31 December 2006

Description	Group			
	As at	Increase	Write-off	As at
	1 January 2006	for the year	for the year	31 December 2006
	RMB'000	RMB'000	RMB'000	RMB'000
Total provision for bad debts	33,970	18,215	6,697	45,488
Of which: Trade debtors	25,845	8,513	3,447	30,911
Other debtors	8,125	9,702	3,250	14,577
Total provision for diminution in short-term investment	-	-	-	-
Of which: Stock investment	-	-	-	-
Bond investment	-	-	-	-
Total provision for diminution in inventories	50,070	33,407	42,122	41,355
Of which: Finished goods	-	33,407	33,407	-
Raw materials	-	-	-	-
Spare parts and consumables	50,070	-	8,715	41,355
Total provision for impairment losses of long-term investments	56,228	-	17,390	38,838
Of which: Long-term equity investments	56,228	-	17,390	38,838
Long-term bond investments	-	-	-	-
Total provision for impairment losses of fixed assets	58,945	50,000	-	108,945
Of which: Property and buildings	-	-	-	-
Equipment	58,945	50,000	-	108,945
Total provision for impairment losses of intangible assets	-	-	-	-
Of which: Patent rights	-	-	-	-
Trade mark rights	-	-	-	-
Provision for impairment losses of construction in progress	-	-	-	-
Provision for diminution in designated loan	-	-	-	-
Total provisions	199,213	101,622	66,209	234,626

Description	Company			
	As at	Increase	Write-off	As at
	1 January 2006	for the year	for the year	31 December 2006
	RMB'000	RMB'000	RMB'000	RMB'000
Total provision for bad debts	23,113	4,669	2,198	25,584
Of which: Trade debtors	20,691	773	2,198	19,266
Other debtors	2,422	3,896	-	6,318
Total provision for diminution in short-term investment	-	-	-	-
Of which: Stock investment	-	-	-	-
Bond investment	-	-	-	-
Total provision for diminution in inventories	49,186	33,407	41,689	40,904
Of which: Finished goods	-	33,407	33,407	-
Raw materials	-	-	-	-
Spare parts and consumables	49,186	-	8,282	40,904
Total provision for impairment losses of long-term investments	-	-	-	-
Of which: Long-term equity investments	-	-	-	-
Long-term bond investments	-	-	-	-
Total provision for impairment losses of fixed assets	58,945	50,000	-	108,945
Of which: Property and buildings	-	-	-	-
Equipment	58,945	50,000	-	108,945
Total provision for impairment losses of intangible assets	-	-	-	-
Of which: Patent rights	-	-	-	-
Trade mark rights	-	-	-	-
Provision for impairment losses of construction in progress	-	-	-	-
Provision for diminution in designated loan	-	-	-	-
Total provisions	131,244	88,076	43,887	175,433

6. Changes of financial statements items

(Details of reporting items with annual changes of 30% or more, and occupying 5% or more of total assets for the reporting periods or 10% or more of net profits reported of the Group, together with reasons for the change)

Item	As at 31December 2006	As at 31December 2005	Change		Reason for change
	RMB'000	RMB'000	RMB'000	%	
Construction in progress	1,972,893	754,192	1,218,701	161.59	Increase in investment in the 3.3 million tons/year diesel hydrogenation project and the 380,000 tons/year ethylene glycol project

Item	Year ended 31December 2006	Year ended 31December 2005	Change		Reason for change
	RMB'000	RMB'000	RMB'000	%	
Profit from principal operations	1,875,643	3,527,005	-1,651,362	-46.82	Crude oil costs increased substantially; prices of major products remained sluggish; and profit margins of the oil refining business decreased substantially.
Profit from operations	88,796	1,723,162	-1,634,366	-94.85	
Net profit	736,851	1,704,627	-967,776	-56.77	
Subsidy income	282,142	632,820	-350,678	-55.42	The Company received a cash government grant of RMB282.1 million from the Ministry of Finance in December 2006, which was less than last year.
Investment income/(loss)	673,809	(39,375)	713,184	-	Investment gain from Shanghai Secco Petrochemical Company Limited increased substantially.

7. For differences between financial statements prepared under International Financial Reporting Standards (“IFRS”) and PRC Accounting Rules and Regulations, please refer to Section C of this annual report.

