

PREPARED IN ACCORDANCE WITH PRC GAAP

Items

RMB thousands except for per share data

For the year ended December 31

Turnover from principal operations	27,902,787	19,064,872	12,319,139
Net profit/(loss)	2,573,760	423,995	(1,025,733)
Profit/(Loss) per share (fully diluted)	RMB0.72	RMB0.12	(RMB0.29)
Profit/(Loss) per share (weighted average)	RMB0.72	RMB0.12	(RMB0.29)
Net cash inflows from operating activities per share	RMB0.95	RMB1.12	RMB0.52
Return on net assets (fully diluted)	43.97%	12.93%	(35.92%)
Return on net assets (weighted average)	56.36%	13.82%	(30.45%)

As at December 31

Total assets	14,392,756	13,434,898	14,336,231
Shareholders' equity (excluding minority interests)	5,853,624	3,279,864	2,855,869
Net assets per share	RMB1.64	RMB0.92	RMB0.80
Adjusted net assets per share	RMB1.61	RMB0.86	RMB0.76

Notes:

- The shares outstanding as at December 31, 2004, 2003 and 2002 were 3,561,078,000 shares, 3,561,078,000 shares, and 3,561,078,000 shares, respectively.
- The weighted average number of shares for 2004, 2003 and 2002 was 3,561,078,000 shares, 3,561,078,000 shares, and 3,561,078,000 shares, respectively.

THE DIFFERENCES UNDER PRC GAAP AND IFRS

Effect of significant differences between PRC GAAP and IFRS on net profit is summarized below:

Net profit

RMB thousands	Year ended December 31,	
	2004 RMB	2003 RMB
Net profit as reported under PRC GAAP	2,573,760	423,995
Adjustments to conform with IFRS:		
– Depreciation expense due to revaluation of fixed assets at February 28, 1995	(1,452)	(1,452)
– Depreciation expense on fixed assets due to difference in exchange gains capitalized	(7,311)	(7,311)
– Amortization of housing subsidy cost	(9,319)	(9,319)
– Reversal of Amortization of land use rights	21,211	21,696
– Tax adjustment	(32,379)	–
Net profit as reported under IFRS	<u>2,544,510</u>	<u>427,609</u>

CHANGES IN SHARE CAPITAL STRUCTURE AND SUBSTANTIAL SHAREHOLDERS

Changes in Share Capital Structure

For the year ended December 31, 2004

	As at January 1, 2004	Unit: '000 shares Par value: RMB1.00 Increase/(decrease) during 2004					Subtotal	As at December 31, 2004
		Share placing	Bonus	Transferred from premium	Additional issue	Others		
1. Unlisted shares								
Promoter shares of which:	2,396,300	-	-	-	-	-	-	2,396,300
State-owned shares	2,396,300	-	-	-	-	-	-	2,396,300
Domestic legal person shares	-	-	-	-	-	-	-	-
Foreign legal person shares	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Subscribed legal person shares	-	-	-	-	-	-	-	-
Employees' shares	-	-	-	-	-	-	-	-
Preference shares and others of which:								
Transferred or placed shares	-	-	-	-	-	-	-	-
Total unlisted shares	<u>2,396,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,396,300</u>
2. Listed shares								
Domestic listed RMB ordinary shares of which:	200,000	-	-	-	-	-	-	200,000
Held by senior management	17.65	-	-	-	-	-	-	17.65
Domestic listed foreign shares	-	-	-	-	-	-	-	-
Overseas listed foreign shares	964,778	-	-	-	-	-	-	964,778
Others	-	-	-	-	-	-	-	-
Total listed shares	<u>1,164,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,164,778</u>
3. Total number of shares	<u>3,561,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,561,078</u>

Substantial Shareholders of Unlisted shares and Listed shares

As at December 31, 2004, the ten largest shareholders of the Company were as follows:

Name of shareholders	Class	Number of shares held (shares)	Increase/ (decrease) since December 31, 2003 (shares)	Percentage of holding (%)
1. PetroChina Company Limited (holder of state-owned legal person shares)*	A shares	2,396,300,000	-	67.2914
2. HKSCC Nominees Limited	H shares	819,844,699	7,524,000	23.0224
3. HSBC Nominees(Hong Kong) Limited	H shares	135,627,300	340,000	3.8086
4. Bank of China-Tong Sheng Securities Investment Funds	A shares	1,945,697	1,945,697	0.0546
5. Industrial and Commercial Bank of China-Buo Shi Shares and Securities Investment Funds	A shares	1,628,262	1,628,262	0.0457
6. Tong De Securities Investment Funds	A shares	1,495,641	1,495,641	0.0420
7. Zhang Li	A shares	1,470,000	1,470,000	0.0413
8. Qiao Liang	A shares	1,450,000	1,450,000	0.0407
9. Qiao Hong	A shares	990,000	990,000	0.0278
10. Qiu Mingsheng	A shares	893,570	893,570	0.0251

Notes:

1. No relationship was found among the ten largest shareholders of unlisted and listed shares of the Company.
2. The Company's shares held by PetroChina Company Limited ("PetroChina") are unlisted shares, the rest of the shares of the Company are listed shares.
3. The legal representative of PetroChina is Mr. Chen Geng. PetroChina was established on November 5, 1999 and has a registered capital of RMB175,824,176,000. The total share capital of PetroChina is 175,824,176,000 shares, of which state-owned shares amounted to 158,241,758,000 shares and foreign invested shares (H shares and ADSs) amounted to 17,582,418,000 shares, representing 90% and 10% of the aggregate shares in issue, respectively. PetroChina's principal businesses consist of the exploration and production of crude oil and natural gas, crude oil refining, pipeline transportation and the production and sale of petrochemical products and natural gas products. No shares of the Company held by PetroChina were pledged in 2004.

China National Petroleum Corporation ("CNPC") is the controlling shareholder of PetroChina, holding 90% of the total share capital of PetroChina. CNPC was established in July 1998 with a registered capital of RMB114.9 billion. Mr. Chen Geng is the legal representative of CNPC. The business scope of CNPC consists of exploration, production and sale of crude oil and natural gas, the production and sale of petroleum and petrochemical products, the transmission of natural gas, the construction of international and domestic petroleum projects, and the import and export of petroleum technology.

The above shareholders' interests as at December 31, 2004 had been recorded in the register of the Company kept pursuant to Section 336 of the Securities and Futures Ordinance.

As at December 31, 2004, there were no shareholders for whom HKSCC Nominees Limited and HSBC Nominees (Hong Kong) Limited acted as agents, whose shareholding accounted for more than 5% of the total number of issued shares of the Company.

Substantial Shareholders of Listed Shares

As at December 31, 2004, the ten largest shareholders of listed shares of the Company were as follows:

Name of shareholders	Class	Number of shares held (shares)
1. HKSCC Nominees Limited	H shares	819,844,699
2. HSBC Nominees(Hong Kong) Limited	H shares	135,627,300
3. Bank of China-Tong Sheng Securities Investment Funds	A shares	1,945,697
4. Industrial and Commercial Bank of China-Buo Shi Shares and Securities Investment Funds	A shares	1,628,262
5. Tong De Securities Investment Funds	A shares	1,495,641
6. Zhang Li	A shares	1,470,000
7. Qiao Liang	A shares	1,450,000
8. Qiao Hong	A shares	990,000
9. Qiu Mingsheng	A shares	893,570
10. Zhao Ying	A shares	880,000

Note: No relationship was found among the ten largest shareholders of listed shares of the Company, nor was concert action which falls under the description of the "Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures" found. Neither is the Company aware of any relationship between the ten largest shareholders of listed shares of the Company and the ten largest shareholders or that they are parties to any concert action.

Change of Controlling Shareholder

During the reporting period, there was no change in the controlling shareholder of the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration of Directors, Supervisors and Senior management

1. According to the articles of association of the Company, the remuneration of directors and supervisors of the Company is paid pursuant to the relevant regulations of wages and bonuses of the Company and within the scope approved by the shareholders in general meeting. Currently, the Company has not administered annual remuneration packages for its senior management. Members of senior management of the Company are paid according to the regulations relating to wages and bonuses of the Company.

2. Each of the executive directors and supervisors of the Company has entered into a service agreement for an initial term of three years.
3. The total remuneration paid to the directors, supervisors and senior management of the Company in 2004 amounted to RMB530,888, RMB232,701 and RMB292,740, respectively. Total remuneration paid to the top three senior managers amounted to RMB292,740, and the total remuneration paid to the top three directors amounted to RMB450,888. The remuneration paid to the independent directors amounted to RMB80,000. Among the total remuneration paid to directors, supervisors and senior management of the Company, three persons were paid between RMB200,000 to RMB250,000, two persons were paid between RMB100,000 to RMB200,000, and five persons were paid under RMB100,000.
4. Directors Yu Li, Xu Fengli, Lan Yunsheng, Ni Muhua and Jiang Jixiang, supervisors Zou Haifeng, Yang Jigang and Li Shumin were paid by the controlling shareholder of the Company.

Shareholding of Directors, Supervisors and Senior Management in the Company as at December 31, 2004

Name	Position	Sex	Age	Number of shares as at January 1, 2004 (share)	Number of shares as at December 31, 2004 (share)	Service term
Yu Li	Chairman	male	45	0	0	2004.4.20-2007.4.19
Xu Fengli	Deputy chairman	male	58	0	0	2004.4.20-2007.4.19
Shi Jianxun	Director	male	60	3,550	3,550	2004.4.20-2007.4.19
Zhang Xingfu	Director	male	52	0	0	2004.4.20-2007.4.19
Lan Yunsheng	Director	male	47	0	0	2004.4.20-2007.4.19
Ni Muhua	Director	male	54	3,550	3,550	2004.4.20-2007.4.19
Jiang Jixiang	Director	male	52	0	0	2004.4.20-2007.4.19
Lü Yanfeng	Independent director	male	45	0	0	2004.4.20-2007.4.19
Wang Peirong	Independent director	male	49	0	0	2004.4.20-2007.4.19
Fanny Li	Independent director	female	43	0	0	2004.4.20-2007.4.19
Zhou Henglong	Independent director	male	43	0	0	2004.4.20-2007.4.19
Zou Haifeng	Chairman of the Board of Supervisors	male	59	3,550	3,550	2004.4.20-2007.4.19
Yang Jigang	Supervisor	male	42	0	0	2004.4.20-2007.4.19
Yan Weidong	Supervisor	male	58	0	0	2004.4.20-2007.4.19
Li Shumin	Supervisor	male	55	7,000	7,000	2004.4.20-2007.4.19
Wang Huaqing	Supervisor	male	48	0	0	2004.4.20-2007.4.19
Li Chongjie	Deputy general manager	male	42	0	0	
Zhang Liyan	Company secretary	female	54	0	0	

THE COMPANY'S CORPORATE GOVERNANCE STRUCTURE

Independent Directors and Their Duties

The Company established an independent directors system according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Standards of Corporate Governance of Listed Companies. At present, the Board of the Company has four independent directors, each of them is familiar with the Company's business and operating status. They have carried out their duties faithfully, participated personally (or through authorization) in board meetings and rendered their independent advice.

During 2004, the independent directors considered and approved the connected transactions conducted in the first half of 2004 and the year of 2004. The audit committee comprising the independent directors of the Company held a meeting at which the audit report for 2004 was considered and the views of the independent directors were submitted to the Board.

Audit Committee

The audit committee and senior management of the Company considered the accounting principles used by the Group and discussed in detail matters relating to audit, internal supervisory control and financial statements, including the annual report for 2004.

DIRECTORS' REPORT

SCOPE AND RESULTS OF OPERATIONS OF PRINCIPAL BUSINESS ACTIVITIES

I. Results of Operations

The Group is principally engaged in the production and sale of petroleum products, petrochemical and organic chemical products and synthetic rubber, with its major operations carried out in the PRC and all of its products are sold domestically.

The Company continued to achieve a growth in profits for the year 2004, with its approach focusing on "People-oriented, strict and micro management", as well as improvement of standards in all aspects. During the year, by taking full advantage of the policies for promoting established industrial production facilities in north-eastern China and an increase in the prices of petrochemical products, the Company, based on the principles of ensuring work safety, "People-oriented, strict and micro management", pragmatism and hard work, achieved a historical high in its operating results and stepped into a new phase in achieving a continual growth in profits.

For the year ended December 31, 2004, under PRC GAAP, the Group recorded sales revenue from its principal operations of RMB27,902.79 million, representing an increase of 46.4% as compared to 2003, and a net profit of RMB2,573.76 million, representing an increase of 507% as compared to 2003. Under IFRS, the Group recorded a turnover from its principal operations of RMB31,857.42 million, representing an increase of 54% as compared to 2003, and a net profit of RMB2,544.51 million, representing an increase of 495% as compared to 2003.

Under PRC GAAP, during the year 2004, products which accounted for over 10% of the Group's total sales revenue from its principal operations included: petroleum products achieved sales revenues of RMB14,076.50 million (representing 50.4% of the Group's total sales revenue from its principal operations), cost of goods sold was RMB13,754.34 million and the gross profit margin was 2%; petrochemical and organic chemical products achieved sales revenues of RMB11,743.84 million (representing 42.1% of the Group's sales revenues from its principal operations), cost of goods sold was RMB8,325.20 million and the gross profit margin was 29.1%.

II. Discussion and Analysis of the Group's Overall Operations (Under PRC GAAP)

In 2004, the Group's sales revenues from its principal operations increased by RMB8,837.92 million to RMB27,902.79 million as compared to 2003, of which sales revenue of petroleum products increased by RMB4,128.33 million, sales revenue of petrochemical and organic chemical products increased by RMB3,929.56 million and sales revenue of synthetic rubber products increased by RMB279.85 million.

1. Sales revenue of petroleum products increased by 41.5% from RMB9,948.17 million in 2003 to RMB14,076.50 million in 2004. The increase in sales revenue was mainly attributable to the following reasons:
 - (1) the processing volume of crude oil of the Company increased by 13.3% from 5.66 million tons in 2003 to 6.41 million tons in 2004;
 - (2) the sales volume of diesel oil of the Company grew by 29.9% from 2.11 million tons in 2003 to 2.74 million tons in 2004;
 - (3) the sales volume of petroleum products stood at 5.47 million tons and the weighted average selling price of such products was RMB2,574 per ton, representing an increase of 24.9% and 13.4%, respectively, as compared to the previous year.
2. Sales revenue of petrochemical and organic chemical products increased by 50.3% from RMB7,814.27 million in 2003 to RMB11,743.83 million in 2004. The increase in sales revenue was mainly due to the rising international crude oil price and the increased demand for petrochemical products in the domestic market. As a result, the market price of domestic petrochemical products increased substantially. The weighted average selling price and the sales volume of such products increased by 47.3% and 2%, respectively, as compared to the previous year.
3. Sales revenue of synthetic rubber products increased by 24.6% from RMB1,136.99 million in 2003 to RMB1,416.84 million in 2004. The increase in turnover was mainly attributable to the growth in the weighted average selling price of such products by 22.2%, as compared to the previous year.

In 2004, the finance cost of the Group decreased by RMB187.58 million from RMB464.99 million in 2003 to RMB277.41 million in 2004, of which interest expense decreased by 37.2% from RMB429.78 million in 2003 to RMB270.07 million in 2004. The decrease was mainly due to the refinancing of higher interest rate loans with lower interest rate loans and the reduction of interest-bearing liabilities. The Group's net exchange loss was RMB8.65 million, as compared to a net exchange loss of RMB36.61 million in 2003. The reduction of RMB27.96 million in net exchange loss was mainly due to the changes in exchange rates of the Group's foreign currency loans during the reporting period.

The Group recorded an investment income of RMB40.51 million in 2004 as compared to an investment loss of RMB4.34 million in 2003. The increase was primarily attributable to the profits generated by its jointly controlled entity and associated company. The net non-operating expenses reduced by RMB31.87 million to RMB8.38 million, as compared to 2003, and the reduction was primarily attributable to the increase of gain on disposal of fixed assets during the year.

In 2004, the Group was subject to an income tax of RMB177.35 million payable under PRC GAAP. In accordance with the requirement of the "Notice Regarding Tax Credits for Enterprise Income Tax Available to Technology Upgrade of Equipment manufactured in the PRC", the Company was subject to a reduced income tax for the purchase of PRC-manufactured equipment in the amount of RMB65.56 million. According to the tax effect accounting method, deferred tax assets recognized from provisions made for impairment of assets and the retirement of assets amounted to RMB435.20 million while accelerated depreciation and deferred tax liabilities recognized from amortization totaled RMB119.62 million. As a result, the deferred income tax credit so recognized and the net total annual income tax credit amounted to RMB315.58 million and RMB203.80 million, respectively.

In 2004, minority interests of the Group were RMB16.52 million, as compared to RMB1.76 million in 2003. The increase was mainly due to the loss suffered by its subsidiaries.

Based on the aforesaid, the net profit of the Group increased by RMB2,149.77 million to RMB2,573.76 million in 2004, as compared to 2003.

III. Problems Experienced in Business Operations and Solutions

Given the unfavorable factors such as price rise in raw materials such as crude oil and pressure over for rail transportation, the Group introduced a series of measures to improve corporate management, enhance the operation of production facilities, strengthen the internal control systems, improve marketing strategies and strengthen financial management, and achieved a historical high in various key production benchmarks in aspects of the processing volume of crude oil, sales volume of products, as well as the output of ethylene, gasoline and diesel oil. The selling price of the Group's products increased substantially from 2003, which resulted in a sales and payment recovery rate of 100%, respectively. All these factors effectively mitigated the adverse impact of an increase in the prices of raw materials on the production cost. As a result, the operating results of the Group improved substantially in 2004 as compared to 2003.

IV. Investment

In 2004, the Company completed an energy saving project for the 150,000 tons/year ethylene facility and the technology upgrade project for the reduction of pressure and mechanical fault. The total investment completed as at December 31, 2004 was RMB440.43 million. The Company expects that its total investment will amount to approximately RMB200.00 million in 2005.

During the reporting period, the Company has not utilized capital obtained from fund-raising activities in investment projects nor has it delayed the utilization of funds obtained prior to 2004 to investment projects in 2004.

V. Prospects

Looking forward to 2005, the Company anticipates that international crude oil prices will continue to fluctuate within a higher price range. The average price of the Company's products may be lower than that in 2004, which will generally present opportunities as well as challenges for the Company. From a macroscopic point of view, the global economic recovery is expected to speed up and both demand and supply of petrochemical products in international market is expected to be strong. It is expected that the gross domestic product of the PRC will reach its target as an increase of about 8%. The domestic economy is expected to continue to develop at a relatively stable but fast pace, and various policies in connection with the promotion of established industrial production facilities in north-eastern China by the State will also be further implemented. From a microscopic point of view, the Company will further strengthen its "People-oriented, strict and micro-management", improve various management systems such as its on-site, operational, development and team management systems, and has reached a more mature stage where growth is achieved at a faster pace. However, with the end of the transition period of China's accession to WTO, the domestic market will be fully opened for the wholesale and retail of finished oil products and competition between domestic and international players in this field is expected to intensify. Fluctuation in the price of raw materials such as crude oil within a higher price range will inevitably give rise to the increase in production cost. Moreover, the overhaul scheduled by the Company will relatively shorten the period of production, thus adding onto the difficulties of the Company for attaining the objectives for the year. Therefore, the Company is experiencing a great challenge in its production and operations in 2005. As such, the Company will carry out its operations for the year in accordance with the following principles:

1. Further pursue the business concept where "enterprises shall operate according to market demand; production plan shall be changed in line with the market development; and all works shall be done for the purpose of achieving efficient results" to fully strengthen the Company's business operations. The Company shall be market-oriented by improving its business plans and updating statistics, and shall strengthen its financial management to increase the return on capital and to avoid operational risk in an effective and efficient manner. It shall improve supply and sales arrangement by strengthening logistic management, reduce costs by every possible means and increase sales and income so as to achieve 100% for both the production/sales ratio and payment recovery rate. The Company shall strengthen the management for both contracts and equity interests by strictly implementing the "Three Examination" contract review system and regulatory requirements with the aim of cancelling "ST" in respect of A shares of the Company, and to build up a good image of the Company.
2. Further pursue the safety concept where "objective standards of production for a refinery enterprise shall be complied, stringent safety management shall be implemented and safety shall be ensured" to improve the safety of production in all aspects. The Company shall strengthen education on safety by sub-dividing and finalizing safety production responsibilities, strictly carrying out inspector examination systems and ensuring that the production facilities operate in a safe, stable and good manner, on long-term basis and at a full utilization rate. The Company shall make improvements and adjustments to its production plans and formulate its production and operation plans in a timely manner in view of the market changes and product margins. It shall improve the allocation of raw materials, product mix and production facilities with further control over production process as well as the examination on the stability of operations, and further improvement on the overall management of production so as to maximize the total output of products. Based on the principles of effecting a safe and well-organized overhaul, and operating the key production facilities in a safe and stable manner, the Company plans to process 7 million tons of crude oil by using its production facilities with a utilization rate of over 99% and achieve a ratio of effective usage of key equipment of 100%.
3. Further pursue the management concept of "People-oriented, strict and micro-management" to fully strengthen the "Three Foundations" work of the Company. The Company will make full use of the innovative and effective management method of "Six Examinations and Six Adjustments" to achieve sophisticated development management, detailed on-site management, cost-effective operational management, and well-organized team management. As a result, the overall management of the Company can be continuously enhanced.
4. Further strengthen the concept of risk control. In accordance with the Sarbanes-Oxley Act, the applicable provisions for ownership framework set out by Committee of Sponsoring Organizations of the Treadway Committee ("COSO") and all legal and regulatory requirements, the Company shall build upon its existing management system and take five elements of COSO as a framework, combine its management system with Occupational Health, Safety and Environment (OHSE) and comprehensive quality management systems to govern its business flow, improve its internal control, speed up the progress for the establishment of an internal control system that meets the actual management needs of the Company.

In conclusion, the Company shall continue to pursue the belief of “Unity, Determination and Contribution” which has led the Company from loss making to profitability, and shall identify and seize opportunities to expand its business by removing any obstacles ahead and by adopting active and flexible business strategies, so that all annual production and operation targets of this year could be achieved and good operating results could be maintained to reward its shareholders.

PROPOSED PROFIT APPROPRIATION AND DIVIDENDS

Under PRC GAAP, the net profit of the Company for the year ended December 31, 2004 was RMB2,573.76 million, the accumulated losses as at January 1, 2004 was RMB3,268.56 million, the accumulated losses as at December 31, 2004 were RMB694.80 million. Under IFRS, the net profit for the year ended December 31, 2004 was RMB2,553.19 million, the accumulated losses as at January 1, 2004 were RMB3,118.62 million and the accumulated losses as at December 31, 2004 was RMB564.46 million. The profit generated in 2004 will be used to offset accumulated losses. According to the above profit distribution plan, the Board has resolved not to declare any final dividend for 2004 nor transfer common reserves to the Company’s share capital. According to the regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange, the Company’s independent directors published their opinion regarding the proposed profit appropriation for 2004 and agreed to the proposed profit appropriation. The above proposal will be presented to the Company’s shareholders for approval at the 2004 Annual General Meeting.

PURCHASE, SALES AND REDEMPTION OF SHARES

For the year ended December 31, 2004, there was no purchase, sale or redemption by the Company, or by any of its subsidiaries, of the shares of the Company.

COMPLIANCE WITH CODE OF BEST PRACTICE

During 2004, to the knowledge of the Board, the Company has complied with the Code of Best Practice which incorporates items set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The detailed annual results of the Company, including all the materials required by paragraphs 45(1)-45(3) of Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”), will be released shortly on the website of Hong Kong Stock Exchange, <http://www.hkex.com.hk>.

DISCLOSURE OF SIGNIFICANT EVENTS

1. The Group was not involved in any material litigation or arbitration during the year ended December 31, 2004.
2. There was no merger, acquisition or restructuring involving the Company for the year ended December 31, 2004.
3. **Material contracts**
 - (1) During 2004, the Company has not entered into any trust arrangement, sub-contracting or leasing of assets belonging to a third party and no third party has entered into any trust arrangement, sub-contracting or leased assets of the Company.
 - (2) During 2004, the Company did not incur material guarantee events.
 - (3) During 2004, the Company did not entrust any party with cash assets administration.
4. The Company or shareholders holding more than 5% of the Company’s registered share capital have no matters relating to undertakings.
5. During 2004, PricewaterhouseCoopers (certified public accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co., (registered accountants in the PRC) were re-appointed as the Company’s international and domestic auditors. Up to the year ended December 31, 2004, PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co., has provided audit services to the Company for four years. The remuneration paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co., was RMB3.5 million during 2004.
6. The Company, the Board and directors of the Company have not received any reprimand, penalties or complaints from or faced investigation by the China Securities Regulatory Commission, or any public reprimand from any other stock exchange during the year.

7. Other Events

According to the audited financial statements for 2004, the Company's net assets per share of RMB1.64 as at December 31, 2004 was over the par value of RMB1.00 per share. The Company applied to the Shenzhen Stock Exchange for withdrawal of the special treatment in accordance with Rules Governing the Listing of Stock on Shenzhen Stock Exchange, such that the abbreviation of the Company's A shares will change from "ST Jihua" to "Jilin Chemical" and the price movement of the Company's A shares will change from 5% restriction to 10% restriction.

FINANCIAL REPORT

A Financial Statements prepared under IFRS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2004

(Amounts in thousands except for per share data)

	Notes	2004 RMB	2003 RMB
Turnover	1,7	31,857,423	20,652,809
Cost of sales		<u>(28,821,880)</u>	<u>(19,125,842)</u>
Gross profit		3,035,543	1,526,967
Distribution costs		(24,586)	(29,338)
Administrative expenses		(440,660)	(574,051)
Other operating income/(expenses)		<u>22,731</u>	<u>(28,260)</u>
Operating profit	2	2,593,028	895,318
Interest expense		(270,071)	(429,782)
Interest income		1,753	1,531
Exchange loss		(19,337)	(37,153)
Exchange gain		10,685	546
Share of profit of a jointly controlled entity		36,113	9,664
Share of profit/(loss) of an associated company		<u>4,397</u>	<u>(14,001)</u>
Profit before taxation		2,356,568	426,123
Taxation	3	<u>171,418</u>	<u>(270)</u>
Profit before minority interests		2,527,986	425,853
Minority interests		<u>16,524</u>	<u>1,756</u>
Profit attributable to shareholders	4	<u>2,544,510</u>	<u>427,609</u>
Basic and diluted profit per share	5	<u>RMB0.71</u>	<u>RMB0.12</u>
Dividend	6	<u>-</u>	<u>-</u>

I TURNOVER

Turnover represents revenues from the sale of petroleum, petrochemical and chemical products. Analysis of turnover by segment is shown in Note 7.

2 OPERATING PROFIT

	2004 RMB	2003 RMB
Operating profit is arrived at after crediting and charging the following items:		
Crediting		
Government grants and subsidies	–	502
Charging		
Amortization of intangible assets	110,086	101,642
Auditors' remuneration	3,500	4,250
Cost of inventories (approximates cost of sales) recognized as expense	28,708,451	19,125,842
Depreciation on property, plant and equipment	1,037,192	930,365
Employee compensation costs (including directors' and supervisors' emoluments)	747,770	625,700
Net (profit)/loss on disposals of property, plant and equipment	(26,412)	26,379
Operating lease rentals on land and buildings	7,680	10,501
Operating lease rentals on plant and machinery	27,733	2,463
Provision for impairment of property, plant and equipment (included in "cost of sales")	7,220	–
Provision for impairment of intangible assets (included in "cost of sales")	6,698	–
Provision for impairment of receivables (included in "administrative expenses")	11,050	100,713
Provision for impairment of prepaid expenses and other current assets (included in "other operating expenses")	1,372	–
Inventory writedowns (included in "cost of sales")	77,544	12,856
Repair and maintenance	351,938	264,613
Research and development expenditure	2,726	1,764

3 TAXATION

	2004 RMB	2003 RMB
PRC income tax	111,784	270
Deferred tax	(283,202)	–
	<u>(171,418)</u>	<u>270</u>

In accordance with the relevant PRC income tax rules and regulations, the enacted PRC income tax rate applicable to the Group is 33% (2003: 33%). Certain subsidiaries and the jointly controlled entity are Sino-foreign joint ventures and are entitled to certain tax concessions available to foreign investment production enterprises operating in the PRC. These tax concessions include a five-year tax holiday under which these enterprises are exempt from income tax for the first two years commencing from the first cumulative profitable year of operation followed by a 50% reduction in the income tax rate for three years thereafter.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the basic tax rate in the PRC applicable to the Group as follows:

	2004 RMB	2003 RMB
Profit before taxation	<u>2,356,568</u>	<u>426,123</u>
Tax calculated at a rate of 33%	777,667	140,621
Utilization and recognition of previously unrecognized deferred tax assets	(899,719)	(133,827)
Approved income tax deduction relating to capital expenditures	(65,561)	–
Other	<u>16,195</u>	<u>(6,524)</u>
Tax expense	<u>(171,418)</u>	<u>270</u>

4 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of RMB2,553,194 for the year ended December 31, 2004 (2003: RMB435,484).

5 BASIC AND DILUTED PROFIT PER SHARE

Basic and diluted profit per share for the year ended December 31, 2004 have been computed by dividing net profit for the year by the weighted average number of 3,561,078,000 (2003: 3,561,078,000) shares issued and outstanding for the year.

There are no dilutive potential ordinary shares.

6 DIVIDEND

No dividend was declared in respect of 2003 and 2004.

7 SEGMENT INFORMATION

Year ended December 31, 2004	Petroleum products RMB	Petrochemical and organic chemical products RMB	Chemical fertilizers and inorganic chemicals RMB	Synthetic rubber products RMB	Other products and services RMB	Total RMB
Profit and loss						
Sales (including intersegment)	18,079,875	13,550,409	664,246	1,793,689	3,666,195	37,754,414
Less: Intersegment sales	(4,702,040)	(782,150)	–	–	(412,801)	(5,896,991)
Total sales to external customers	<u>13,377,835</u>	<u>12,768,259</u>	<u>664,246</u>	<u>1,793,689</u>	<u>3,253,394</u>	<u>31,857,423</u>
Segment results	(475,328)	2,939,339	(80,353)	317,016	(107,646)	2,593,028
Finance costs – net						(276,970)
Share of profit of a jointly controlled entity	–	36,113	–	–	–	36,113
Share of profit of an associated company	–	–	–	–	4,397	4,397
Profit before taxation						2,356,568
Taxation						171,418
Minority interests						<u>16,524</u>
Net profit						<u>2,544,510</u>

Depreciation and Amortization	549,867	377,907	29,290	58,087	132,127	1,147,278
Impairment of property, plant and equipment	–	–	4,680	–	2,540	7,220
Impairment of intangible assets	–	6,698	–	–	–	6,698
Impairment of current assets (receivables and inventories)						89,966
Assets and liabilities						
Segment assets	1,844,441	9,175,528	561,825	991,418	638,643	13,211,855
Interests in a jointly controlled entity	–	89,835	–	–	–	89,835
Investment in an associated company	–	–	–	–	9,305	9,305
Deferred income tax assets						283,202
Total assets						<u>13,594,197</u>
Segment current liabilities	594,431	3,054,582	552,913	130,489	210,350	4,542,765
Borrowings						<u>3,982,090</u>
Total liabilities						<u>8,524,855</u>
Segment capital expenditure on property, plant and equipment and on intangible assets	263,201	189,023	11,462	65,136	13,219	542,041

B Prepared under PRC GAAP

BALANCE SHEETS

As at December 31, 2004

(In RMB Yuan)

	December 31, 2004 Group	December 31, 2003 Group	December 31, 2004 Company	December 31, 2003 Company
ASSETS				
CURRENT ASSETS				
Cash and bank	14,629,219	35,498,819	11,819,321	30,675,068
Short-term investments	–	–	–	–
Notes receivable	10,545,237	31,487,455	9,456,637	30,847,455
Dividend receivable	–	–	–	–
Interest receivable	–	–	–	–
Accounts receivable	254,700,444	153,268,657	322,568,028	228,521,231
Other receivables	45,075,155	35,615,442	19,094,936	15,026,666
Advances to suppliers	376,959,411	219,531,546	376,874,901	218,715,694
Subsidy receivable	–	–	–	–
Inventories	2,606,053,383	1,568,092,833	2,566,518,007	1,524,683,504
Prepaid expenses	19,856,484	12,395,263	19,474,862	12,003,154
Long-term bond investments maturing within one year	–	–	–	–
Other current assets	–	–	–	–
Total current assets	<u>3,327,819,333</u>	<u>2,055,890,015</u>	<u>3,325,806,692</u>	<u>2,060,472,772</u>
LONG-TERM INVESTMENTS				
Long-term equity investments	99,139,594	58,630,291	169,469,728	161,027,860
Long-term bond investments	–	–	–	–
Total long-term investments	<u>99,139,594</u>	<u>58,630,291</u>	<u>169,469,728</u>	<u>161,027,860</u>
Including: Consolidation difference				

FIXED ASSETS				
Fixed assets-cost	16,196,975,563	15,922,817,553	15,822,513,692	15,551,363,296
Less: Accumulated depreciation	(6,719,916,853)	(5,879,358,440)	(6,545,147,557)	(5,719,658,380)
Fixed assets-net book value	9,477,058,710	10,043,459,113	9,277,366,135	9,831,704,916
Less: Impairment of fixed assets	(282,023,248)	(323,843,932)	(269,931,112)	(309,861,188)
Fixed assets-net book amount	9,195,035,462	9,719,615,181	9,007,435,023	9,521,843,728
Construction materials	2,837,473	3,130,000	2,837,473	3,130,000
Construction in progress	42,555,665	32,361,820	42,555,665	32,361,820
Fixed assets pending disposal	—	—	—	—
Total fixed assets	9,240,428,600	9,755,107,001	9,052,828,161	9,557,335,548
INTANGIBLE AND OTHER ASSETS				
Intangible assets	1,345,139,741	1,463,518,889	1,343,581,225	1,462,399,217
Long-term deferred expenses	64,648,462	101,751,642	64,648,462	101,751,642
Other long-term assets	—	—	—	—
Total intangible and other assets	1,409,788,203	1,565,270,531	1,408,229,687	1,564,150,859
DEFERRED TAXES				
Deferred tax assets	315,580,641	—	315,580,641	—
TOTAL ASSETS	14,392,756,371	13,434,897,838	14,271,914,909	13,342,987,039
	December 31,	December 31,	December 31,	December 31,
	2004	2003	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY	Group	Group	Company	Company
CURRENT LIABILITIES				
Short-term loans	2,918,970,000	3,204,600,000	2,874,330,000	3,155,000,000
Notes payable	—	—	—	—
Accounts payable	1,891,153,893	1,844,980,631	1,864,805,946	1,861,455,634
Advances from customers	2,137,105,902	1,271,055,240	2,119,941,248	1,244,157,924
Salaries payable	139,240,168	124,125,535	139,183,607	124,125,535
Welfare payable	57,854,011	34,342,677	48,261,501	27,310,869
Dividend payable	—	—	—	—
Taxes payable	154,334,897	174,919,468	150,912,286	181,634,303
Other levies payable	—	—	—	—
Other payables	137,027,193	111,184,160	131,685,926	110,412,394
Accrued expenses	26,049,897	53,728,325	26,049,897	53,728,325
Provisions	—	—	—	—
Long-term liabilities due within one year	167,105,430	897,399,277	167,105,430	897,399,277
Other current liabilities	—	—	—	—
Total current liabilities	7,628,841,391	7,716,335,313	7,522,275,841	7,655,224,261
LONG-TERM LIABILITIES				
Long-term loans	682,499,114	2,077,640,306	682,499,114	2,077,640,306
Debentures payable	—	—	—	—
Payables due after one year	—	—	—	—
Special project payables	—	—	—	—
Other long-term liabilities	213,515,526	330,258,094	213,515,526	330,258,094
Total long-term liabilities	896,014,640	2,407,898,400	896,014,640	2,407,898,400
DEFERRED TAXES				
Deferred tax liabilities	—	—	—	—
TOTAL LIABILITIES	8,524,856,031	10,124,233,713	8,418,290,481	10,063,122,661

MINORITY INTERESTS	14,275,912	30,799,747	-	-
SHAREHOLDERS' EQUITY				
Share capital	3,561,078,000	3,561,078,000	3,561,078,000	3,561,078,000
Capital surplus	2,293,618,886	2,293,618,886	2,293,618,886	2,293,618,886
Statutory common reserve fund	701,442,717	701,442,717	693,730,248	693,730,248
Including: Statutory common welfare fund	126,834,279	126,834,279	125,287,623	125,287,623
Accumulated losses	(702,515,175)	(3,276,275,225)	(694,802,706)	(3,268,562,756)
Foreign exchange difference reserve	-	-	-	-
Total shareholders' equity	5,853,624,428	3,279,864,378	5,853,624,428	3,279,864,378
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,392,756,371	13,434,897,838	14,271,914,909	13,342,987,039

PROFIT AND LOSS ACCOUNTS

For the year ended December 31, 2004
(In RMB Yuan)

Items	2004 Group	2003 Group	2004 Company	2003 Company
1. SALES REVENUE	27,902,786,502	19,064,871,852	27,865,067,353	18,987,356,043
Less: Cost of sales	(23,884,903,088)	(16,811,354,227)	(23,820,659,441)	(16,766,786,845)
Sales tax and other levies	(728,022,767)	(663,823,149)	(728,022,767)	(663,823,149)
2. GROSS PROFIT ON SALES	3,289,860,647	1,589,694,476	3,316,385,145	1,556,746,049
Add: Other operating loss	(54,161,881)	(53,964,910)	(61,427,912)	(42,063,603)
Less: Selling expenses	(24,585,845)	(29,337,792)	(24,278,421)	(28,948,053)
General and administrative expenses	(612,394,717)	(574,810,872)	(588,118,886)	(550,750,478)
Financial expenses, net	(277,411,445)	(464,994,136)	(270,812,410)	(459,490,497)
3. OPERATING PROFIT	2,321,306,759	466,586,766	2,371,747,516	475,493,418
Add: Investment income/(loss)	40,509,303	(4,337,039)	8,441,868	(12,691,049)
Subsidy income	-	502,000	-	502,000
Non-operating income	76,854,281	13,432,589	74,712,368	13,372,271
Less: Non-operating expenses	(85,229,818)	(53,674,526)	(85,135,655)	(53,060,643)
4. TOTAL PROFIT	2,353,440,525	422,509,790	2,369,766,097	423,615,997
Less: Income tax	203,795,690	(270,108)	203,993,953	-
Minority interests	16,523,835	1,755,470	-	-
5. NET PROFIT	2,573,760,050	423,995,152	2,573,760,050	423,615,997

SUPPLEMENTARY INFORMATION

	2004		2003	
	Group	Company	Group	Company
1. Income from sale and disposal of departments or investees	-	-	-	-
2. Loss from natural catastrophe	-	-	-	-
3. Increase in total profit resulting from change in accounting policies	-	-	-	-
4. Increase in total profit resulting from change in accounting estimates	-	-	-	-
5. Loss from debt restructuring	-	-	-	-
6. Other	-	-	-	-

PROFIT APPROPRIATION STATEMENTS

For year ended December 31, 2004

(In RMB Yuan)

Items	2004 Group	2003 Group	2004 Company	2003 Company
1. NET PROFIT	2,573,760,050	423,995,152	2,573,760,050	423,615,997
Add: Accumulated losses at the beginning of the year	(3,276,275,225)	(3,700,270,377)	(3,268,562,756)	(3,692,178,753)
Transfer from other sources	-	-	-	-
2. ACCUMULATED LOSSES	(702,515,175)	(3,276,275,225)	(694,802,706)	(3,268,562,756)
Less: Transfer to statutory common reserve fund	-	-	-	-
Transfer to statutory common welfare fund	-	-	-	-
Transfer to staff and workers' bonus and welfare fund	-	-	-	-
3. ACCUMULATED LOSSES	(702,515,175)	(3,276,275,225)	(694,802,706)	(3,268,562,756)
Less: Dividend for preference stocks	-	-	-	-
Transfer to discretionary common reserve fund	-	-	-	-
Dividend for common stocks	-	-	-	-
Dividend for common stocks transferred to capital	-	-	-	-
4. ACCUMULATED LOSSES AT THE END OF THE YEAR	<u>(702,515,175)</u>	<u>(3,276,275,225)</u>	<u>(694,802,706)</u>	<u>(3,268,562,756)</u>

CASH FLOW STATEMENTS

For The Year Ended December 31, 2004

(In RMB Yuan)

Items	2004 Group	2003 Group	2004 Company	2003 Company
I. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	34,339,225,120	26,059,285,021	34,118,606,354	25,812,840,772
Government grants	-	502,000	-	502,000
Cash received relating to other operating activities	4,317,299	1,628,325	9,050,668	3,785,329
Sub-total of cash inflows	<u>34,343,542,419</u>	<u>26,061,415,346</u>	<u>34,127,657,022</u>	<u>25,817,128,101</u>
Cash paid for goods and services	(28,406,626,351)	(19,853,797,998)	(28,313,185,838)	(19,708,996,536)
Cash paid to and on behalf of employees	(554,644,033)	(432,322,410)	(482,321,296)	(401,460,600)
Payment of all types of taxes	(1,738,994,156)	(1,299,564,630)	(1,722,245,226)	(1,282,201,359)
Cash paid relating to other operating activities	(270,749,194)	(469,520,643)	(253,296,751)	(460,860,469)
Sub-total of cash outflows	<u>(30,971,013,734)</u>	<u>(22,055,205,681)</u>	<u>(30,771,049,111)</u>	<u>(21,853,518,964)</u>
Net cash flows from operating activities	<u>3,372,528,685</u>	<u>4,006,209,665</u>	<u>3,356,607,911</u>	<u>3,963,609,137</u>

2. Cash flows from investing activities				
Cash received from sale of investments	-	-	-	-
Cash received from return of investments	-	-	-	-
Net cash received from disposal of fixed assets	74,290,268	13,335,348	72,178,273	13,285,031
Cash received relating to other investing activities	-	-	-	-
Sub-total of cash inflows	74,290,268	13,335,348	72,178,273	13,285,031
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(642,131,733)	(681,471,929)	(629,866,868)	(677,634,391)
Cash paid to acquire investments	-	(54,000,000)	-	(54,000,000)
Cash paid relating to other investing activities	-	-	-	-
Sub-total of cash outflows	(642,131,733)	(735,471,929)	(629,866,868)	(731,634,391)
Net cash flows from investing activities	(567,841,465)	(722,136,581)	(557,688,595)	(718,349,360)
3. Cash flows from financing activities				
Proceeds from issuing shares	-	100,000	-	-
Including: Cash received from minority shareholders	-	100,000	-	-
Proceeds from borrowings	9,004,240,367	5,440,491,995	8,959,600,367	5,351,291,995
Cash received relating to other financing activities	-	-	-	-
Sub-total of cash inflows	9,004,240,367	5,440,591,995	8,959,600,367	5,351,291,995
Repayment of borrowings	(11,532,047,974)	(8,294,083,962)	(11,482,447,974)	(8,170,883,962)
Cash paid for interest expense and distribution of dividends	(297,749,213)	(427,886,939)	(294,927,456)	(424,568,038)
Including: Dividends paid to minority shareholders	-	-	-	-
Cash paid relating to other financing activities	-	-	-	-
Including: Cash paid to minority shareholders due to reduction of capital of subsidiaries	-	-	-	-
Sub-total of cash outflows	(11,829,797,187)	(8,721,970,901)	(11,777,375,430)	(8,595,452,000)
Net cash flows from financing activities	(2,825,556,820)	(3,281,378,906)	(2,817,775,063)	(3,244,160,005)
4. Effect of foreign exchange rate changes on cash	-	-	-	-
5. Net (decrease)/increase in cash and cash equivalents	(20,869,600)	2,694,178	(18,855,747)	1,099,772

SUPPLEMENTARY INFORMATION

	2004 Group	2003 Group	2004 Company	2003 Company
I. Reconciliation of net profit to cash flows from operating activities				
Net profit	2,573,760,050	423,995,152	2,573,760,050	423,615,997
Add: Minority interests	(16,523,835)	(1,755,470)	-	-
Provision for impairment of assets	103,884,647	113,568,960	102,547,603	113,568,960
Depreciation of fixed assets	968,250,527	863,572,274	945,948,808	840,730,347
Amortization of intangible assets	121,977,554	114,018,037	121,784,090	113,918,558
Amortization of long-term deferred expenses	60,177,738	58,029,674	60,177,738	58,029,674
(Increase)/decrease in prepaid expenses	(7,461,221)	4,996,946	(7,471,708)	4,746,596
Increase in accrued expenses	-	-	-	-
Gain on disposal of fixed assets	(74,290,268)	(13,335,348)	(72,178,273)	(13,285,031)
Loss on scrapping of fixed assets	47,878,367	39,714,147	47,784,207	39,648,698
Financial expenses	270,070,785	429,782,134	267,249,028	426,463,233
Investment (income)/loss	(40,509,303)	4,337,039	(8,441,868)	12,691,049
Deferred tax assets	(315,580,641)	-	(315,580,641)	-
Increase in inventories	(1,115,504,793)	(186,720,730)	(1,118,704,503)	(151,637,600)
(Increase)/decrease in operating receivables	(249,049,275)	223,216,189	(235,892,783)	175,793,288
Increase in operating payables	1,045,448,353	1,932,790,661	995,626,163	1,919,325,368
Net cash flows from operating activities	3,372,528,685	4,006,209,665	3,356,607,911	3,963,609,137
2. Investing and financing activities that do not involve cash receipts and payments				
Purchase of fixed assets	-	159,500,000	-	159,500,000
Convertible bonds maturing within one year	-	-	-	-
Finance lease of fixed assets	-	-	-	-
3. Net increase/(decrease) in cash and cash equivalents				
Cash at the end of the year	14,629,219	35,498,819	11,819,321	30,675,068
Less: Cash at the beginning of the year	(35,498,819)	(32,804,641)	(30,675,068)	(29,575,296)
Cash equivalents at the end of the year	-	-	-	-
Less: Cash equivalents at the beginning of the year	-	-	-	-
Net (decrease)/increase in cash and cash equivalents	(20,869,600)	2,694,178	(18,855,747)	1,099,772

SUPPLEMENTARY INFORMATION

ASSET IMPAIRMENT PROVISION

As at December 31, 2004

(In RMB Yuan)

Items	As at January 1, 2004		Current year addition		Reverl caused by increase of assets value		Current year reduction Other transfer-out (Note)		Total		As at December 31, 2004	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
1. Bad debt provision	940,414,318	940,410,761	12,422,128	11,759,327	-	-	(238,013,393)	(238,013,393)	(238,013,393)	(238,013,393)	714,823,053	714,156,695
Including: Accounts receivable	868,271,165	868,267,608	11,050,304	10,387,503	-	-	(237,879,702)	(237,879,702)	(237,879,702)	(237,879,702)	641,441,767	640,775,409
Other receivables	72,143,153	72,143,153	1,371,824	1,371,824	-	-	(133,691)	(133,691)	(133,691)	(133,691)	73,381,286	73,381,286
2. Provision for impairment of short-term investments												
Including: Equity investments												
Bond investments												
3. Inventory provision	178,752,836	178,752,836	87,210,545	86,536,302	-	-	(9,666,302)	(9,666,302)	(9,666,302)	(9,666,302)	256,297,079	255,622,836
Including: Raw materials	58,579,019	58,579,019	12,241,643	12,241,643	-	-	-	-	-	-	70,820,662	70,820,662
Work in progress	7,149,932	7,149,932	-	-	-	-	(1,506,078)	(1,506,078)	(1,506,078)	(1,506,078)	5,643,854	5,643,854
Finished goods	21,714,235	21,714,235	674,243	-	-	-	(6,178,349)	(6,178,349)	(6,178,349)	(6,178,349)	16,210,129	15,535,886
Spare parts	90,362,644	90,362,644	74,294,659	74,294,659	-	-	(1,394,902)	(1,394,902)	(1,394,902)	(1,394,902)	163,262,401	163,262,401
Low value consumables and packing materials	947,006	947,006	-	-	-	-	(586,973)	(586,973)	(586,973)	(586,973)	360,033	360,033
4. Provision for impairment of long-term investments												
Including: Long-term equity investments												
Long-term bond investments												
5. Provision for impairment of fixed assets	323,843,932	309,861,188	-	-	-	-	(41,820,684)	(39,930,076)	(41,820,684)	(39,930,076)	282,023,248	269,931,112
Including: Buildings	58,153,374	57,553,374	-	-	-	-	(4,148,584)	(3,233,227)	(4,148,584)	(3,233,227)	54,004,790	54,320,147
Machinery	208,243,922	206,691,178	-	-	-	-	(31,758,961)	(31,440,522)	(31,758,961)	(31,440,522)	176,484,961	175,250,656
Equipment	52,908,460	44,378,460	-	-	-	-	(5,911,563)	(5,254,751)	(5,911,563)	(5,254,751)	46,996,897	39,123,709
Motor vehicles	4,538,176	1,238,176	-	-	-	-	(1,576)	(1,576)	(1,576)	(1,576)	4,536,600	1,236,600
6. Provision for impairment of intangible assets	-	-	6,698,195	6,698,195	-	-	-	-	-	-	6,698,195	6,698,195
Including: Technical know-how	-	-	6,698,195	6,698,195	-	-	-	-	-	-	6,698,195	6,698,195
Land use right	-	-	-	-	-	-	-	-	-	-	-	-
7. Provision for impairment of construction in progress	-	-	7,220,081	7,220,081	-	-	-	-	-	-	7,220,081	7,220,081
8. Provision for trust loan												

Note:

- (1) The reduction in bad debt provision in 2004 represents the write-off of receivables against the related bad debt provision due to bankruptcy of the debtors.
- (2) The other transfer-out of inventory provision in 2004 represents the utilization of the provision due to sale or usage of the inventories.
- (3) The other transfer-out of provision for impairment of fixed assets in 2004 is due to the disposal or scrapping of fixed assets provided in prior years.

"Please also refer to the published version of this announcement in The Standard"