

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006
(Amounts in millions)

	Total equity attributable to equity shareholders										Total equity	
	Share capital	Capital reserve	Share premium	Revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Other reserves	Retained earnings	Company of the Minority interests		Total
Balance at 1 January 2005, as previously reported	86,702	(19,217)	18,072	27,998	9,558	9,558	7,000	247	53,122	193,040	31,046	224,086
Adjusted for the acquisition of the Acquired Group	—	—	—	—	—	—	—	300	—	300	909	1,209
Balance at 1 January 2005, as adjusted	86,702	(19,217)	18,072	27,998	9,558	9,558	7,000	547	53,122	193,340	31,955	225,295
Profit for the year/total recognised income for the year	—	—	—	—	—	—	—	—	41,455	41,455	3,321	44,776
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	—	—	—
Transfer from retained earnings to other reserves	—	—	—	—	—	—	—	535	(535)	—	—	—
Distribution to Sinopec Group Company (Note (f))	—	—	—	—	—	—	—	(90)	—	(90)	—	(90)
Acquisitions of minority interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	(2,957)	(2,957)
Distributions to minority interests net of contribution	—	—	—	—	—	—	—	—	—	—	(1,640)	(1,640)
Balance at 31 December 2005	86,702	(19,217)	18,072	26,342	13,514	13,514	7,000	987	77,387	224,301	30,679	254,980
Balance at 1 January 2006	86,702	(19,217)	18,072	26,342	13,514	13,514	7,000	987	77,387	224,301	30,679	254,980
Net gain recognised directly in equity:												
Change in fair value of available-for-sale securities, net of deferred tax	—	—	—	—	—	—	—	34	—	34	—	34
Profit for the year	—	—	—	—	—	—	—	—	53,912	53,912	1,496	55,408
Total recognised income for the year	—	—	—	—	—	—	—	—	34	53,912	53,946	55,442
Final dividend for 2005 (Note 16)	—	—	—	—	—	—	—	—	(7,803)	(7,803)	—	(7,803)
Interim dividend for 2006 (Note 16)	—	—	—	—	—	—	—	—	(3,468)	(3,468)	—	(3,468)
Appropriation (Note (a) and (c))	—	—	—	—	5,066	—	20,000	—	(25,066)	—	—	—
Statutory public welfare fund transferred to statutory surplus reserve (Note (b))	—	—	—	—	13,514	(13,514)	—	—	—	—	—	—
Revaluation surplus realised	—	—	—	(1,590)	—	—	—	—	1,590	—	—	—
Realisation of deferred tax on land use rights	—	—	—	—	—	—	—	(7)	7	—	—	—
Transfer from retained earnings to other reserves	—	—	—	—	—	—	—	1,013	(1,013)	—	—	—
Transfer from capital reserve to other reserves	—	(2,373)	—	—	—	—	—	2,373	—	—	—	—
Distribution to Sinopec Group Company (Note (f))	—	—	—	—	—	—	—	(631)	—	(631)	—	(631)
Consideration for the Acquisition of Oil Production Plants (Note 1)	—	—	—	—	—	—	—	(3,500)	—	(3,500)	—	(3,500)
Acquisitions of minority interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	(9,730)	(9,730)
Contributions from minority interests net of distributions	—	—	—	—	—	—	—	—	—	—	242	242
Disposal of a subsidiary (Note 39)	—	—	—	—	—	—	—	—	—	—	(743)	(743)
Balance at 31 December 2006	86,702	(21,590)	18,072	24,752	32,094	—	27,000	269	95,546	262,845	21,944	284,789

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 2006, the Company transferred RMB 5,066 million (2005: RMB 3,956 million), being 10% of the current year's net profit determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.
- (b) Before 1 January 2006, according to the Company's Articles of Association, the Company was 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 could 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. 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 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, 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, which was approved by the shareholders at the Annual General Meeting on 24 May 2006, to this fund.
- According to the Company Law of the PRC which was revised on 27 October 2005, the Company is no longer required to make appropriation to the statutory public welfare fund commencing from 1 January 2006. Pursuant to the notice "Cai Qi [2006] No. 67" issued by the Ministry of Finance on 15 March 2006, the balance of this fund as at 31 December 2005 was transferred to the statutory surplus reserve.
- (c) The directors authorised the transfer of RMB 20,000 million (2005: RMB nil), subject to the shareholders' approval at the Annual General Meeting to the discretionary surplus reserve. 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 2006, the amount of retained earnings available for distribution was RMB 42,156 million (2005: RMB 20,591 million), being the amount determined in accordance with IFRS. Final dividend of RMB 9,537 million (2005: RMB 7,803 million) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.
- (e) 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 of certain entities and related operations acquired from Sinopec Group Company.
- (f) These represent net assets distributed to Sinopec Group Company for no monetary consideration.
- (g) The application of the share premium account is governed by Sections 168 and 169 of the PRC Company Law.

The notes on pages 123 to 160 form part of these financial statements.