

SINOCHEM INTERNATIONAL CORPORATION

Report of the Auditors and Financial Statements
For the year ended December 31, 2005

REPORT OF THE AUDITORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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[Translation]

AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF SINOCHEM INTERNATIONAL CORPORATION

We have audited the accompanying balance sheets of the Company and the Group as of December 31, 2005 and the related statements of income and cash flows of the Company for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We planned and performed our audit in accordance with China's Independent Auditing Standards to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements on pages 2 to 55, present fairly, in all material respects, the financial position of the Company and the Group as of December 31, 2005 and the results of their operations and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises promulgated by the State.

Deloitte Touche Tohmatsu CPA Ltd.
Shanghai, China

Chinese Certified Public Accountant

The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

BALANCE SHEET
AT 31 DECEMBER 2005

Unit: RMB

	NOTES	Consolidation		Company	
		31/12/2005	31/12/2004	31/12/2005	31/12/2004
ASSETS					
CURRENT ASSETS:					
Bank balances and cash	6	943,039,187.22	639,583,243.70	578,330,403.73	372,500,422.23
Current investments	7、57(1)	-	7,097,716.00	-	7,097,716.00
Notes receivable	8	51,901,946.11	85,397,477.08	32,408,454.30	85,277,477.08
Dividends receivable	9	2,278,193.35	6,154,813.87	8,070,200.00	74,488,500.00
Accounts receivable	10、57(2)	826,397,111.03	425,236,228.30	390,753,824.91	211,555,155.90
Other receivable	11、57(3)	100,916,126.77	42,058,486.02	451,775,543.57	209,589,425.12
Prepayments	13	593,971,862.40	717,152,169.68	678,840,060.15	731,072,842.10
Subsidies receivable	14	39,739,963.63	4,654,409.37	39,739,963.63	4,654,409.37
Inventories	15	963,891,479.03	1,078,788,769.02	876,705,100.19	812,456,047.32
Deferred expenses	16	4,532,077.36	4,745,308.71	1,057,901.00	1,696,143.67
Total current assets		<u>3,526,667,946.90</u>	<u>3,010,868,621.75</u>	<u>3,057,681,451.48</u>	<u>2,510,388,138.79</u>
LONG-TERM INVESTMENTS:					
Long-term equity investments	17、57(5)	730,447,709.17	561,353,063.91	2,003,940,048.42	1,387,272,253.00
Include: Consolidation difference	17	<u>14,188,595.85</u>	<u>13,599,773.06</u>	-	-
FIXED ASSETS:					
Fixed assets - cost	18	1,906,542,775.55	1,794,259,166.48	54,046,563.35	33,890,109.92
Less: Accumulated depreciation	18	<u>524,706,224.05</u>	<u>443,025,304.14</u>	<u>17,072,074.53</u>	<u>13,279,959.24</u>
Fixed assets - net	18	1,381,836,551.50	1,351,233,862.34	36,974,488.82	20,610,150.68
Less: Impairment	18	<u>1,481,191.09</u>	<u>12,030,628.14</u>	<u>1,481,191.09</u>	<u>1,481,191.09</u>
Fixed assets – net book value		1,380,355,360.41	1,339,203,234.20	35,493,297.73	19,128,959.59
Materials for constructing fixed assets	19	15,109,367.09	17,357,383.90	-	-
Fixed assets under construction	20	<u>635,310,327.36</u>	<u>254,747,356.99</u>	-	-
Total fixed assets		<u>2,030,775,054.86</u>	<u>1,611,307,975.09</u>	<u>35,493,297.73</u>	<u>19,128,959.59</u>
INTANGIBLE ASSETS AND OTHER ASSETS					
Intangible assets	21	48,123,896.69	128,190,916.86	16,899,288.15	22,693,329.81
Long-term deferred expenses	22	<u>6,298,679.51</u>	<u>20,002,720.88</u>	<u>1,744,689.18</u>	<u>3,962,157.69</u>
Total intangible assets and other assets		<u>54,422,576.20</u>	<u>148,193,637.74</u>	<u>18,643,977.33</u>	<u>26,655,487.50</u>
TOTAL ASSETS		<u><u>6,342,313,287.13</u></u>	<u><u>5,331,723,298.49</u></u>	<u><u>5,115,758,774.96</u></u>	<u><u>3,943,444,838.88</u></u>

Unit: RMB

	NOTES	Consolidation		Company	
		31/12/2005	31/12/2004	31/12/2005	31/12/2004
LIABILITIES AND OWNERS' EQUITY					
EQUITY					
CURRENT LIABILITIES					
Short-term loan	23	364,114,143.51	87,044,297.22	281,321,743.47	-
Notes payable	24	495,359,899.45	378,436,400.28	476,599,199.45	374,495,381.28
Accounts payable	25	837,089,628.56	858,754,375.71	670,097,098.27	590,819,552.67
Advances from customers	26	460,019,440.68	196,536,999.86	471,975,668.03	161,620,061.78
Salaries and wages payable		43,628,128.44	57,750,847.14	40,005,644.33	35,000,000.00
Employee benefits payable		26,786,631.23	32,597,809.67	19,207,440.04	24,449,968.20
Dividends payable	27	1,504,911.59	17,176,767.84	-	-
Tax payable	28	10,477,952.43	42,631,381.53	(22,020,786.77)	20,668,470.40
Other fees payable	29	183,436.35	1,514,570.21	29,244.91	1,424,825.00
Other payables	30	244,608,334.60	143,296,768.46	61,342,043.33	102,562,949.40
Accrued expenses	31	36,076,412.05	40,857,222.24	16,723,540.35	18,244,609.26
Provisions	32	-	22,000,000.00	-	22,000,000.00
Deferred revenue	33	639,545.37	959,318.06	-	-
Long-term liabilities					
Due within one year	34	94,126,537.06	62,594,675.00	-	-
Total current liabilities		<u>2,614,615,001.32</u>	<u>1,942,151,433.22</u>	<u>2,015,280,835.41</u>	<u>1,351,285,817.99</u>
LONG-TERM LIABILITIES					
Long-term loans	35	125,858,844.38	456,364,556.43	-	-
Long-term payables		765,210.43	765,210.43	-	-
Specific account payable	36	42,907,156.38	42,756,362.32	-	-
Total long-term liabilities		<u>169,531,211.19</u>	<u>499,886,129.18</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>2,784,146,212.51</u>	<u>2,442,037,562.40</u>	<u>2,015,280,835.41</u>	<u>1,351,285,817.99</u>
MINORITY INTERESTS		<u>465,909,106.56</u>	<u>300,535,340.71</u>	<u>-</u>	<u>-</u>
OWNERS' EQUITY					
Paid-in capital	37	1,257,693,750.00	838,462,500.00	1,257,693,750.00	838,462,500.00
Capital reserves	38	380,029,758.43	627,118,116.64	380,029,758.43	627,118,116.64
Surplus reserve	39	482,587,036.96	339,890,206.58	482,587,036.96	339,890,206.58
Include: Legal surplus		241,293,518.48	169,945,103.29	241,293,518.48	169,945,103.29
Cash dividends to be paid	40	440,192,812.50	209,615,625.00	440,192,812.50	209,615,625.00
Retained earnings	41	534,997,346.64	574,072,572.67	539,974,581.66	577,072,572.67
Translation reserve		(3,242,736.47)	(8,625.51)	-	-
Total owners' equity		<u>3,092,257,968.06</u>	<u>2,589,150,395.38</u>	<u>3,100,477,939.55</u>	<u>2,592,159,020.89</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>6,342,313,287.13</u>	<u>5,331,723,298.49</u>	<u>5,115,758,774.96</u>	<u>3,943,444,838.88</u>

The accompanying notes are part of the financial statements.

The financial statements on pages 2 to 55 were signed by the following:

Head of the Company:

Chief Financial Officer:

Head of Accounting
Department

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005

Unit: RMB

	NOTES	Consolidation		Company	
		Year ended 31/12/2005	Year ended 31/12/2004	Year ended 31/12/2005	Year ended 31/12/2004
Turnover	42、 57(7)	15,911,394,215.92	13,006,183,395.22	9,938,563,148.08	9,457,633,717.03
Less: Cost of sales	42、 57(7)	14,614,434,301.07	11,239,420,835.73	9,328,478,338.46	8,252,577,483.82
Sales taxes	43	16,181,618.72	38,193,091.49	1,803,183.17	28,230,766.59
Gross profit		1,280,778,296.13	1,728,569,468.00	608,281,626.45	1,176,825,466.62
Add: Other operating profit		32,389,598.10	12,085,277.26	29,129,593.04	15,417,041.19
Less: Operating expenses		371,790,427.83	413,395,923.07	270,160,495.46	358,112,594.25
General and administrative expenses		231,029,256.86	375,377,379.29	158,571,130.45	233,230,039.46
Finance expenses	44	36,417,672.73	13,917,328.04	11,096,241.29	2,829,580.74
Profit from operations		673,930,536.81	937,964,114.86	197,583,352.29	598,070,293.36
Add: Investment income	45、 57(6)	119,353,246.35	86,156,657.61	499,350,299.69	343,867,489.62
Subsidy income	46	42,943,907.03	16,806,232.88	38,860,783.27	16,806,232.88
Non-operating income		13,718,702.59	11,149,475.99	10,467,662.04	7,512,682.78
Less: Non-operating expenses		4,465,253.98	38,547,794.60	53,976.77	30,657,950.36
Profit before tax		845,481,138.80	1,013,528,686.74	746,208,120.52	935,598,748.28
Less: Income tax	47	81,451,987.48	173,558,050.80	32,723,968.65	141,011,557.61
Minority interest		52,522,234.47	42,269,492.46	-	-
Net profit for the year		711,506,916.85	797,701,143.48	713,484,151.87	794,587,190.67
Add: Retained earning brought forward		574,072,572.67	256,699,492.33	577,072,572.67	262,813,445.14
Profit available for distribution		1,285,579,489.52	1,054,400,635.81	1,290,556,724.54	1,057,400,635.81
Less: Appropriation to legal surplus reserves		71,348,415.19	79,458,719.07	71,348,415.19	79,458,719.07
Appropriation to statutory surplus reserves		71,348,415.19	79,458,719.07	71,348,415.19	79,458,719.07
Profit available for shareholders' distribution		1,142,882,659.14	895,483,197.67	1,147,859,894.16	898,483,197.67
Less: Stock dividends		167,692,500.00	111,795,000.00	167,692,500.00	111,795,000.00
Less: Cash dividends		440,192,812.50	209,615,625.00	440,192,812.50	209,615,625.00
Net profit for the year		534,997,346.64	574,072,572.67	539,974,581.66	577,072,572.67

Supplemental information

	Consolidation		Company	
	Year ended 31/12/2005	Year ended 31/12/2004	Year ended 31/12/2005	Year ended 31/12/2004
Losses on disposals of investment	1,787,059.99	-	4,451,963.24	-

The accompanying notes are part of the financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005

Unit: RMB

NOTES	Consolidation		Company	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
Cash flow from operating activities:				
Cash received from sales of goods or rendering services				
Refunds of taxes	17,182,648,587.11	14,131,253,406.85	11,349,516,011.09	10,720,386,255.98
Other cash received relating to operating activities	50 340,736,049.25	79,671,874.68	81,119,674.96	12,707,798.83
Sub-total of cash inflow	17,595,349,741.90	14,344,804,290.80	11,502,600,791.59	10,866,973,064.08
Cash paid for goods and services	16,000,316,709.95	12,746,081,975.46	10,609,787,843.38	9,793,961,787.14
Cash paid to and on behalf of employees	186,807,619.67	201,677,425.03	115,057,168.23	143,189,882.40
Tax payments	216,974,173.11	244,191,642.50	127,000,693.32	202,657,096.37
Cash paid relating to other operating activities	51 426,021,185.71	278,044,102.63	620,514,663.03	596,088,181.48
Sub-total of cash outflows	16,830,119,688.44	13,469,995,145.62	11,472,360,367.96	10,735,896,947.39
Net cash flow from operating activities	765,230,053.46	874,809,145.18	30,240,423.63	131,076,116.69
Cash flow from investing activities:				
Cash received from disposal of investments	52,126,939.71	117,348,382.23	64,133,412.24	116,927,297.23
Cash received from disposal of subsidiaries	49 42,888,460.23	-	-	-
Cash received from return on investments	63,945,128.07	4,406,762.87	140,996,871.60	179,652,514.56
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	3,921,290.01	11,904,253.86	1,640,765.28	7,289,498.09
Cash receipts relating to other investing activities	52 29,900,000.00	-	29,900,000.00	-
Sub-total of cash inflows	149,893,357.79	133,659,398.96	236,671,049.12	303,869,309.88
Cash paid to acquire fixed assets, intangible assets and other long-term assets	857,199,661.42	940,777,347.82	22,864,107.09	8,544,365.91
Cash paid to acquire investments	102,535,920.21	221,246,743.36	255,515,920.21	301,565,633.36
Cash payments relating to other investing activities	-	-	-	-
Sub-total of cash outflows	959,735,581.63	1,162,024,091.18	278,380,027.30	310,109,999.27
Net cash flow from investing activities	(809,842,223.84)	(1,028,364,692.22)	(41,708,978.18)	(6,240,689.39)
Cash flow from financing activities:				
Cash received from investors	52,476,718.75	12,992,500.00	-	-
Including: Cash received from minority Shareholders by subsidiaries	52,476,718.75	12,992,500.00	-	-
Cash received from borrowings	3,278,259,312.68	2,412,753,500.25	2,004,454,943.47	1,916,820,831.57
Cash receipts relating to other financing activities	53 164,056,700.54	-	164,056,700.54	-
Sub-total of cash inflows	3,494,792,731.97	2,425,746,000.25	2,168,511,644.01	1,916,820,831.5
Repayments of borrowing	2,888,235,356.27	2,153,418,722.39	1,723,133,200.00	1,983,685,276.00
Dividends paid, profit distributed or interest paid	289,755,150.84	100,348,213.47	228,079,907.96	77,794,314.01
Including: Cash paid to minority	34,443,432.26	6,703,510.89	-	-
Sub-total of cash outflows	3,177,990,507.11	2,253,766,935.86	1,951,213,107.96	2,061,479,590.01
Net cash flow from financing Activities	316,802,224.86	171,979,064.39	217,298,536.05	(144,658,758.44)
Effect of foreign exchange rate changes on cash and cash equivalents	(3,234,110.96)	(4,332.00)	-	-
Net increase (decrease) in cash and cash equivalents	268,955,943.52	18,419,185.35	205,829,981.50	(19,823,331.14)

	<u>Consolidation</u>		<u>Company</u>	
	<u>31/12/2005</u>	<u>31/12/2004</u>	<u>31/12/2005</u>	<u>31/12/2004</u>
Supplemental information				
Reconciliation of net profit to cash flow from operating activities:				
Net profit	711,506,916.85	797,701,143.48	713,484,151.87	794,587,190.67
Add: Losses on minority interests		52,522,234.47	42,269,492.46	-
Impairment losses on assets	590,875.37	33,392,075.43	728,820.65	13,847,555.22
Depreciation of fixed assets	125,706,089.16	88,127,096.58	5,045,887.91	4,887,479.49
Amortisation of intangible assets	11,790,912.76	10,110,693.94	5,794,041.66	5,794,041.66
Amortisation of long-term deferred expenses	3,015,842.17	62,427,159.87	2,217,468.51	12,161,370.01
Decrease (increase) in deferred expenses	(211,366.82)	515,474.72	638,242.67	1,010,500.68
Increase (decrease) in accrued expenses	(137,226.15)	19,807,121.65	(1,521,068.91)	9,701,219.31
Losses (gains) on disposal or fixed assets, intangible assets and other long-term assets	2,023,550.73	(5,289,052.88)	(186,884.24)	(2,953,166.47)
Financial expenses (income)	37,098,830.81	19,325,070.63	18,462,911.18	8,075,121.51
Losses (gains) arising from investments	(117,564,786.87)	(86,156,657.61)	(497,561,840.21)	(343,867,489.62)
Decrease (increase) in inventories	(26,127,354.02)	(439,334,919.80)	(60,912,609.05)	(212,135,113.93)
Decrease (increase) in receivables under operating activities	(384,968,542.94)	(658,847,535.49)	(346,186,340.73)	(679,834,553.77)
Increase (decrease) in payables Under operating activities	349,984,077.94	990,761,982.20	190,237,642.32	519,801,961.93
Net cash flow from operating activities	<u>765,230,053.46</u>	<u>874,809,145.18</u>	<u>30,240,423.63</u>	<u>131,076,116.69</u>
Investing and Financing Activities that do not Involve Cash				
Receipts and Payments:	54	<u>74,250,000.00</u>	-	-
Net Increase in Cash and Cash Equivalents:				
Cash at the end of the year	55	908,539,187.22	578,330,403.73	372,500,422.23
Less: Cash at the beginning of the year	55	<u>639,583,243.70</u>	<u>372,500,422.23</u>	<u>392,323,753.37</u>
Net increase in cash and cash equivalents		<u>268,955,943.52</u>	<u>205,829,981.50</u>	<u>(19,823,331.14)</u>

(Concluded)

The accompanying notes are part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. GENERAL

Sinochem International Corporation (the "Company") (formerly named Sinochem International Trading Limited) was established in the People's Republic of China (the "PRC") by Sinochem Corporation and China National Cereals, Oils & Foodstuffs Corporation, Beijing Yanshan Petrochemical Group Co. Ltd, [中国石油销售总公司], Sinopec Shanghai Petrochemical Company Limited, Zhejiang Zhongda Group Limited on 14, December 1998. The registered capital of the Company is RMB252,650,000. By the approval of [1999] Zhengjian Faxingzi No.155 issued by China Securities Regulatory Commission ("CSRC") on 21 December 1999, the company has allotted 120,000,000 ordinary A shares. The Company's share capital increased to RMB 372,650,000 after the new issue of shares. The 120,000,000 A shares were listed on Shanghai Stock Exchange ("SSE") on 1 March, 2000. On July 2001, the company move to the Pudong newly developed area. On September, 2002, the company transfer the capital reserve to increase paid in capital. The company transfer 5 share from capital reserve every 10 shares. After that, the total share capital increased to RMB 558,975,000. On 26 April 2004, the company transfer undistributed profit of 2003 and capital reserve to increase paid in capital. The company gave 2 bonus share and transfer another 3 shares from capital reserve every 10 shares. So the registered capita increased to RMB 838,462,500. On 26 April 2005, the company transfer undistributed profit of 2004 and capital reserve to increase paid in capital. The company gave 2 bonus share and transfer another 3 shares from capital reserve every 10 shares. So the registered capita increased to RMB 125,769.375. On June 19, 2005 the company was appointed as one of the second batch of sub-owned shares reform pilot companies by the China Securities Regulatory Commission. "Sub-owned Company Shares Reform Resolution", which was emended at the 11th meeting of the 3rd Board of Directors July 20, 2005, was passed at the first provisional 2005 shareholders meeting on August 5, 2005. On August 10, 2005 (the day of share registration) registered circulation Unit shareholders holding 10 per unit circulation Unit will be paid by the non-flow units shareholders 1.75 shares and 5.58 yuan for the Unit price. The implementation of Sub-Owned company shares reform was completed on August 12, 2005.

Companies primarily engaged in chemical raw materials, chemical, agro-chemicals, plastics, rubber, import and export, domestic trade and transport and freight forwarding warehouse operations. Business scope: self-organization and the national unity of the joint operating agency, the countries exports and imports approved companies other than the imports and exports of goods and technologies; feed processing and the "Three Come one fill" operations; Counter trade and re-export; feed, cotton, hemp, the animal products, textiles, clothing, general merchandise, pulp, paper products, Hardware, household electrical appliances, chemicals, chemical materials, minerals, petroleum products (except oil), lubricating grease, coal, building materials, ferrous materials, machinery, electronic equipment, motor vehicles (except cars), motorcycles and spare parts sales; storage transport services; project investment; Oil and its products wholesale; fertilizers, sugar, pesticides, and other agricultural resources products business, as well as the relevant business advisory services, technical exchanges, technology development. Subsidiaries primarily engaged in the international transport of goods and transportation of the oil route; domestic coastal shipping transport of chemicals; Petroleum, petrochemical, and other storage, transshipment services; import and export goods sea, land and air freight forwarders; coke production and coke stove design, building materials sales; natural rubber processing and marketing; PVC, 3 Carbofuran related production sales; and so on.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting system and accounting standards adopted

The Company has adopted the “Accounting Standards for Business Enterprises”, the “Accounting System for Business Enterprises” and the supplementary regulations thereto.

Basis of accounting and principle of measurement

The Company has adopted the accrual basis of accounting and uses the historical cost convention as the principle of measurement. Impairment, if any, is recognized subsequently in accordance with relevant regulations.

Accounting year

The Company has adopted the calendar year as its accounting year, i.e. from January 1 to December 31.

Recording currency

The recording currency of the Company is the Renminbi.

Foreign currency translation

Transactions denominated in foreign currencies (currencies other than the recording currency) are translated into Renminbi at the applicable rate of exchange (“market exchange rate”) prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the market exchange rate prevailing at the balance sheet date. Exchange gains or losses incurred on specific borrowing for the acquisition or construction of a fixed asset are capitalized as part of the cost of fixed asset; exchange gains or losses arising in the pre-operating period are recorded as long term deferred expenses; other exchange gains or losses are dealt with as finance costs.

Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES- Continued

Accounting for bad debts

1) Criteria for recognition of bad debts

Bad debts are recognized in the following circumstances:

The irrecoverable amount of a bankrupt debtor after pursuing the statutory procedures;
 The irrecoverable amount of a debtor who has deceased and has insufficient estate to repay;
 The amount owed by a debtor who is unable to repay the obligations after the debts fall due, and the amount is irrecoverable or unlikely to be recovered as demonstrated by sufficient evidence.

Irrecoverable receivables are be written off with appropriate level of authorization approved by the board of directors

2) Accounting treatment for bad debt losses

Bad debt is accounted for using the allowance method and provided according to the recoverability of receivables at the year-end. The appropriate percentages of provision for bad debts relating to significant receivable accounts are reasonably determined based on relevant information such as past experience, actual financial position and cash flows of the debtors, as well as other relevant information. General provision for the remaining receivables is estimated, based on aging analysis, as follows:

<u>Age of Receivables</u>	<u>Percentage of bad debt provision</u>
Within 1 year, not expired	0
Within 1 year, expired	5%
1-2 years	10%
2-3 years	20%
3-4 years	40%
4-5 years	80%
Over 5 years	100%

Transfer/Discount of Accounts Receivable and Notes Receivable

The company transfer / discount of accounts receivable and notes receivable to financial institutions, and if the discount / transfer receivable claims related risks and rewards have been transferred, the amounts of the difference between the book value of the receivable and related taxes & fees should be charged to the current income or loss.

If discount, transfer the receivables claims did not transfer risk and reward, it should be treated as bank loan with the pledge of due debts.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES- Continued

Inventories

Inventories are initially recorded at cost. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories mainly include raw materials, work in progress and finished goods.

Inventories are accounted for using actual costing method. In determining the cost of inventories transferred out or issued for use, the actual costs are determined by the weighted average method.

Low-value consumables are written off in full when issued for use.

Inventories are recorded on perpetual basis.

Provision for decline in value of inventories

Inventories are measured at the lower of cost and net realizable value at the end of a period. Where the net realizable value is lower than the cost, the difference is recognized as a provision for decline in value. Provision for decline in value of inventories is made by comparing cost with net realizable value on classes of inventories.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

Current investments

A current investment is initially recorded at its cost of acquisition. The initial cost of an investment is the total price paid on acquisition, including incidental expenses such as tax payments and handling charges. However, cash dividends declared but unpaid or bonds interest due but unpaid that are included in the acquisition cost are accounted for separately as receivable items.

Cash dividends or interest on current investments, other than those recorded as receivable items as noted in the preceding paragraph, are offset against the carrying amount of investments upon receipt.

Current investments are carried at the lower of cost and market value at the end of each period. Where the market value is lower than cost, the difference is recognized as a provision for decline in value of current investments, which is calculated and determined on the basis of individual investment.

On disposal of a current investment, the difference between the carrying amount of the investment and the sales proceeds actually received is recognized as an investment gain or loss in the current period.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES- Continued

Recoverable amount

Recoverable amount is the higher of an asset's net selling price and the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

Long-term investments

(1) Accounting treatment for long-term investments

A long-term investment is initially recorded at its cost on acquisition.

The cost method is used to account for a long-term equity investment when the Company does not have control, joint control or significant influence over the investee enterprise. The equity method is used when the Company can control, jointly control or has significant influence over the investee enterprise.

When the cost method is adopted, the amount of investment income recognized is limited to the amount distributed out of accumulated net profits of the investee enterprise that has arisen after the investment was made. The amount of profits or cash dividends declared by the investee enterprise in excess of the above threshold is treated as return of investment cost, and the carrying amount of the investment is reduced accordingly.

When the equity method is adopted, the investment income for the current period is recognized according to the attributable share of the net profit or loss of the investee enterprises. The attributable share of net losses incurred by the investee enterprise is recognized to the extent that the carrying amount of the investment is reduced to zero. If the investee enterprise realizes net profits in subsequent periods, the carrying amount of the investment is resumed by the excess of the Company's attributable share of profits over the share of unrecognized losses.

When a long-term equity investment is accounted for using the equity method, the difference between the initial investment cost of the Company and its share of owners' equity of the investee enterprise is accounted for as "equity investment difference". An excess of the initial investment cost over the Company's share of owners' equity of the investee enterprise is debited to "long-term equity investment – equity investment difference" and amortised on a straight-line basis and charged to the income statement accordingly. The amortization period is the investing period if it is stipulated in the investment contract. Otherwise, it is amortized over a period of not more than 10 years. A shortfall of the initial investment cost below the Company's share of owners' equity of the investee enterprise arising before the issuance of Caikuai [2003] 10, is credited to "long-term equity investment – equity investment difference", and amortized on a straight-line basis and charged to the income statement accordingly. The amortization period is the investing period if it is stipulated in the investment contract. Otherwise, it is amortized over a period of not less than 10 years. The shortfall of the initial investment cost below the Company's share of owners' equity of the investee enterprise arising after the issuance of Caikuai [2003] 10 is credited to "capital surplus – provision for equity investment".

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES- Continued

Long-term investments - continued

(2) Impairment of long-term investments

If due to continuous decreasing of price or the fluctuation of operating conditions of the companies being invested the recoverable amount of any long-term investment is lower than its carrying amount, an impairment loss on the long-term investment is recognized for the difference.

Fixed assets and depreciation

Fixed assets are recorded at actual cost on acquisition. Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they are put into use, using the straight-line method. The estimated residual value is 3% to 5% of the cost of fixed assets, useful life and annual depreciation rate of each category of fixed assets are as follows:

<u>Category of fixed assets</u>	<u>estimated residual</u> Value	<u>Useful life</u>	<u>Annual</u> Depreciation rate
Buildings	3%-5%	25-30	3.17~3.88%
Equipments for special purpose	3%-5%	8-10	9.50~12.13%
Equipment for general purpose	3%-5%	8	11.87~12.12%
Containing equipment	3%-5%	15	6.33~6.47%
Transportation equipment	3%-5%	8-15	6.33~12.13%
Office equipment	3%-5%	5	19.00~19.40%

The useful life of the second-hand ship is estimated according to its remaining life.

Subsequent costs incurred on an asset upon its initial recognition shall be recognized as addition to the asset provided economic benefits associated with the item will flow to the Company, and the revised carrying amount does not exceed the recoverable amount of the said assets

Impairment of fixed assets

At the end of each period, the Company determines whether an impairment loss should be recognized for a fixed asset by considering the indications that such a loss may have occurred. Where the recoverable amount of any fixed asset is lower than its carrying amount, an impairment loss on fixed asset is recognized for the difference.

Fixed assets under construction

Fixed assets under construction are recorded at the actual cost incurred for the construction. Cost includes all expenditures incurred for construction projects, capitalized borrowing costs incurred on a specific borrowing for the construction of fixed assets incurred before it has reached the working condition for its intended use, and other related expenses. A fixed asset under construction is transferred to fixed assets when it has reached the working condition for its intended use. No depreciation is provided for fixed assets under construction.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES- Continued

Fixed assets under construction - continued

Where the work on a fixed asset under construction has been suspended for a long period of time and is not expected to re-commence within three years; or it is technically and physically obsolete and its economic benefits to the Company is uncertain; or there is other evidence indicating a decline in value of the fixed asset under construction, an impairment loss is recognized for the shortfall of the recoverable amount of the fixed asset under construction below its carrying amount.

Intangible assets

Intangible assets are recorded at the actual cost of acquisition. For an intangible asset received as a capital contribution by an investor, the actual cost is the value agreed by all investing parties. For a self-developed intangible asset that is obtained by legal application, the actual cost capitalized is the amount of expenditure incurred for the legal application for obtaining the asset, such as registration fees and legal fees. Other costs incurred in the research and development process are expensed in the current period. For a purchased intangible asset, the actual cost is the actual purchase price.

Land use rights purchased or acquired by payment of land transfer fees before the adoption of the “Accounting System for Business Enterprises”, are accounted for as intangible assets and are amortized over the periods as stated below. Those purchased or acquired after the adoption of the “Accounting System for Business Enterprises”, are accounted for as intangible assets before construction work for own-use purpose or development commences and are amortized over the periods as stated below. Upon using the land to construct fixed assets for own use, the carrying amount of the land use right is transferred to the cost of fixed assets under construction.

The cost of an intangible asset is amortized evenly over its expected useful life from the month in which it is obtained. If the expected useful life exceeds the beneficial period prescribed in the relevant contract or the effective period stipulated by law, the amortization period is limited to the shorter of the beneficial period and the effective period. If the relevant contract does not prescribe the beneficial period and the law does not stipulate the effective period, the amortization period is 10 years

Impairment loss on intangible assets

At the end of each period, the Company determines whether an impairment loss should be recognized for an intangible asset by considering the indications that such a loss may have occurred. Where the recoverable amount of any intangible asset is lower than its carrying amount, an impairment loss on the intangible assets is recognized for the difference.

If there is an indication that there has been a change in the conditions based on which an impairment loss was recognized in prior periods, and as such the recoverable amount is in excess of the carrying amount, the impairment loss is reversed.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES- Continued

Long-term deferred expenses

Unless related to the acquisition or construction of fixed assets, all expenditure incurred during the pre-operating period is recognized as an expense in the month in which the enterprise commences operation.

Other items of long term deferred expenditure are amortised on a straight-line basis over the respective beneficial periods.

Provisions

The obligation related to a contingency is recognized as a liability when it meets the following conditions: (1) the obligation is a present obligation of the Company; (2) it is probable that an outflow of economic benefits from the Company will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation.

Where some or all of the expenditure required to settle a liability that meets the above recognition criteria is expected to be reimbursed by a third party or other parties, the reimbursement is separately recognized as an asset when, and only when, it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the liability recognized.

Borrowing costs

Borrowing costs comprise interest incurred on borrowings, amortization of discounts or premiums, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. Borrowing costs incurred on a specific borrowing for the acquisition or construction of a fixed asset, are capitalized as the cost of the fixed asset to the extent that they are incurred before the fixed asset has reached the working condition for its intended use if the conditions for capitalisation are met. Other borrowing costs are recognized as expenses and included as finance costs in the period in which they are incurred.

Revenue recognition*Revenue from Sales of goods:*

Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the economic benefits associated with the transaction will flow to the Company, and the relevant amount of revenue and costs can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES- Continued

Revenue recognition - continued*Revenue from Rendering Services:*

When the provision of services is started and completed within the same accounting year, revenue is recognized at the time of completion of the services. When the provision of services is started and completed in different accounting years and the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognized at the balance sheet date by the use of the percentage of completion method. Revenue is otherwise recognized at the balance sheet date only to the extent of the costs incurred that are recoverable and service costs are recognized as expenses in the period in which they are incurred. If the service costs incurred are not expected to be recovered, revenue is not recognized.

Interest income:

Interest income is measured based on the length of time for which the enterprise's cash is used by others and the applicable interest rate.

Subsidy income:

Subsidy income is recognized as gains and losses of the current period when actually received.

Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. All other leases are classified as operating leases.

Lease payments under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

Lease income from operating leases is recognized as income using the straight-line method over the lease term.

Income tax

Income tax is provided under the tax payable method. The income tax provision is calculated based on the accounting profit for the year as adjusted in accordance with the relevant tax laws.

3. BASIS OF CONSOLIDATION

1) Scope of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than 50% of the equity, or whose operating activities are controlled by the Company through other mechanisms.

2) Accounting for consolidation

The accounting policies used by the subsidiaries conform with those used by the Company.

The operating results and cash flows of subsidiaries disposed of during the year are included in the consolidated income statement and consolidated cash flow statement respectively up to the effective dates of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Translation of Foreign Currency Financial Statements

Foreign currency financial statements are translated into RMB financial statements for consolidation as follows:

The assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Except for unappropriated profits, owners' equity items are reported at the market exchange rates at the dates of the transactions. Income statement items and profit appropriations in the year are translated at the exchange rate prevailing on the balance sheet date. The unappropriated profits (or accumulated losses) brought forward are reported at the prior year's closing balance. The unappropriated profits (or accumulated losses) carried forward are calculated, based on the translated amounts of net income and other profit appropriation items. All exchange differences resulting from the translation are recognized as "translation reserve" in the balance sheet.

Cash flows of a foreign subsidiary are translated at average exchange rates for the year. The effect of changes in exchange rates on cash and cash equivalents is presented separately as a reconciling item in the cash flow statement.

The opening balances and prior year's figures are presented according to the translated amounts of the prior year.

4. TAXATION

Value added tax

Value added tax (“VAT”) on sales is calculated at relevant ratio on revenue from principal operations and paid after deducting input VAT on purchases.

Output VAT of exporting is exempted. According to the Emergency Notification of suspension on the return of VAT on coke and coal Exporting (Caishuimingdian [2004]3) issued, by the MOF and the National Tax Bureau, since May 24, 2004 tax return of VAT on exporting coke and coal is suspended and all taxes should be paid according to relevant regulations.

A subsidiary, Sinochem Manzhouli International Trade Co., Ltd., which formerly enjoys 50% exemption and full deduction of input VAT of importing, no longer enjoys this preferential policy since Jun 21, 2004. according to Guoshuihan [2004] 830.

Business tax

Income from agency service and storage complies with 5% tax rate, and income from international transportaion complies with 3% tax rate.

Income tax

4.1 *Income tax of the Company*

The Company is incorporated in Pudong New Area, Shanghai and the tax rate is 15%

4.2 *Income tax of the subsidiaries*

Hainan Sinochem Shipping is incorporated in Hainan, , the tax rate is 15%.

According to relevant regulations of National Tax Bureau (Zhoushan), a subsidiary Sinochem Xingzhong Oil Transportation Co., Ltd. enjoys the preferential policy of five years of total exemption and five years of half-exemption, and the preferential tax rate of 16.5%. In 2004, it still enjoys half-exemption. The income tax rate is 8.25%. In 2005, the income tax rate is 16.5%

According to relevant regulations of National Tax Bureau (Zhejiang), a subsidiary, sinochem Xing Yuan oil transportation Co., Ltd. enjoys the foreign investment enterprise preferential policy of five year of total exemption and five year of half-exemption from the profit making year. In 2005, it is still in the tax-exemption period the income tax rate is 0%.

Sinochem International FZE is a fully owned company incorporated in Jebel Ali Free Zone. According to the local laws, the income tax rate is 0%.

Sinochem International (Overseas) Pte. Ltd is a fully owned company incorporated in Singapore., According to the Global Trader Programme of industry and commerce bureau, it enjoys half-exemption since 1.Oct.2004. In 2005 ,the income tax rate is 10% .

4. TAXATION - continued

Income tax - continued4.2 *Income tax of the subsidiaries - continued*

Sinochem Anlian Plastic Co., Ltd. (Hainan) is incorporated in Hainan, enjoys the preferential policy of two years of total exemption and three years of half-exemption. In 2005, it is still in the tax-exemption period the income tax rate is 0%.

All other subsidiaries is in operating period, and abide to income tax rate of 33%.

5. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

Details of subsidiaries:

<u>Company</u>	<u>Nature</u>	<u>Capital ('000)</u>	<u>Business scope</u>	<u>Investments ('000)</u>	<u>%</u>	<u>Note</u>
SINOCHEM SHIPPING CO., LTD. (HAINAN)	transportation	RMB24400	International marine transportation Of oil and other goods	RMB23180	95%	
SINOCHEM INTERTRANS CO., LTD.	storage, Transport	RMB2350	Agency of marine, surface and air transportation of importing and exporting	RMB2200	93.62%	
SINOCHEM MANZHOU LI CO., LTD.	Trading	RMB50	Trading of grains, Cotton, flax, chemical products and others	RMB4984	99.68%	1
SINOCHEM-XINGZHONG OIL STAGING (ZHOU SHAN) CO., LTD.	Can storage, Transport	USD3256.4	Port, Storage & Transportation	RMB12599	44.8%	2
SINOCHEM-XINGYUAN OIL STAGING (ZHOU SHAN) CO., LTD.	Can storage, Transport	USD8,37.05	Storage & Transportation of Petroleum and Petrochemical products	RMB3104	44.8%	2
Shanxi Sinochem Wonder Industries Co., Ltd	Industry	RMB14500	Production of coke, design of furnace, Building materials	RMB 8347	59.37%	3
SINOCHEM INTERNATIONAL (OVERSEAS) PTE., LTD.	Trading	USD600	trading	USD600	100%	
Shanghai aoxing international shipping Mangement Co.Lte	transportation	USD22	Trading & Leasing of ships	USD153	48.45%	4
SINOCHME ORIENT ENTERPRISE CO., LTD.	Trading	RMB500	Chemical materials and products	RMB490	91.75%	5
SAFE-Transport Chemical Logistics Co., Ltd.	transportation	RMB2700	Agency of transportration	RMB2700	99.5%	6
Sinochem anlian rubber Co.Ltd(hainan)	manufacture	RMB 3000	rubber manufacture	RMB2950	98.33%	7
Sinochem SanLian Plastic Co.Ltd (Inner Mongolia Autonomous Region)	Industry	RMB 15000	Trading of chemical	RMB7575	50.5%	
Shanghai Sinochem-Stolt Shipping Co., Ltd.	transportation		USD1000 demotic chemical shippment	USD510	48.45%	8
SINOCHEM INTERNATIONAL FZE	Trading	USD81.66	Trading of plastic rubber, petroleum coke and textile products	USD816.60	100%	

1. The Company directly holds Sinochem Manzhouli International Trade Co., Ltd. 95% equity, and sub-holding Sinochem Intertrans Co., Ltd. 5% equity.
2. In the Board of Director meeting between the company and other investors, more than half of the investors agreed that a subsidiary Sinochem Xingzhou oil Staging(Zhoushan) Co., Ltd. and sinochem Xinag Yuan oil Staging(Zhoushan) Co., Ltd. being included scope of consolidation.
3. The Company directly holds Shanxi Sinochem Wonder INDUSTRIES Co., Ltd. 54.37% equity and sub-holding SINOCHEM INTERNATIONAL (OVERSEAS) PTE., LTD5% equity.
4. The Company through Hainang Sinochem Shipping Co., Ltd. holds Stoltchem Management (Shanghai) LTD. 51% equity.
5. The Company through Sinochem Intertrans Co., Ltd. holds Sinochem Orient Enterprise Co., Ltd. 98% equity.

5. SCOPE OF CONSOLIDATION AND SUBSIDIARIES - continued

6. The Company directly holds SAFE-Transport Chemical Logistics Co., Ltd. 90% equity and sub-holding SINOCHM SHIPPING CO., LTD. (HAINAN). 10% equity
7. The Company through SINOCHM INTERNATIONAL (OVERSEAS) PTE., LTD. Holds Sinochem anlian rubber Co.Ltd 98.33% equity.
8. The Company through Hainang Sinochem Shipping Co., Ltd. holds Stoltchem Management (Shanghai) LTD. 51% equity.

All the above subsidiaries are included in the consolidated financial statements except for SINOCHME ORIENT ENTERPRISE CO., LTD.. Because SINOCHME ORIENT ENTERPRISE CO., LTD. is to be liquidated, SINOCHME ORIENT ENTERPRISE CO., LTD. is not included in the current year's scope of consolidation.

Approved by 13th Meeting of the 3rd Session Board of Directors, On Sept. 16, 2005, the Company and its relevant subsidiary signed the shareholding transferring agreement with China New Technology Development Trade Co., Ltd (hereunder called New Technology) and SINOCHM Europe Capital Company (hereunder called Europe Capital) in Shanghai. This company would transfer the 56% shares, which this company was holding separately, of the Xingguo Company, Xingguo Company, Xingkai Company, Xingnuo Company, Suzhou R&D and 71% shares of Yuhang R&D to the New Technology and the solely owned subsidiary of this company--SINOCHM INTERNATIONAL (OVERSEAS)PTE., LTD would transfer the 25% shares, which this subsidiary was holding separately, of the Xingguo Company, Xingkai Company, Xingnuo Company and Suzhou R&D to the Europe Capital; Hainan SINOCHM Shipping Co., Ltd -- the holding subsidiary of this company--would transfer the 10% shares of Yuhang R &D, which it was holding, to the New Technology.

The Company had completed the transfer on Sep 20th, 2005. After transferring, the Company holds only 19% shares of Xingguo Company, Xingkai Company, Xingnuo Company, Suzhou R&D Company and Yuhang R & D Company respectively. Therefore, the above 5 companies are not included in the consolidated scope of Consolidated Balance Sheet Dec 31, 2005, while the operation results and cash flow before transferring day of the above 5 companies has been reflected in the Consolidated Income Statement and Consolidated Cash Flow Statement 2005 Year respectively. The financial statement of the above 5 company sold from year beginning to the share transferring day and its statement in year 2004 refer to Note 49.

Except Note 57, the following notes are for Consolidated Financial Statements.

6. CASH AND CASH EQUIVALENTS

	31/12/2005			31/12/2004		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash			219,774.84			56,795.48
Bank			906,137,160.04			626,880,382.61
USD	25,918,555.15	8.0702	209,167,923.77	23,337,157.63	8.2765	193,149,985.12
EUR		0.50	4.79	128.30	11.2627	1,445.00
JPY	12,249.00	0.0687	841.70	12,249.00	0.0797	976.26
GBP	1,093,207.57	13.9122	15,208,922.36	3,789,750.81	15.9311	60,374,520.15
Others (Note)			36,682,252.34			12,646,065.61
Total			943,039,187.22			639,583,243.70

Note: Other monetary assets mainly include: The deposit RMB 34,500,000.00 for the purpose of open bank acceptance (Year 2004: RMB 0.00). The deposit of L/C RMB 2,159,587.38 (Year 2004 RMB 12,488,533.21)

7. CURRENT INVESTMENTS

	31/12/2005			31/12/2004		
	<u>Amount</u> RMB	<u>Provision</u> RMB	<u>Net book value</u> RMB	<u>Amount</u> RMB	<u>Provision</u> RMB	<u>Net book value</u> RMB
Funds investments	-	-	-	8,886,175.48	(1,788,459.48)	7,097,716.00

Market price available for a total of funds investments of RMB8,886,175.48 with the total value of RMB7,097,716.00 according to their market price at the year beginning. The market price refers to the closing price of the security exchange at December 31, 2004.

Movements of provision for devaluation	RMB
01/01/2005	1,788,459.48
Transfers-out	(1,788,459.48)
31/12/2005	-

8. NOTE RECEIVABLES

	<u>31/12/2005</u> RMB	<u>1/1/2005</u> RMB
Bank acceptances	<u>51,901,946.11</u>	<u>85,397,477.08</u>

As of December 31, 2005, discounted immature bank acceptances receivable balance is RMB 93.52 million. In 2005, the cumulative received cash from discounted bank acceptances is RMB 368.19 million.

9. DIVIDEND RECEIVABLES

<u>Item</u>	<u>31/12/2005</u> RMB	<u>1/1/2005</u> RMB 元
ZHOUSHAN ZHONGWEI OILSTORE CO., LTD.	<u>2,278,193.35</u>	<u>6,154,813.87</u>

10. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows::

	<u>31/12/2005</u>		Bad debt provision RMB	Net book value RMB	<u>31/12/2004</u>		Bad debt provision RMB	Net book value RMB
	amount RMB	%			Amount RMB	%		
Within 1 year	826,201,788.77	96.20	1,689,297.30	824,512,491.47	427,028,780.02	93.36	5,233,294.22	421,795,485.80
1 to 2 years	5,860,694.36	0.68	4,098,197.16	1,762,497.20	3,376,127.26	0.74	25,952.96	3,350,174.30
2 to 3years	152,652.95	0.02	30,530.59	122,122.36	299,564.40	0.06	247,933.72	51,630.68
3 to 4years	-	-	-	-	1,218,292.84	0.27	1,204,249.32	14,043.52
4 to 5years	1,204,249.32	0.14	1,204,249.32	-	7,761,598.76	1.70	7,736,704.76	24,894.00
Over 5years	25,456,815.50	2.96	25,456,815.50	-	17,720,110.74	3.87	17,720,110.74	-
Total	<u>858,876,200.90</u>	<u>100.00</u>	<u>32,479,089.87</u>	<u>826,397,111.03</u>	<u>457,404,474.02</u>	<u>100.00</u>	<u>32,168,245.72</u>	<u>425,236,228.30</u>

Top 5 Debtors:

<u>Total amount of top 5 debtors</u>	<u>Percentage</u>
RMB	
259,198,762.87	30.18%

No account receivables from share holders who hold more than 5% of the total shares of the Company.

11. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

	31/12/2005				31/12/2004			
	Gross amount RMB	%	Bad debt provision RMB	Net book value RMB	Amount RMB	%	Bad debt provision RMB	Net book value RMB
Within 1 year	103,715,221.92	88.43	6,530,795.03	97,184,426.89	18,431,290.24	34.76	679,346.50	17,751,943.74
1to2years	2,968,981.50	2.53	252,822.22	2,716,159.28	15,549,951.17	29.33	62,034.23	15,487,916.94
2to3years	931,727.88	0.79	52,499.10	879,228.78	6,618,202.31	12.48	215,488.94	6,402,713.37
3to4years	107,934.75	0.09	14,893.90	93,040.85	2,934,082.19	5.53	522,932.37	2,411,149.82
4to5years	79,754.85	0.07	36,483.88	43,270.97	23,810.75	0.04	19,048.60	4,762.15
Over 5years	9,481,697.44	8.09	9,481,697.44	-	9,465,406.41	17.86	9,465,406.41	-
Total	117,285,318.34	100.00	16,369,191.57	100,916,126.77	53,022,743.07	100.00	10,964,257.05	42,058,486.02

Deposit of futures of RMB 14,526,163.29 is included in other receivables (2004 Year RMB3,490,243.08).

Top 5 Debtors:

<u>Total amount of top 5 debtors</u> RMB	<u>Percentage</u>
46,532,494.14	39.67%

No other receivables from share holders who hold more than 5% of the total shares of the Company

12. PROVISION FOR BAD DEBTS

	<u>1/1/2005</u> RMB	<u>Additions</u> RMB	<u>Reversal</u> RMB	<u>31/12/2005</u> RMB
Provision for bad debts:				
Accounts Receivable	32,168,245.72	697,611.71	386,767.56	32,479,089.87
Other Receivables	10,964,257.05	5,943,836.46	538,901.94	16,369,191.57
Total	43,132,502.77	6,641,448.17	925,669.50	48,848,281.44

13. ADVANCED TO SUPPLIERS

The aging analysis of advanced to is as follows:

	<u>12/31/2005</u>		<u>1/1/2005</u>	
	RMB	%	RMB	%
Within 1 year	590,257,680.66	99.38	711,486,776.56	99.21
1 to 2 years	699,122.98	0.12	3,797,498.92	0.53
2 to 3 years	2,517,417.14	0.42	1,867,894.20	0.26
Over 3 years	497,641.62	0.08	-	-
Total	<u>593,971,862.40</u>	<u>100.00</u>	<u>717,152,169.68</u>	<u>100.00</u>

No advanced to owning to shareholders who hold more than 5% of the total shares of the Company.

Over 1 year's Advanced to Suppliers are the goods deposit that the company paid to long term relationship suppliers.

14. SUBSIDIES RECEIVABLES

<u>Item</u>	<u>31/12/2005</u> RMB	<u>1/1/2005</u> RMB
Receivables of exporting tax return	<u>39,739,963.63</u>	<u>4,654,409.37</u>

15. INVENTORY AND PROVISION FOR DECLINE IN VALUE

	<u>31/12/2005</u>			<u>31/12/2004</u>		
	<u>Amount</u> RMB	<u>Provision</u> RMB	<u>Book value</u> RMB	<u>Amount</u> RMB	<u>Provision</u> RMB	<u>Book value</u> RMB
Purchase	114,257,726.69	-	114,257,726.69	168,702,219.40	-	168,702,219.40
Raw material	35,153,185.53	-	35,153,185.53	82,528,342.19	-	82,528,342.19
WIP	4,187,772.97	-	4,187,772.97	2,223,875.62	-	2,223,875.62
Finished goods	823,623,346.19	13,711,837.71	809,911,508.48	854,264,066.12	29,138,683.77	825,125,382.35
Low value consumption goods	381,285.36	-	381,285.36	208,949.46	-	208,949.46
	<u>977,603,316.74</u>	<u>13,711,837.71</u>	<u>963,891,479.03</u>	<u>1,107,927,452.79</u>	<u>29,138,683.77</u>	<u>1,078,788,769.02</u>

15. INVENTORY AND PROVISION FOR DECLINE IN VALUE - cotnued

Movement of inventory provision
of the current period:

	<u>1/1/2005</u> RMB	<u>Additions</u> RMB	<u>Reversals</u> RMB	<u>31/12/2005</u> RMB
Provision for inventory devaluation	<u>29,138,683.77</u>	<u>3,336,443.82</u>	<u>12,090,402.24</u>	<u>13,711,837.71</u>

On December 31, 2004, the inventory of Shanxi Sinochem Wonder Industry CO., LTD. was mortgaged for short-term loan with a total value of RMB61,280,000. Since the loan is repaid this year , the mortgage is released, please refer to note 23.

16. DEFERRED EXPENSES

<u>Category</u>	<u>31/12/2005</u> RMB	<u>01/01/2005</u> RMB	<u>Reason</u>
Rental	106,135.00	94,535.00	Still in benefical period
Insurance	2,048,109.33	2,706,215.09	Still in benefical period
Others	<u>2,377,833.03</u>	<u>1,944,558.62</u>	Still in benefical period
	<u>4,532,077.36</u>	<u>4,745,308.71</u>	

17. LONG-TERM EQUITY INVESTMENTS

	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Investments in stocks	29,062,400.00	27,562,405.50
Subsidiaries not included in consolidation (Note 17(2))	669,194.44	669,194.44
Investments in associated (Note 17(2))	412,022,174.19	351,971,401.80
Other equity investment(Note17(3))	264,044,291.76	155,995,548.04
Long term equity investment difference / Consolidation difference (Note 17(4))	27,318,843.22	27,823,708.57
Provision for impairment loss on long-term equity investments	<u>(2,669,194.44)</u>	<u>(2,669,194.44)</u>
Long-term Equity investments-Net	<u>730,447,709.17</u>	<u>561,353,063.91</u>

Movement of long-term Equity investments provision
of the current period:

	<u>RMB</u>
2005/01/01 and 2005/12/31	<u>2,669,194.44</u>

17. LONG-TERM DEBT INVESTMENTS - continued

(1) Details of equity investments is as follows:

Names of Investee	Nature	Amount	%	Investment Amt	Provision	2005 Amt	Cost of Investment
Zhejiang xingan chemical Co.Ltd	legal person	4,760,000	2.09%	5,062,400.00	-	5,062,400.00	5,062,400.00
Yunan rubber Co.Ltd	legal person	13,181,201	1.588%	20,000,000.00	-	20,000,000.00	20,000,000.00
Hainan rubber Co.Ltd	legal person	4,000,000	0.1272%	4,000,000.00	-	4,000,000.00	4,000,000.00
Total				29,062,400.00	-	29,062,400.00	29,062,400.00

(2) Details for subsidiaries not included in consolidation and investments to associates is as follows:

Names of Investee	Opening RMB	Addition RMB	Equity change of investee RMB	Cash bonus obtained RMB	Total RMB	Provision RMB	Closing balance RMB	%
Subsidiaries not included in consolidation								
SINOCHEM ORIENT ENTERPRISE CO., LTD.								
Associates	4,900,000.00	-	-	-	(4,230,805.56)	669,194.44	-	91.75%
Sinochem bargain management Co.Ltd								
SHANGHAI NORTHSEA SHIPPING Inc., LTD. (Note 1)	29,000,000.00	-	(2,096,013.45)	-	(2,096,013.45)	-	26,903,986.55	48.33%
XI'AN JINDAI MODERN CHEMICAL INDUSTRY CO., LTD (Note 2)								
Sinochem international wanrong Polyurethane Co.Ltd	53,398,537.50	-	84,282,424.07	(50,000,000.00)	136,130,795.63	-	189,529,333.13	25%
Jiangying sangyang Polyurethane Co.Ltd	2,532,932.06	-	18,019,761.90	52,994,947.57	-	-	55,527,879.63	25%
Tai Cang SINOCHEM International Xing Ye Petroleum & Chemical Developing and Construction Co., Ltd. (Note 3)	12,500,000.00	-	-	-	-	-	12,500,000.00	25%
ZHOUSHAN ZHONGWEI OILSTORE CO., LTD	3,719,025.00	-	-	-	-	-	3,719,025.00	25%
HATTONG TUG & BARGE CO., LTD	50,000,000.00	-	-	-	-	-	50,000,000.00	50%
ZHOU SHAN PORT Sinochem Zhengjiang Coking Co.,Ltd	17,664,163.88	-	5,271,350.98	-	10,152,627.69	-	27,816,791.57	25%
	20,000,000.00	-	4,573,248.89	-	5,333,908.31	-	25,333,908.31	40%
	20,691,250.00	-	-	-	-	-	20,691,250.00	25%
	209,505,908.44	-	110,050,772.39	(50,000,000.00)	202,516,265.75	-	412,022,174.19	

Long term Equity investment Difference refers to Note 17(4)

Note 1: SHANGHAI NORTHSEA SHIPPING CO., LTD. was renamed after the restructure of SHANGHAI NORTHSEA SHIPPING Co., LTD

Note 2: Sinochem JINDAI MODERN CHEMICAL INDUSTRY CO., LTD. original name was XI'AN JINZHU MODERN CHEMICAL INDUSTRY CO., LTD.

Note 3: Approved by Broad of Directors, the Company plans to transfer its shareholding of Tai Cang SINOCHEM International Xing Ye Petroleum & Chemical Developing and Construction Co., Ltd. to Jichuang Investment Co.(incorporated in British Virgin Island).Up to now the relevant procedure has not been finished ultimately.

17. LONG-TERM DEBT INVESTMENTS - continued

(3) Details for other equity investments is as follows:

Names of Investee	Period 31/12/2005	Shares in the registered capital of the investee %	Investment	Provision	Closing balance	
			Amount			
			RMB	RMB	RMB	
Sinochem Pudong Trading Co.,Ltd (Note1)	-	-	8.00%	2,000,000.00	-	2,000,000.00
Tianjin North Sea Industry Co.,Ltd	15	15.73%		1,878,686.12	-	1,878,686.12
Bank of Communication (注 2)	-	0.224%		145,849,896.92	-	145,849,896.92
Tianjin North Packing Co.,Ltd	15	13.33%		5,084,415.00	-	5,084,415.00
Qingdao Gangxing Packing Co.,Ltd	10	13.52%		682,550.00	-	682,550.00
Sinochem International Taicang Xing Nuo Industry Co., Ltd.	50	19.00%		18,859,704.00	-	18,859,704.00
Sinochem International Taicang Xing Guo Industry Co., Ltd.	50	19.00%		52,275,471.04	-	52,275,471.04
Sinochem International Taicang Xing Kai Industly Co., Ltd.	50	19.00%		14,906,541.53	-	14,906,541.53
Sinochem International Yuhang Polymer Materials R & D Co., Ltd.	50	19.00%		19,490,758.35	-	19,490,758.35
Sinochem International (Suzhou) Poly material R & D Co., Ltd.	50	19.00%		2,516,268.80	-	2,516,268.80
Futures membership	-	-		500,000.00	-	500,000.00
				<u>264,044,291.76</u>	<u>2,000,000.00</u>	<u>262,044,291.76</u>

Note 1: As the net assets of Sinochem Pudong Trading Co.,Ltd is equity, the amount had already been provision for depreciation

Note 2 : As Bank of Communication has issued H share at Hongkong, the shares proportion has decrease to 0.224% from 0.65%(Year 2004)

(4) Long term equity investment difference/ Consolidation difference:

Names of Investee	Initial Amount RMB	Amortization Period	01/01/2005 RMB	Addition RMB	Amortization in	31/12/2005 RMB	Reason
					the current period RMB		
Consolidation difference:							
Sinochem-Xingzhong.							
Oil Staging (Zhoushan)	14,799,460.47	19 years	12,204,222.31	-	(778,918.97)	11,425,303.34	investment
Shanxi Sinochem Wonder Industries Co., Ltd.	<u>1,602,546.30</u>	25 years	<u>1,395,550.75</u>	<u>1,431,843.61</u>	<u>(64,101.85)</u>	<u>2,763,292.51</u>	investment
Total	<u>16,402,006.77</u>		<u>13,599,773.06</u>	<u>1,431,843.61</u>	<u>(843,020.82)</u>	<u>14,188,595.85</u>	
Long term equity investment difference							
Zhoushan Zhongwei Oilstore Co., Ltd.	51,911.04	26 years	31,945.25	-	(1,996.58)	29,948.67	investment
Xi'an Jinzhu Modern Chemical Industry Co., Ltd	<u>17,467,064.94</u>	16 years	<u>14,191,990.26</u>	-	<u>(1,091,691.56)</u>	<u>13,100,298.70</u>	investment
Total	<u>17,518,975.98</u>		<u>14,223,935.51</u>	-	<u>(1,093,688.14)</u>	<u>13,130,247.37</u>	

18. FIXED ASSETS

	Buildings RMB	Office equipment RMB	Equipment for special purpose RMB	Equipment for general purpose RMB	Containing equipment RMB	Transportation equipment RMB	Total RMB
Cost							
January 1, 2005	248,297,008.30	42,828,085.52	481,134,938.08	6,026,348.02	507,397,447.55	508,575,339.01	1,794,259,166.48
Deduction for disposals							
Of subsidiaries	(81,120,709.18)	(3,333,242.92)	(296,628,471.98)	(5,397,653.31)	-	(7,678,323.63)	(394,158,401.02)
Addition	18,788,402.40	8,084,061.35	29,951,356.97	633,871.30	12,395,200.00	89,458,285.36	159,311,177.38
Transfer from							
Fixed assets under							
construction	37,937,560.49	1,853,991.75	132,859,530.29	-	1,858,500.00	202,680,560.63	377,190,143.16
Disposals	(2,254,638.34)	(3,201,644.49)	(19,247,799.05)	-	-	(5,355,228.57)	(30,059,310.45)
December 31, 2005	<u>221,647,623.67</u>	<u>46,231,251.21</u>	<u>328,069,554.31</u>	<u>1,262,566.01</u>	<u>521,651,147.55</u>	<u>787,680,632.80</u>	<u>1,906,542,775.55</u>
Accumulated depreciation							
January 1, 2005	61,937,200.67	26,986,872.89	51,030,055.92	1,669,185.50	223,123,490.38	78,278,498.78	443,025,304.14
Deduction for disposals							
Of subsidiaries	(3,830,289.35)	(982,198.74)	(22,727,422.30)	(1,780,825.76)	-	(1,544,295.29)	(30,865,031.44)
Charge for the year	9,389,826.45	4,770,513.29	36,005,008.03	919,016.42	32,091,059.82	42,530,665.15	125,706,089.16
Eliminated on disposal	(1,123,887.75)	(2,119,906.87)	(6,190,043.02)	-	-	(3,726,300.17)	(13,160,137.81)
December 31, 2005	<u>66,372,850.02</u>	<u>28,655,280.57</u>	<u>58,117,598.63</u>	<u>807,376.16</u>	<u>255,214,550.20</u>	<u>115,538,568.47</u>	<u>524,706,224.05</u>
Provision for Impairment loss							
January 1, 2005	-	1,481,191.09	10,549,437.05	-	-	-	12,030,628.14
Additions	-	-	-	-	-	-	-
Reversals	-	-	(10,549,437.05)	-	-	-	(10,549,437.05)
December 31, 2005	<u>-</u>	<u>1,481,191.09</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,481,191.09</u>
Net book value							
January 1, 2005	<u>186,359,807.63</u>	<u>14,360,021.54</u>	<u>419,555,445.11</u>	<u>4,357,162.52</u>	<u>284,273,957.17</u>	<u>430,296,840.23</u>	<u>1,339,203,234.20</u>
December 31, 2005	<u>155,274,773.65</u>	<u>16,094,779.55</u>	<u>269,951,955.68</u>	<u>455,189.85</u>	<u>266,436,597.35</u>	<u>672,142,064.33</u>	<u>1,380,355,360.41</u>

The ships Fortitude ,Chembulk Singapore , “中化 7 号” , “中化 9 号” owned by FZE, which is a subsidiary totally controlled by Sinochem International corporation is mortgaged . On December 31, 2005 net book value of these four ships is RMB190,430,000 Refer to Note 35.

The building& construction held by the Subsidiary-Sinochem AnLian Plastic Co.Ltd (Hainan) is pledged for loan. As of Dec 31st, 2005, these pledged building carries the amt of RMB 5.38 million, see Note 23. The equipments for special purpose held by the Subsidiary-Sinochem AnLian Plastic Co.Ltd (Hainan) is pledged for loan, carrying amount of RMB 11.95 million as of Dec 31, 2005, see Note 23. The company has the transportation equipments for rental purpose, the book value of which is RMB 225.31 million. The subsidiaries-Sinochem AnLian Plastic Co.Ltd (xishuangbanna)、 Shanxi Sinochem Wonder Industries Co., Ltd, still have the buildings(net value of RMB 10.98 million and 35.97 million respectively) to arrange the procedure of property right certificate.

19. MATERIALS HELD FOR CONSTRUCTION OF FIXED ASSETS

Category	31/12/2005 RMB	31/12/2004 RMB
Construction material	<u>15,109,367.09</u>	<u>17,357,383.90</u>

20. FIXED ASSETS UNDER CONSTRUCTION

Name of construction	Deduction for disposals		Transfer to		31/12/2005 RMB	Source of capital RMB(M)	Budget	%
	01/01/2005 RMB	of subsidiaries RMB	Addition RMB	fixed assets RMB				
Purchasing & Reconstruction								
Expense of ship	150,014,790.28	-	382,389,015.12	201,411,293.22	330,992,512.18	self financing	654	51%
Reconstruction of								
oil tanks	5,037,249.00	-	31,676,224.87	1,858,500.00	34,854,973.87	self financing	316	11%
ABS	6,765,298.41	15,511,220.66	10,247,445.15	1,501,522.90	-	self financing	-	-
Building	9,148,409.45	21,973,966.23	12,825,556.78	-	-	self financing/loan	-	-
Furnace & Power Plant	77,101,301.15	-	81,143,746.79	157,118,176.56	1,126,871.38	self financing/loan	6	18%
Berth	4,759,752.36	-	7,138,455.34	9,797,864.80	2,100,342.90	self financing	111	2%
Building of base	-	-	6,805,471.07	3,111,964.47	3,693,506.60	self financing	6	60
PVC	-	-	260,733,183.34	-	260,733,183.34	self financing	500	52%
PTMEG	-	9,245,321.43	9,245,321.43	-	-	self financing	-	-
Other	1,920,556.34	2,708,614.34	4,987,816.30	2,390,821.21	1,808,937.09	self financing	3.84	7%
Total	254,747,356.99	49,439,122.66	807,192,236.19	377,190,143.16	635,310,327.36			
Including: interest on								
capitalized amount	861,002.33	662,065.51	8,257,536.36	8,456,473.18	-			

The capitalization rate of the borrowing cost capitalized in the amount year is 4.94-6.34%

21. INTANGIBLE ASSETS

	Land use rights RMB	Patents RMB	Franchise RMB	Other RMB	Total RMB
Cost					
January 1, 2005	81,490,398.80	34,000,239.53	28,970,208.28	786,612.69	145,247,459.30
Deduction for disposals					
Of subsidiaries	(52,022,713.50)	(34,000,239.53)	-	(788,980.00)	(86,811,933.03)
Additions	6,979,184.00	335,900.00	-	1,593,850.00	8,908,934.00
December 31, 2005	36,446,869.30	335,900.00	28,970,208.28	1,591,482.69	67,344,460.27
Accumulated Amortization					
January 1, 2005	7,259,565.58	3,285,936.64	6,276,878.47	234,161.75	17,056,542.44
Charge for the year	1,645,148.16	4,145,195.46	5,794,041.66	206,527.48	11,790,912.76
Deduction for disposals					
Of subsidiaries	(2,165,491.37)	(7,363,952.10)	-	(97,448.15)	(9,626,891.62)
December 31, 2005	6,739,222.37	67,180.00	12,070,920.13	343,241.08	19,220,563.58
Net Book value					
January 1, 2005	74,230,833.22	30,714,302.89	22,693,329.81	552,450.94	128,190,916.86
December 31, 2005	29,707,646.93	268,720.00	16,899,288.15	1,248,241.61	48,123,896.69
Acquire methods					
Remain amortization period	Purchase 17years & 11month-48years & 8month	Purchase 4year	Purchase 2years & 11month	Purchase 1years 3month-9years & 8month	

Note: the Land use right in possession of the subsidiary Sinochem anLian Plastic Co.Ltd (Hainan) has been pledged for loan as of Dec 31, 2005, the net book value of these land use right is RMB 2.58 million. See Note 23. As of Dec.31st ,2005, the subsidiary- Sinochem anLian Plastic Co.Ltd (xishuangbanna) still had the land use right amt RMB 3.32 million to arrange the procedure of certificate.

22. LONG-TERM DEFERRED EXPENSES

<u>Category</u>	<u>Original cost</u> RMB	<u>1/1/2004</u> RMB	<u>Transfer-out</u> RMB	<u>Additions</u> RMB	<u>Amortization</u> RMB	<u>31/12/2005</u> RMB	<u>Remaining period</u>
Preoperational expenses of subsidiaries	3,765,685.99	14,896,571.19	(23,135,923.78)	12,005,038.58	(692,669.39)	3,073,016.60	Subsidiary not yet operating
Turnover expense of oil tanks	14,860,000.00	1,512,441.47	-	-	(1,512,441.47)	-	already amortisation
Reconstruction expense of coal stack	3,950,000.00	2,449,716.22	-	-	(705,027.04)	1,744,689.18	2years
Rental expense of oil tanks	442,686.00	-	-	442,686.00	(55,704.27)	386,981.73	1year and 6 month 47year
Prepaid expense of station operations	1,616,897.13	1,143,992.00	-	-	(50,000.00)	1,093,992.00	20years and 7 months
Total		<u>20,002,720.88</u>	<u>(23,135,923.78)</u>	<u>12,447,724.58</u>	<u>(3,015,842.17)</u>	<u>6,298,679.51</u>	

23. SHORT-TERM LOANS

<u>Categories</u>	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Credit loan(Note1)	320,114,143.51	57,044,297.22
Mortgage loan (Note2)	9,000,000.00	30,000,000.00
Guaranteed loan (Note3)	35,000,000.00	-
Total	<u>364,114,143.51</u>	<u>87,044,297.22</u>

Note 1: The balance of year end includes the borrowings which comes from the discounted trade acceptance held by Sinochem anLian Plastic Co.Ltd (Hainan), amounted to RMB 15.19 million.

Note 2: The year end balance of mortgage loan is borrowed with the pledge of building, equipments and land use right by Sinochem anLian Plastic Co.Ltd (Hainan). See Note 18 & 21. The beginning amount was borrowed from CHINA TRUST AND INVESTMENT FOR FOREIGN ECONOMIC RELATIONS & TRADE with the pledge of inventory by shanxi Sinochem Wonder Industries Co., Ltd. See Note 15 & 58(5).

Note 3: the loan was borrowed with the guarantee of related party- ZHOUSHAN ZHONGWEI OILSTORE CO., LTD by the subsidiary-SINOCHEM-XINGYUAN OIL STAGING (ZHOUSHAN) CO., LTD

24. NOTE PAYABLES

<u>Category</u>	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Bank acceptance	<u>495,359,899.45</u>	<u>378,436,400.28</u>

No note payables to shareholders who hold more than 5% of total shares of the Company.

25. ACCOUNTS PAYABLES

No accounts payable to shareholders who hold more than 5% of total shares of the Company.

26. ADVANCE FROM CUSTOMERS

No advance form customers to shareholders who hold more than 5% of total shares of the Company.

27. DIVIDENDS PAYABLE

	<u>31/12/2004</u> RMB	<u>31/12/2003</u> RMB	<u>Reason</u>
Dividends payable of subsidiaries:			
Zhejiang Oil Co., Ltd	900,000.00	900,000.00	Unpaid
Lifeng Co., Ltd. HK	592,429.15	16,264,285.40	Unpaid
Sinochem Ningbo Import & Export Co., Ltd.	<u>12,482.44</u>	<u>12,482.44</u>	Unpaid
Total	<u><u>1,504,911.59</u></u>	<u><u>17,176,767.84</u></u>	

28. TAXES PAYABLE

	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Value added tax	(39,470,111.08)	(49,331,843.36)
Business tax	1,812,808.21	24,956,657.10
Enterprise income tax	46,561,844.62	62,470,583.28
Other	<u>1,573,410.68</u>	<u>4,535,984.51</u>
Total	<u><u>10,477,952.43</u></u>	<u><u>42,631,381.53</u></u>

29. OTHER FEES PAYABLES

	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Additional education fee	178,493.14	1,511,845.01
Others	<u>4,943.21</u>	<u>2,725.20</u>
Toal	<u><u>183,436.35</u></u>	<u><u>1,514,570.21</u></u>

30. OTHER PAYABLES

No other payables to shareholders who hold more than 5% of the total shares of the Company.

31. ACCRUED EXPENSES

	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB	<u>Reasons</u>
Transportation Fee	14,974,151.92	11,698,694.35	Waiting to pay
Accrued Late Fee	2,951,261.33	6,947,131.16	Waiting to pay
Service Fee	7,470,000.00	9,883,069.00	Waiting to pay
Accrued Interest	45,531.09	385,257.50	Waiting to pay
Others	10,635,467.71	11,943,070.23	Waiting to pay
Total	<u>36,076,412.05</u>	<u>40,857,222.24</u>	

32. CONTINGENT LIABILITIES

	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Dissention of contracts and agreements	-	<u>22,000,000.00</u>

The opening balance of contingent liability is the possible loss arising from dissention of contracts and agreements, The dissention is resolved this year .

33. DEFERRED REVENUE

	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Total	<u>639,545.37</u>	<u>959,318.06</u>

The closing balance is the deferred revenue transferring from SINOCHEM-XINGZHONG OIL STAGING (ZHOUSHAN) CO., LTD. a Sino-foreign joint venture, arising from investments profits before applying the Accounting Standards for Business Enterprises.

34. Long-term loans due within one year

	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
	<u>94,126,537.06</u>	<u>62,594,675.00</u>

35. LONG-TERM LOANS

<u>Category</u>	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB	<u>Period</u>	<u>Interest rate per year</u>
Credit loan	90,000,000.00	413,000,000.00	02.6.28-07.11.18	4.941%-6.336%
Mortgage loans (Note 1)	129,985,381.44	92,814,331.43	03.8.5-13.6.30	LIBOR+0.75%~1.04%
Guarantee loans (Note 2)	-	13,144,900.00	-	5.94%
Toal	<u>219,985,381.44</u>	<u>518,959,231.43</u>		
Less: long-term loans due within 1 year	<u>94,126,537.06</u>	<u>62,594,675.00</u>		
Credit loan	60,000,000.00	30,000,000.00		
Mortgage loans (Note 1)	34,126,537.06	19,449,775.00		
Guarantee loans (Note 2)	-	13,144,900.00		
Long-term loans due after 1 year	<u>125,858,844.38</u>	<u>456,364,556.43</u>		

Note 1: The loan is mortgaged with the ship "Chembulk fortitude" and "Chembulk Singapore". "Sinochem 7" and "Sinochem 9" of a subsidiary-Sinochem International FZE. Refer to Note 18. Meanwhile, this mortgaged loan is in pledged of the shareholding of SEA WEALTH SHIPPING CO., LTD. , GLOBAL BRIGHT CO., LTD. , TOP GLORY ENTERPRISE CORPORATION & POLE STAR SHIPPING CORPORATION LIMITED held by the subsidiary SINOCHEM INTERNATIONAL FZE. According to the contract, loans due within one year of RMB 34,130,000 are included in this long-term loan.

Note 2: The opening amount is a loan of a subsidiary. Shanxi Sinochem Wonder Industries Co., Ltd. The amount of this loan is RMB10,000,000 with annual interest rate of 5.94%, which includes RMB5,000,000 guaranteed by Shanxi Liaoyuan Jiaohua Industril Co.,Ltd and 5,000,000 by Shanxi Jingmao Assets Management Co.Ltd

36. SPECIFIC ACCOUNT PAYABLE

	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Return of port changes	24,252,960.09	19,252,960.09
Return of port construction changes	18,654,196.29	23,503,402.23
Total	<u>42,907,156.38</u>	<u>42,756,362.32</u>

Closing balance is the port changes and port construction changes return port from local Administration Bureau to Sinochem Xingzhong oil Staging(Zhoushan) Co., Ltd. for reconstruction of local port.

37. PAID-IN CAPITAL

Movement of shares in the current period:

	01/01/2005	Movement				31/12/2005	
		Transfer from	送股	股权分置	Other		Subtotal
Restricted-Sold Share							
State-Owned Shares	568,462,500.00	170,538,750.00	113,692,500.00	(70,875,000.00)	66,632,828.00	279,989,078.00	848,451,578.00
Unrestricted Share							
RMB Common Share	270,000,000.00	81,000,000.00	54,000,000.00	70,875,000.00	(66,632,828.00)	139,242,172.00	409,242,172.00
Total Share	838,462,500.00	251,538,750.00	167,692,500.00	-	-	419,231,250.00	1,257,693,750.00

Nominal value of shares mentioned above is RMB1.

On April 26, 2005 the company distributes 2004 profit to shareholders and transfer capital reserve to increase paid capital. In the end of 2004, the total number of share capital was 838,462,500 the Company gives 3 bonus shares to every 10 shares and distributes RMB2.50 per share to shareholder (including tax). After that, the total number of share capital was increased to 1,257,693,750.

In accordance with “the several notion to promote the reform and development of Chinese Capital Market” (issued by State Counsel) and “the regulation of the reform of sub-owned company share for Listed Copmany” (issued by CSRC), on June 19, 2005 the company was appointed as one of the second batch of sub-owned shares reform pilot companies by the China Securities Regulatory Commission. "Sub-owned Company Shares Reform Resolution”, which was emended at the 11th meeting of the 3rd Board of Directors July 20, 2005, was passed at the first provisional 2005 shareholders meeting on August 5, 2005. On August 10, 2005 (the day of share registration) registered circulation Unit shareholders holding 10 per unit circulation Unit will be paid by the non-flow units shareholders 1.75 shares and 5.58 yuan for the Unit price. The implementation of Sub-Owned company shares reform was completed on August 12, 2005. The increase of Restricted-sold share was circulate share bought by Sinochem Group in line with the reform commitments. These shares can come to market for transaction until April 13, 2006, the period of restricted-sold ends.

Movement of shares in the last period as follows:

	1/1/2004	Movement			31/12/2004
		Transfer from capital surplus	Bonus share	Sub-total	
<u>Not yet paid-up share capital</u>					
Authorized share capital	378,975,000.00	113,692,500.00	75,795,000.00	189,487,500.00	568,462,500.00
Share held by Domestic legal entity	378,975,000.00	113,692,500.00	75,795,000.00	189,487,500.00	568,462,500.00
Total not yet paid up share capital	378,975,000.00	113,692,500.00	75,795,000.00	189,487,500.00	568,462,500.00
<u>Issued share</u>					
Domestic market RMB share	180,000,000.00	54,000,000.00	36,000,000.00	90,000,000.00	270,000,000.00
Total paid up share capital	180,000,000.00	54,000,000.00	36,000,000.00	90,000,000.00	270,000,000.00
Total share capital	558,975,000.00	167,692,500.00	111,795,000.00	279,487,500.00	838,462,500.00

38. CAPITAL RESERVES

<u>2005</u>	<u>31/12/2004</u> RMB	<u>Additions</u> RMB	<u>Reversal</u> RMB	<u>31/12/2005</u> RMB
Capital premium(Note 1)	573,217,494.17	-	(251,538,750.00)	321,678,744.17
Restricted reserve(Note 2) arising from				
equity investment	36,517,895.11	4,450,391.79	-	40,968,286.90
Other capital reserves	82,402.06	-	-	82,402.06
Related party transactions difference	<u>17,300,325.30</u>	<u>-</u>	<u>-</u>	<u>17,300,325.30</u>
	<u>627,118,116.64</u>	<u>4,450,391.79</u>	<u>(251,538,750.00)</u>	<u>380,029,758.43</u>

Note1: The decrease of capital premium is caused by the profit distribution of 2004 and the proposal of transferring out capital reserves.

Note 2: The increase amount comes from the adjustment of equity interest method for the capital surplus made by SINOCHEM-XINGZHONG OIL STAGING (ZHOUSHAN) CO., LTD's Construction In Progress(Port Construction).

<u>2004</u>	<u>1/1/2004</u> RMB	<u>Additions</u> RMB	<u>Reversal</u> RMB	<u>31/12/2004</u> RMB
Capital premium(Note 1)	740,909,994.17	-	(167,692,500.00)	573,217,494.17
Restricted reserve(Note 2) arising from	1,769,382.43	34,748,512.68	-	36,517,895.11
equity investment				
Other capital reserves	82,402.06	-	-	82,402.06
Related party transactions difference	<u>17,300,325.30</u>	<u>-</u>	<u>-</u>	<u>17,300,325.30</u>
	<u>760,062,103.96</u>	<u>34,748,512.68</u>	<u>(167,692,500.00)</u>	<u>627,118,116.64</u>

Note1: The decrease of capital premium is caused by the profit distribution of 2003and the proposal of transferring out capital reserves. Please refer to Note 36

Note2: The increment is caused by the donation of the World Bank as the associated company of Xi'an Jinzhu Modern Chemical Industry Co.,Ltd enjoys the environment preferential policy.

39. SURPLUS RESERVES

<u>2005</u>	<u>Legal surplus reserves RMB</u>	<u>Statutory surplus reserve RMB</u>	<u>Total RMB</u>
01/01/2005	169,945,103.29	169,945,103.29	339,890,206.58
current year appropriations	<u>71,348,415.19</u>	<u>71,348,415.19</u>	<u>142,696,830.38</u>
31/12/2005	<u><u>241,293,518.48</u></u>	<u><u>241,293,518.48</u></u>	<u><u>482,587,036.96</u></u>

<u>2004</u>	<u>Legal surplus reserves RMB</u>	<u>Statutory surplus reserve RMB</u>	<u>Total RMB</u>
31/12/2003	90,486,384.22	90,486,384.22	180,972,768.44
current year appropriations	<u>79,458,719.07</u>	<u>79,458,719.07</u>	<u>158,917,438.14</u>
31/12/2004	<u><u>169,945,103.29</u></u>	<u><u>169,945,103.29</u></u>	<u><u>339,890,206.58</u></u>

The reserve fund can be used to offset accumulated losses, expend or transfer into paid in capital. Statutory surplus reserve can be used in welfare of employees

40. CASH DIVIDENDS TO BE PAID

	<u>Amount RMB</u>
01/01/2005	209,615,625.00
Less: Current year distribution (Note 1)	209,615,625.00
Less: Current year distribution (Note 1)	<u>440,192,812.50</u>
31/12/2005	<u><u>440,192,812.50</u></u>

Note 1: Cash dividends were paid according to profit distribution plan of year 2004, please refer to Note 37

Note 2: Refer to Note 41(4)

41. RETAINED EARNINGS

	<u>Current year</u> RMB	<u>Prior year</u> RMB
Beginning of the year	574,072,572.67	256,699,492.33
Add: Current year net profit	711,506,916.85	797,701,143.48
Less: Stock dividends (Note1)	167,692,500.00	111,795,000.00
Appropriation to legal surplus reserves (Note2)	71,348,415.19	79,458,719.07
Appropriation to Statutory Surplus reserves (Note3)	71,348,415.19	79,458,719.07
Dividends for common shares (Note 4)	<u>440,192,812.50</u>	<u>209,615,625.00</u>
End of the year	<u>534,997,346.64</u>	<u>574,072,572.67</u>

Note 1: The stock dividends were distributed according to the proposal of transferring undistributed profit of 2004 and capital reserve to increase paid in capital.
Please refer to Note 37

Note 2: Appropriation to legal surplus reserves

In accordance with the PRC Company Law and the Company's articles of association, the company is required to set aside 10% of their net profit. These reserves should be approved by shareholder's meeting

When the accumulated reserves reach to 50% of the company's paid-in capital, it does not need to appropriate yet

Note 3: Appropriation to statutory surplus reserves

In accordance with the PRC Company Law and the Company's articles of association, the company is required to set aside 10% of their net profit. These reserves should be approved by shareholder's meeting

Note 4: Dividend payable of common stock

The amount this year is proposed by the Board of Directors. The Board proposed to pay to all the shareholders with cash 3.5 yuan per share (before tax) on the basis of total equity 1,257,693,750 (2005 year end). The distribution of dividends are waiting for the meeting of shareholders to approve.

42. SALES&COST OF SALES

Item	year ended 31/12/2005		year ended 31/12/2004	
	Sales RMB	Cost of sales RMB	Sales RMB	Cost of sales RMB
Import trade	5,544,862,364.33	5,303,774,771.70	2,924,596,012.77	2,630,885,758.21
Domestic trade	4,129,267,562.30	3,971,141,193.75	3,318,133,412.65	3,207,029,119.12
Export trade	3,800,123,512.22	3,198,908,138.39	5,425,359,964.04	4,235,875,526.10
Carrying trade	1,115,232,781.74	1,101,525,560.74	720,438,630.33	708,717,672.52
Other sales	674,249,605.80	636,842,643.36	113,034,492.93	99,293,140.02
Transportation agency	120,580,958.73	108,686,411.41	106,763,582.59	95,325,374.99
Ship operating	316,189,115.52	212,104,843.22	203,826,733.17	170,559,544.95
Rental revenue	210,888,315.28	81,450,738.50	194,030,566.74	91,734,699.82
Total	<u>15,911,394,215.92</u>	<u>14,614,434,301.07</u>	<u>13,006,183,395.22</u>	<u>11,239,420,835.73</u>

Top 5 Customers:

<u>Total sales to top 5 customers</u> RMB	%
1,379,044,665.01	8.67%

43. SALES TAX

	Year ended 31/12/2005 RMB	Year ended 31/12/2004 RMB
Business Tax	14,257,097.97	24,931,716.95
City Construction Tax	1,273,579.05	9,478,606.90
Other Tax	650,941.70	3,782,767.64
	<u>16,181,618.72</u>	<u>38,193,091.49</u>

44. FINANCE COSTS

	Year ended 31/12/2005 RMB	Year ended 31/12/2004 RMB
Interest expenses	37,098,830.81	19,325,070.63
Less: interest income	5,621,694.15	5,031,420.28
Exchange losses	(5,286,684.01)	(4,227,217.77)
Others	10,227,220.08	3,850,895.46
	<u>36,417,672.73</u>	<u>13,917,328.04</u>

45. INVEST INCOME

	Year ended <u>31/12/2005</u> RMB	Year ended <u>31/12/2004</u> RMB
Short-term investment income:		
Gains on stock	-	596,974.07
Gains on fund investments	(1,647,696.00)	1,627,158.72
Provision on short-term investments	<u>1,788,459.48</u>	<u>(1,788,459.48)</u>
	<u>140,763.48</u>	<u>435,673.31</u>
Gains on futures (Note 1)	<u>6,388,820.21</u>	<u>7,885,395.73</u>
Long-term investment income:		
Profits declared by investee under cost method	3,679,687.34	986,566.80
Share of investee's profit recognized under equity method	110,047,977.08	77,762,021.87
Amortization of long-term equity		
Investment difference/consolidation difference	(1,936,708.96)	(1,936,041.23)
Gains / (losses) on debt investment	319,772.69	884,917.91
Gains / (losses) on disposal of long-term equity investment	<u>712,934.51</u>	<u>138,123.22</u>
	<u>112,823,662.66</u>	<u>77,835,588.57</u>
Total	<u><u>119,353,246.35</u></u>	<u><u>86,156,657.61</u></u>

Note 1: At December 2005, gains on futures contained some profits on floating contract, which are RMB 1,840,804.67

46. SUBSIDY INCOME

<u>Item</u>	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB	<u>Sources</u>
Subsidy from tax	1,529,783.27	5,888,232.88	Note 1
Subsidy from buildings	37,331,000.00	10,918,000.00	Note 2
Other subsidy	<u>4,083,123.76</u>	<u>-</u>	Note 3
Total	<u><u>42,943,907.03</u></u>	<u><u>16,806,232.88</u></u>	

Note 1: The CLOSING balance is the Export Support funds received from 上海浦东新区经贸局 according to 《关于做好 2003 年出口信用保险扶持发展资金工作有关问题的通知》(Shangjicaifa [2003] 12) issued by the Ministry of and the Ministry of Finance.

Note 2: The closing balance is the special subsidy income arising from 租赁者部楼宇新办企业 according to Pucaijingzi 3720305293 issued by the Finance Administration Bureau of Shanghai Pudong New Area.

Note 3: The subsidiary SINOCHEM MANZHOULI CO., LTD received the fund from Manzhouli Government according to 满洲里市人民政府满政纪字[2005]28 号文.

47. INCOME TAX

	Year ended <u>31/12/2005</u> RMB	Year ended <u>31/12/2004</u> RMB
Income tax of holding Co	32,723,968.65	141,011,557.61
Income tax of subsidiaries		48,728,018.83
	<u>32,546,493.19</u>	
Total	<u>81,451,987.48</u>	<u>173,558,050.80</u>

48. Net Profit After Irregular Profit/Loss

	<u>2005</u> RMB	<u>2004</u> RMB
Net Profit	711,506,916.85	797,701,143.48
Add or Less: Irregular Profit/Loss Items		
—Losses (gains) on disposal or fixed assets, Intangible assets and other long-term assets	(712,934.51)	(138,123.22)
—Subsidy Income from Government	(42,943,907.03)	(16,806,232.88)
—Short term Investment Income(Loss)	(4,741,124.21)	(10,109,528.52)
—Other deductive Non-operating Income	(13,718,702.59)	(11,149,475.99)
—Other deductive Non-operating Expense	4,465,253.98	31,701,286.22
—Reverse of previous Provisions	(6,050,572.80)	-
—The Income Tax Effect of Irregular Profit/Loss	8,927,511.35	975,311.16
—The Minority InterestEffect of Irregular Profit/Loss	557,238.51	-
Net Profit after Irregular Profit/Loss	<u>657,289,679.55</u>	<u>792,174,380.25</u>

49. TRANSFER OF SUBSIDIARIES SHARES

Approved by 13th Meeting of the 3rd Session Board of Directors, On Sept. 16, 2005, the Company and its relevant subsidiary signed the shareholding transferring agreement with China New Technology Development Trade Co., Ltd (hereunder called New Technology) and SINOCHEM Europe Capital Company (hereunder called Europe Capital) in Shanghai. This company would transfer the 56% shares, which this company was holding separately, of the Xingguo Company, Xingguo Company, Xingkai Company, Xingnuo Company, Suzhou R&D and 71% shares of Yuhang R&D to the New Technology and the solely owned subsidiary of this company--SINOCHEM INTERNATIONAL (OVERSEAS)PTE., LTD would transfer the 25% shares, which this subsidiary was holding separately, of the Xingguo Company, Xingkai Company, Xingnuo Company and Suzhou R&D to the Europe Capital; Hainan SINOCHEM Shipping Co., LTd -- the holding subsidiary of this company--would transfer the 10% shares of Yuhang R & D, which it was holding, to the New Technology. The Company had completed the transfer on Sep 20th, 2005. After transferring, the Company holds only 19% shares of Xingguo Company, Xingkai Company, Xingnuo Company, Suzhou R&D Company and Yuhang R & D Company respectively.

Financial statement of the subsidiary company sold from year beginning to the day share transferred and its statement in year 2004

	<u>20/09/2005</u> RMB	<u>31/12/2004</u> RMB
CURRENT ASSETS	248,106,775.51	179,921,428.29
FIXED ASSETS	457,822,694.07	414,724,906.35
INTANGIBLE AND OTHER ASSETS	100,320,965.19	96,630,625.91
TOTAL ASSETS	<u>806,250,434.77</u>	<u>691,276,960.55</u>
CURRENT LIABILITIES		
	482,572,836.22	288,361,313.94
LONG-TERM LIABILITIES		
	<u>205,000,000.00</u>	<u>243,000,000.00</u>
TOTAL LIABILITIES	<u>687,572,836.22</u>	<u>531,361,313.94</u>
NET ASSETS	<u>118,677,598.55</u>	<u>159,915,646.61</u>
LESS: Long-term investment transferred to associates	22,548,743.72	
Amount received from selling subsidiary company	<u>94,341,794.84</u>	
LOSSES ON DISPOALS OF SUBSIDIARISE	<u>1,787,059.99</u>	
		<u>20/09/2005</u> RMB
Selling price of the subsidiary company:		
CASH		94,341,794.84
Net cash flow-in of transfer of shares of subsidiary companies:		
Amount paid by cash		94,341,794.84
Minus: Bank and cash of the company sold		<u>51,453,334.61</u>
		<u>42,888,460.23</u>

49. Transfer of Subsidiaries Shares — Continued

Profit of the subsidiary company sold from year beginning to the day share transferred and its profit in year 2004:

	<u>01/01/2005 to</u> <u>20/09/2005</u> RMB	Year Ended <u>31/12/2005</u> RMB
SALES	511,581.07	14,034.19
OPERATING PROFIT	54,973.37	6,808.41
GROSS PROFIT	(41,238,048.06)	(95,744,693.72)
INCOME TAX	-	-
PROFIT AFTER TAX	<u>(41,238,048.06)</u>	<u>(95,744,693.72)</u>

50. OTHER CASH RECEIVED RELATING TO OPERATING ACTIVITIES

	Year ended <u>31/12/2005</u> RMB	Year ended <u>31/12/2004</u> RMB
Return of prepayment of deposit of Taicang Area Subsidiaries	300,924,952.58	-
Other received	<u>39,811,096.67</u>	<u>79,671,874.68</u>
Total	<u>340,736,049.25</u>	<u>79,671,874.68</u>

51. CASH PAID RELATING TO OTHER OPERATING ACTIVITIES

	Year ended <u>31/12/2005</u> RMB	Year ended <u>31/12/2004</u> RMB
Operation and administrative expense paid	283,377,965.76	259,671,128.33
Return of prepayment of deposit of Taicang Area Subsidiaries	48,876,857.35	-
Other paid	<u>93,766,362.60</u>	<u>18,372,974.30</u>
Total	<u>426,021,185.71</u>	<u>278,044,102.63</u>

52. CASH RECEIVED RELATING TO OTHER INVESTING ACTIVITIES

Transaction in 2005 is receipt of cash from selling shares of Tai Cang SINOCHEM International Xing Ye Petroleum & Chemical Developing and Construction Co., Ltd.

53. CASH RECEIVED RELATING TO OTHER FINANCING ACTIVITIES

Transaction in 2005 is receipt of financing cash from trading business.

54. Non-cash asset donation by minority interests

Sinochem SanLian Plastic Co.Ltd (Inner Mongolia Autonomous Region) received non-cash asset donation by minority interests.

55. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Year ended <u>31/12/2005</u> RMB	Year ended <u>31/12/2004</u> RMB
Bank balance and cash	943,039,187.22	639,583,243.70
Less: term deposit pledged as collateral	<u>34,500,000.00</u>	<u>-</u>
Cash banlance	<u><u>908,539,187.22</u></u>	<u><u>639,583,243.70</u></u>

56. Segment information

Segment by industry

Segment	Trading		Logistics		Industrial		Elimination		Others		Total	
	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
1. Sales:												
External sales	14,894,610,319.68	12,492,025,108.13	657,124,283.67	418,580,570.76	403,659,675.90	113,363,106.39	-	-	-	-	15,955,394,279.25	13,023,968,785.28
Internal sales	65,122,882.57	-	9,767,452.12	55,494,257.55	399,056,671.05	985,203.63	(473,947,005.74)	(56,479,461.18)	-	-	-	-
Sales total	14,959,733,202.25	12,492,025,108.13	666,891,735.79	474,074,828.31	802,716,346.95	114,348,310.02	(473,947,005.74)	(56,479,461.18)	-	-	15,955,394,279.25	13,023,968,785.28
2. Sales cost:												
External sales cost	13,873,306,048.21	10,898,248,859.57	410,326,685.53	286,564,443.73	358,593,651.29	98,500,736.72	-	-	-	-	14,642,226,385.03	11,283,314,040.02
Internal sales cost	64,676,089.77	-	10,594,265.24	55,398,049.80	396,318,836.94	983,495.63	(471,589,191.95)	(56,381,545.43)	-	-	-	-
Sales cost total	13,937,982,137.98	10,898,248,859.57	420,920,950.77	341,962,493.53	754,912,488.23	99,484,232.35	(471,589,191.95)	(56,381,545.43)	-	-	14,642,226,385.03	11,283,314,040.02
3. Operation expense total	504,441,746.52	658,869,080.73	43,812,482.41	40,742,085.62	90,983,128.48	103,079,464.06	-	-	-	-	639,237,357.41	802,690,630.41
4. Operation profit total	517,309,317.75	934,907,167.83	202,158,302.61	91,370,249.16	(43,179,269.76)	(88,215,386.39)	(2,357,813.79)	(97,915.75)	-	-	673,930,536.81	937,964,114.85
5. Total assets	3,203,812,736.74	3,171,477,754.16	2,034,303,916.43	1,060,615,522.28	1,104,196,633.96	1,099,630,022.05	-	-	-	-	6,342,313,287.13	5,331,723,298.49
6. Total Liabilities	2,206,399,770.84	1,709,840,402.57	298,672,327.63	185,312,792.01	279,074,114.04	546,884,367.82	-	-	-	-	2,784,146,212.51	2,442,037,562.40

57. NOTE OF MAIN ITEMS IN FINANCIAL STATEMENT

(1) Short-term investments

	31/12/2005			01/01/2005		
	<u>Amount</u> RMB	<u>Provison</u> RMB	<u>Ner book value</u> RMB	<u>Amount</u> RMB	<u>Provision</u> RMB	<u>Net book value</u> RMB
Fund investment	-	-	-	8,886,175.48	(1,788,459.48)	7,097,716.00

Market price available for a total of funds investments of RMB8,886,175.48 with the total value of RMB7,097,716.00 according to their market price at the year end. The market price refers to the closing price of the security exchange at December 31, 2004.

Movements of provision for devaluation:

	RMB
01/01/2005	1,788,459.48
Transfer out	<u>(1,788,459.48)</u>
31/12/2005	<u>-</u>

(2) Account receivable

The aging analysis of accounts receivable is as follows:

Aging	31/12/2005				01/01/2005			
	<u>AMOUNT</u> RMB	(%)	<u>PROVISION</u> RMB	<u>NET</u> RMB	<u>金额</u> RMB	(%)	<u>PROVISION</u> RMB	<u>NET</u> RMB
Within 1 year	386,366,332.87	91.42	1,092,134.52	385,274,198.35	213,022,177.74	87.52	4,911,171.64	208,111,006.10
1 to 2 years	6,215,855.88	1.47	4,095,959.86	2,119,896.02	3,376,127.26	1.39	22,545.66	3,353,581.60
2 to 3 years	3,303,323.61	0.78	30,530.59	3,272,793.02	299,564.40	0.12	247,933.72	51,630.68
3 to 4 years	48,000.00	0.01	-	48,000.00	1,218,292.84	0.50	1,204,249.32	14,043.52
4 to 5 years	1,218,292.84	0.29	1,204,249.32	14,043.52	7,761,598.76	3.19	7,736,704.76	24,894.00
Over 5 years	25,481,709.50	6.03	25,456,815.50	24,894.00	17,720,110.74	7.28	17,720,110.74	-
Total	<u>422,633,514.70</u>	<u>100.00</u>	<u>31,879,689.79</u>	<u>390,753,824.91</u>	<u>243,397,871.74</u>	<u>100.00</u>	<u>31,842,715.84</u>	<u>211,555,155.90</u>

Top 5 Debtors:

Total amount of top 5 debtors

Percentage

RMB

174,785,995.43

41.36%

No account receivables from shareholders who hold more than 5% of the total shares of the Company.

57. NOTE OF MAIN ITEMS IN FINANCIAL STATEMENT - continued

(3) OTHER RECEIVABLE

The aging analysis of other receivables is as follows:

Aging	31/12/2005				01/01/2005			
	AMT RMB	(%)	PROVISION RMB	NET RMB	AMT RMB	(%)	PROVISION RMB	NET RMB
Within 1 year	445,830,598.31	95.26	6,510,795.03	439,319,803.28	190,239,469.28	86.48	140,444.56	190,099,024.72
1 to 2 years	4,865,051.78	1.04	221,716.19	4,643,335.59	10,783,495.40	4.90	62,034.23	10,721,461.17
2 to 3 years	7,741,271.13	1.65	2,278.99	7,738,992.14	6,576,002.31	2.99	195,488.94	6,380,513.37
3 to 4 years	44,880.02	0.01	5,617.46	39,262.56	2,906,596.08	1.32	522,932.37	2,383,663.71
4 to 5 years	34,150.00	0.01	-	34,150.00	23,810.75	0.01	19,048.60	4,762.15
Over 5 years	9,481,697.44	2.03	9,481,697.44	-	9,465,406.41	4.30	9,465,406.41	-
Total	467,997,648.68	100.00	16,222,105.11	451,775,543.57	219,994,780.23	100.00	10,405,355.11	209,589,425.12

Deposit of futures of RMB 14,526,163.29 is included in other receivables(last year the amount is RMB 3,490,243.08)

Top 5 Debtors:

<u>Total amount of top 5 debtors</u> RMB	<u>Percentage</u>
435,938,132.26	93.15%

No other receivables from share holders who hold more than 5% of the total shares of the Company.

(4) PROVISION FOR BAD DEBTS

	<u>1/1/2005</u> RMB	<u>Additions</u> RMB	<u>Reversal</u> RMB	<u>31/12/2005</u> RMB
Provision for bad debts:				
Accounts Receivable	31,842,715.84	95,000.00	58,026.05	31,879,689.79
Other Receivables	10,405,355.11	5,816,750.00	-	16,222,105.11
Total	42,248,070.95	5,911,750.00	58,026.05	48,101,794.90

57. NOTE OF MAIN ITEMS IN FINANCIAL STATEMENT - continued

(5) LONG-TERM EQUITY INVESTMENTS

	<u>31/12/2005</u>	<u>31/12/2004</u>
	RMB	RMB
Investments in stocks	29,062,400.00	27,562,405.50
Investments in subsidiaries (Note 57(5.2))	1,353,291,052.23	895,032,899.35
Investments in associated (Note 57(5.2))	338,180,224.31	287,974,051.79
Other equity investment (Note 57(5.3))	258,959,876.76	150,911,133.04
Long term equity investment difference (Note 57(5.4))	26,446,495.12	27,791,763.32
Provision for impairment loss on Long-term equity investments	<u>(2,000,000.00)</u>	<u>(2,000,000.00)</u>
Long-term Equity investments-Net	<u>2,003,940,048.42</u>	<u>1,387,272,253.00</u>

Long-term equity investment provision movement as follows:

	<u>RMB</u>
01/01/2005 and 31/12/2005	<u>2,000,000.00</u>

(5.1) Stock investment detail as follows:

<u>Investee</u>	<u>Nature</u>	<u>Stock investment amount</u>	<u>%</u>	<u>Amount</u>	<u>Provision</u>	<u>31/12/2005</u>	<u>Initial</u>
		RMB		RMB	RMB	RMB	
Zhejiang Xinan Chemical Industrial Group Co.,Ltd	Corporation Share	4,760,000	2.09%	5,062,400.00	-	5,062,400.00	5,062,400.00
Yunnan Natual Rubber Industrial Group Co.,Ltd	Corporation Share	13,181,201	1.588%	20,000,000.00	-	20,000,000.00	20,000,000.00
海南天然橡胶产业集团股份有限公司	Corporation Share	4,000,000	0.1272%	<u>4,000,000.00</u>	<u>-</u>	<u>4,000,000.00</u>	<u>4,000,000.00</u>
				<u>29,062,400.00</u>	<u>-</u>	<u>29,062,400.00</u>	<u>29,062,400.00</u>

57. NOTE OF MAIN ITEMS IN FINANCIAL STATEMENT - continued

(5.2) Subsidiaries and Associates :

Investee:	Initial RMB	Addition RMB	Equity addition RMB	Cash bonus obtained RMB	Total RMB	Provision RMB	31/12/2005 RMB	%
Subsidiaries								
SINOCHEM SHIPPING CO., LTD. (HAINAN)	231,800,000.00	-	42,442,126.71	-	160,620,991.54	-	392,420,991.54	95%
SINOCHEM INTERTRANS CO., LTD.	22,000,000.00	-	4,388,326.67	-	12,179,570.74	-	34,179,570.74	93.62%
SINOCHEM MANZHOULI CO., LTD	475,000.00	-	(938,580.77)	-	16,722,391.16	-	17,197,391.16	95%
SINOCHEM XINGZHONG OIL STAGING (ZHOUZHAN) CO., LTD.	105,586,705.97	-	32,271,744.36	(14,924,033.60)	61,560,520.18	-	167,147,226.15	44.8%
SINOCHEM XINGYUAN OIL STAGING (ZHOUZHAN) CO., LTD	31,038,483.27	-	14,661,947.47	-	20,314,022.19	-	51,352,505.46	44.8%
Shanxi Sinochem Wonder Industries Co., Ltd(note)	49,134,953.70	27,340,555.82	(3,006,114.32)	-	(6,834,298.86)	-	69,641,210.66	54.37%
SINOCHEM INTERNATIONAL FZE	6,759,079.86	-	49,070,744.41	-	55,821,010.14	-	62,580,090.00	100%
SINOCHEM INTERNATIONAL (OVERSEAS) PTE. LTD.	49,664,400.00	-	294,915,820.27	-	382,405,562.28	-	432,069,962.28	100%
Sinochem International Taicang Xing Guo Industry Co., Ltd.	73,310,762.89	(73,310,762.89)	36,121,964.41	-	-	-	-	-
Sinochem International Taicang Xing Kai Industly Co., Ltd.	31,038,750.00	(31,038,750.00)	6,310,451.29	-	-	-	-	-
Sinochem International Yuhang Polymer Materials R & D Co. Ltd.	11,880,000.00	(11,880,000.00)	43,493,248.81	-	-	-	-	-
Sinochem International Taicang Xing Nuo Industry Co., Ltd	74,430,000.00	(74,430,000.00)	-	-	-	-	-	-
Sinochem International (Suzhou) Poly material R & D Co., Ltd	9,932,640.00	(9,932,640.00)	-	-	-	-	-	-
SAFE-Transport Chemical Logistics Co., Ltd.	-	24,300,000.00	-	-	-	-	24,300,000.00	90%
Sinochem SanLian PlasticCo.Ltd (Inner Mongolia Autonomous Region)	-	75,750,000.00	-	-	-	-	75,750,000.00	50.5%
Sinochem anLian Plastic Co.Ltd (xishuangbanna)	-	27,000,000.00	(347,895.76)	-	(347,895.76)	-	26,652,104.24	90%
Total	697,050,775.69	(46,201,597.07)	519,383,783.55	(14,924,033.60)	702,441,873.61	-	1,353,291,052.23	
Associates								
中化物流管理(太仓)有限 公司	29,000,000.00	-	26,903,986.55	(2,096,013.45) 48.33%	-	-	(2,096,013.45)	
SHANGHAI NORTHSEA SHIPPING CO., LTD.	53,398,537.50	-	84,282,424.07	(50,000,000.00)	136,130,795.63	-	189,529,333.13	25%
Tai Cang SINOCHEM International Xing Ye Petroleum & Chemical Developing and Construction Co., Ltd	50,000,000.00 50%	-	-	-	-	-	50,000,000.00	
XI'AN JINZHU MODERN CHEMICAL INDUSTRY CO., LTD	2,532,932.06	-	18,019,761.90	-	52,994,947.57	-	55,527,879.63	25%
Sinochem Taicang Wanrong d Spandex Co.,Ltd	12,500,000.00	-	-	-	-	-	12,500,000.00	25%
Jiangyin Sangyang Spandexco.,Ltd	3,719,025.00	-	-	-	-	-	3,719,025.00	25%
Total	151,150,494.56	-	100,206,172.52	(50,000,000.00)	187,029,729.75	-	338,180,224.31	

57. NOTE OF MAIN ITEMS IN FINANCIAL STATEMENT - continued

(5.3) Other long term equity investment as follows:

<u>Investee</u>	Shares in the registered capital of <u>period</u> RMB	Investment the investee % RMB	<u>Amount</u> RMB	<u>Provision</u>	<u>31/12/2005</u>
Sinochem Pudong Trading Co.,Ltd	-	8.00%	2,000,000.00	2,000,000.00	-
Tianjin North Sea Industry Co.,Ltd	15	15.73%	1,878,686.12	-	1,878,686.12
Bank of Communication Qingdao Gangxing Packing Co.,Ltd	-	0.224%	145,849,896.92	-	145,849,896.92
Sinochem International Taicang Xing Nuo Industry Co., Ltd	10	13.52%	682,550.00	-	682,550.00
Sinochem International Taicang Xing Guo Industry Co., Ltd.	50	19.00%	18,859,704.00	-	18,859,704.00
Sinochem International Taicang Xing Kai Industry Co., Ltd.	50	19.00%	52,275,471.04	-	52,275,471.04
Sinochem International Taicang Xing Kai Industry Co., Ltd.	50	19.00%	14,906,541.53	-	14,906,541.53
Sinochem International Yuhang Polymer materials R & D Co., Ltd.	50	19.00%	19,490,758.35	-	19,490,758.35
Sinochem International (Suzhou) Poly material R & D Co., Ltd.	50	19.00%	2,516,268.80	-	2,516,268.80
Futures membership Total	-	-	500,000.00	-	500,000.00
			<u>258,959,876.76</u>	<u>2,000,000.00</u>	<u>256,959,876.76</u>

(5.4) Long term equity investment difference

<u>Investee</u>	<u>initial</u> <u>amount</u> RMB	<u>amortization</u> period	<u>initial</u> RMB	<u>addition</u> RMB	<u>amort this year</u> RMB	<u>31/12/2005</u> RMB	<u>reason</u>
SINOCHEM -XINGZHONG OIL STAGING (ZHOUZHAN) CO., LTD.	14,799,460.47	19	12,204,222.31	-	(778,918.97)	11,425,303.34	investment
Shanxi Sinochem Wonder Industries Co., Ltd	1,602,546.30	25	1,395,550.75	589,444.18	(64,101.85)	1,920,893.08	investment
XI'AN JINZHU MODERN CHEMICAL INDUSTRY CO., LTD	<u>17,467,064.94</u>	16	<u>14,191,990.26</u>	-	<u>(1,091,691.56)</u>	<u>13,100,298.70</u>	investment
Total	<u>33,869,071.71</u>		<u>27,791,763.32</u>	<u>589,444.18</u>	<u>(1,934,712.38)</u>	<u>26,446,495.12</u>	

57. NOTE OF MAIN ITEMS IN FINANCIAL STATEMENT - continued

(6) INVESTMENT INCOME

	Year Ended <u>31/12/2005</u> RMB	Year Ended <u>31/12/2005</u> RMB
Current investments income		
Stock investments	-	596,974.07
Funds investments	(1,647,696.00)	1,627,158.72
Less: Provision for devaluation	<u>1,788,459.48</u>	<u>(1,788,459.48)</u>
Subtotal	<u>140,763.48</u>	<u>435,673.31</u>
 Gains on futures	 <u>6,388,820.21</u>	 <u>7,885,395.73</u>
Long-term investments income		
Share of investee's profit recognized under equity method	496,441,679.33	337,006,342.01
Profits declared by investee under cost method	3,265,717.79	336,000.00
Amortization of long-term equity investment difference	(1,934,712.38)	(1,934,044.65)
Gains / (losses) on disposal of long-term equity investment	<u>(4,951,968.74)</u>	<u>138,123.22</u>
Subtotal	<u>492,820,716.00</u>	<u>335,546,420.58</u>
Total	<u><u>499,350,299.69</u></u>	<u><u>343,867,489.62</u></u>

(7) SALES AND COST OF SALES

ITEM	<u>YEAR ENDED 31/12/2005</u>		<u>YEAR ENDED 31/12/2004</u>	
	<u>SALES</u> RMB	<u>COST OF SALES</u> RMB	<u>SALES</u> RMB	<u>COST OF SALES</u> RMB
IMPORT	2,836,726,495.02	2,688,766,146.42	2,986,692,365.77	2,736,290,279.93
DOMESTIC	4,686,931,549.38	4,533,438,141.52	3,318,133,412.65	3,207,029,119.12
EXPROT	2,387,327,068.36	2,084,331,013.24	3,146,822,368.45	2,307,659,154.31
TRANS-Export	27,578,035.32	21,943,037.28	4,868,713.07	784,070.99
OTHER	-	-	<u>1,116,857.09</u>	<u>814,859.47</u>
TOTAL	<u><u>9,938,563,148.08</u></u>	<u><u>9,328,478,338.46</u></u>	<u><u>9,457,633,717.03</u></u>	<u><u>8,252,577,483.82</u></u>

58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

- (1) In addition to the subsidiaries listed under note 5, the following are related parties where a control relationship exists:

<u>Name</u>	<u>Place of registration</u>	<u>Principal business</u>	<u>Relationship</u>	<u>Nature or type of business</u>	<u>Legal representative</u>
SINOCHEM CORPORATION	Sinochem Mansion A2 Fuxing Men Street Beijing	Importand Export of crude oil perdeues Chemical products Rubber products	Parent Company	State owned	Liu Deshu

- (2) For the related parties where a control relationship exists, the registered capital and the changes therein are as follows (in RMB10,000):

<u>Name</u>	<u>01/01/2005</u>	<u>Addition</u>	<u>Reduction</u>	<u>31/10/2005</u>
Sinochem corporation	334,509.61	-	-	334,509.61

- (3) For the related parties where a control relationship exists, the proportion of equity interest held and changes (in RMB10,000)

<u>Name</u>	<u>01/01/2005</u>		<u>Addition</u>	<u>Reduction</u>	<u>31/12/2004</u>	
	<u>%</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>%</u>	<u>RMB</u>
Sinochem corporation	64.40	54,000.00	33,663.2828	6,732.63	64.35	80,930.6528

- (4) Nature of relationship with related parties where a control relationship does not exist

<u>Name</u>	<u>Relationship with the Company</u>
CHINA TRUST AND INVESTMENT FOR FOREIGN ECONOMIC RELATIONS & TRADE	Same parent company
SINOCHEM INTERNATIONAL FERTILIZER TRADING CORD	Same parent company
CHINA JINMAO (GROUP) CO, LTD.	Same parent company
SINOCHEM INTERNATIONAL TENDERING CO., LTD	
LIFENG CO., LTD. HK	Same parent company
SINOCHEM NINGBO IMPORT & EXPORT CO., LTD.	Same parent company
CHEMTRANS SHIPPING	Same parent company
China New Technology Development Trade Co., Ltd	Same parent company
SINOCHEM EUROPE CAPITAL CORPORATION LTD.,	Same parent company
ZHOUSHAN ZHONGWEI OILSTORE CO., LTD.	Associate
HAITONG TUG & BARGE CO., LTD. ZHOUSHAN PORT	Associate
XI'AN JINZHU MODERN CHEMICAL INDUSTRY CO., LTD.	Associate
SINOCHEM COGISTICS COMPANY LTD.	Associate
OTHER SUBSIDIARIES OF SINOCHEM GROUP	Same parent company

58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(5) Significant transactions between the Company and the above related parties in current year:

(a) Sales and purchases

Sales and purchases transactions between the Company and its related parties are as follows:

	Year ended <u>31/12/2005</u> RMB	Year ended <u>31/12/2004</u> RMB
Sales		
XI'AN JINZHU MODERN CHEMICAL INDUSTRY CO., LTD.	5,075,547.09	8,152,877.78
Other Subsidiaries of Sinochem Corporation	<u>172,546,301.93</u>	<u>211,028,974.37</u>
Total	<u><u>177,621,849.02</u></u>	<u><u>219,181,852.15</u></u>
Purchases		
Other Subsidiaries of Sinochem Corporation	<u>50,843,604.95</u>	<u>126,682,665.24</u>

Sales and purchases prices between the Company and its related parties are based on the negotiated or agreed prices.

(b) Others

	Year ended <u>31/12/2005</u> RMB	Year ended <u>31/12/2004</u> RMB
Other operational income		
-Administration fee - ZHOUSHAN ZHONGWEI OILSTORE CO., LTD	<u>687,337.70</u>	<u>695,248.40</u>
- Rentals Expenses		
- CHINA JINMAO (GROUP) CO, LTD.	18,795,425.12	14,337,165.99
- CHEMTRANS SHIPPING	<u>5,881,055.77</u>	<u>17,496,597.89</u>
Total	<u><u>24,676,480.89</u></u>	<u><u>31,833,763.88</u></u>

58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(5) Significant transactions between the Company and the above related parties in current year: -
continued

(b) Others - continued

	<u>Year ended</u> <u>31/12/2005</u> RMB	<u>Year ended</u> <u>31/12/2004</u> RMB
Interest Expenses		
- CHINA TRUST AND INVESTMENT CORPORATION		
ECONOMIC RELATIONS & TRADE	612,310.68	2,313,049.50
Share transferred to:		
-SINOCHEM INTERNATIONAL		
FERTILIZER TRADING CORP	-	421,085.00
-China New Technology Development		
Trade Co., Ltd (Note)	54,894,932.76	-
-SINOCHEM EUROPE CAPITAL		
CORPORATION LTD (Note)	39,446,862.08	-
Total	<u>94,341,794.84</u>	<u>421,085.00</u>

Note: See note 49.

Share purchased from:
SINOCHEM NINGBO IMPORT &
EXPORT CO., LTD

2,000,000.00	-
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Subsidiary company SINOCHEM SHIPPING CO., LTD. (HAINAN) and SINOCHEM INTERTRANS CO., LTD. spend RMB 500K and 1500K respectively on 10% and 30% share of NINGBO SINOCHEM INTERTRANS CO., LTD. held by SINOCHEM NINGBO IMPORT & EXPORT CO., LTD. After the buy-out, SINOCHEM SHIPPING CO., LTD. (HAINAN) and SINOCHEM INTERTRANS CO., LTD. hold 10% and 90% share of NINGBO SINOCHEM INTERTRANS CO., LTD. respectively.

Receipt of guarantee
-ZHOU SHAN ZHONGWEI OILSTORE
CO., LTD(注)

35,000,000.00	-
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Note: Refer to Note 23(3).

Other transactions with related company are based on the negotiated or agreed prices.

58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(5) Significant transactions between the Company and the above related parties in current year: - continued

(c) Amounts due to/from related companies

<u>Accounts</u>	<u>Name of the related parties</u>	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Accounts receivable	XI'AN JINZHU MODERN CHEMICAL INDUSTRY CO., LTD. Other subsidiaries of Sinochem Group	- 28,753,004.99	839,917.10 29,424,967.31
Total		<u>28,753,004.99</u>	<u>30,264,884.41</u>
Other receivables	XI'AN JINZHU MODERN CHEMICAL INDUSTRY CO., LTD. CHINA JINMAO (GROUP) CO., LTD HAITONG TUG & BARGE CO., LTD ZHOU SHANG PORT	- 4,276,109.79 350,628.26	8,000,000.00 3,316,783.85 244,927.58
Total		<u>4,626,738.05</u>	<u>11,561,711.43</u>
Accounts payable	Other subsidiaries of Sinochem Group	<u>564,051.02</u>	<u>784,922.86</u>
Other payables	Tai Cang SINOCHEM International Xing Ye Petroleum & Chemical Developing and Construction Co., Ltd. Other subsidiaries of Sinochem Group	29,900,000.00 3,961,448.59	- 606,600.89
Total		<u>33,861,448.59</u>	<u>606,600.89</u>
Advances from Customers	XI'AN JINZHU MODERN CHEMICAL INDUSTRY CO., LTD Other subsidiaries of Sinochem Group	132,651.40 5,944,293.05	- 1,613,890.84
Total		<u>6,076,944.45</u>	<u>1,613,890.84</u>
Prepayments	Other subsidiaries of Sinochem Group	<u>43,150.00</u>	<u>3,086,509.61</u>
Dividends Receivable	ZHOUSHAN ZHONGWEI OILSTORE CO., LTD	<u>2,278,193.35</u>	<u>6,154,813.87</u>
Dividends Payable	LIFENG CO., LTD. HK SINOCHEM NINGBO IMPORT & EXPORT CO., LTD	592,429.15 12,482.44	16,264,285.40 12,482.44
Total		<u>604,911.59</u>	<u>16,276,767.84</u>

58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(5) Significant transactions between the Company and the above related parties in current year: - continued

(c) Amounts due to/from related companies - continued

<u>Accounts</u>	<u>Name of the related parties</u>	<u>31/12/2005</u> RMB	<u>31/12/2004</u> RMB
Notes receivable	SINOCHEM INTERNATIONAL FERTILIZER TRADING CORD	-	26,758,000.00
Short-term loans	CHINA TRUST AND INVESTMENT FOR FOREIGN ECONOMIC RELATIONS & TRADE	-	30,000,000.00

Except for short-term loans no fixed repayment schedule interest commitment, mortgage or guarantee is included in the amount due to/from related companies.

(d) Trademark use right.

According to the Agreement on Trademark use right warranty and its supplemental agreement between the Company and the formic National chemicals Import & Export corporation, (now SINOCHEM CORPORATION), the Company is entitled to free of charge usage of the trademark "SINOCHEM" (service trademark) and "中化 SINOCHEM" (product and service trademark) owned by the sinochem Group. The registration code of the trademark is 875,907.

(e) Salary of important management staff

	<u>Year ended</u> <u>31/12/2005</u> RMB'000	<u>Year ended</u> <u>31/12/2004</u> RMB'000
Salary of important management staff	903.25	456.57

59. COMMITMENTS

(1) Capital Commitments

	<u>31/12/2005</u> RMB'000	<u>31/12/2004</u> RMB'000
Capital expenditure contracted for but not provided in the financial statements		
- Commitment for acquisition of assets	<u>629,665</u>	<u>622,278</u>

(2) Operating Lease Commitments

At the balance sheet date, the Company has outstanding commitments in respect of non-cancellable operating leases, which fall due as follows

	<u>31/12/2005</u> RMB'000	<u>31/12/2004</u> RMB'000
The minimum lease payments under non-cancellable operating leases:		
Within one year	32,614	24,615
In the second year	12,661	14,108
In the third year	2,413	5,542
Over three years	<u>20,421</u>	<u>20,935</u>
Total	<u>68,109</u>	<u>65,200</u>

60. OTHER IMPORTANT ITEMS

Up to December 31, 2005, the guarantee provided by the company includes: guarantee 90 million bank loan for Shanxi Sinochem Wonder Industries Co., Ltd; guarantee 79.81 million warrant for SINOCHEM SHIPPING CO., LTD. (HAINAN)

61. Authorization of financial statement

Company and consol level financial statements have been authorized by board of directors of the company on March 10, 2006.

* * END OF FINANCIAL STATEMENTS * * *

Supplement information
2005

1、 Overall Apportionment and weighted average of return on equity and income per share

Year ended 31/12/2005

	<u>Profit of year 2005</u>		<u>Return on equity</u>		<u>Income per share</u>	
	<u>Overall Apportionment</u>	<u>Weighted average</u>	<u>Overall Apportionment</u>	<u>Weighted average</u>	<u>Overall Apportionment</u>	<u>Weighted average</u>
Gross profit	41.42%	45.66%	1.02	1.02		
Operating profit	25.56%	28.17%	0.63	0.63		
Net profit	23.01%	25.36%	0.57	0.57		
Net profit deducting no-recurring gain and loss	21.26%	23.43%	0.52	0.52		

2、 Provision

Item	<u>01/01/2005</u>		<u>Addition</u>		<u>reserval</u>		<u>transfer-out</u>		<u>31/12/2005</u>	
	<u>Consolidation</u>	<u>Company</u>	<u>Consolidation</u>	<u>Company</u>	<u>Consolidation</u>	<u>Company</u>	<u>Consolidation</u>	<u>Company</u>	<u>Consolidation</u>	<u>Company</u>
Provision for bad debts	43,132,502.77	42,248,070.95	6,641,448.17	5,911,750.00	(925,669.50)	(58,026.05)	-	-	48,848,281.44	48,101,794.90
Account Receivable	32,168,245.72	31,842,715.84	697,611.71	95,000.00	(386,767.56)	(58,026.05)	-	-	32,479,089.87	31,879,689.79
Other receivable	10,964,257.05	10,405,355.11	5,943,836.46	5,816,750.00	-	(538,901.94)	-	-	16,369,191.57	16,222,105.11
Current investment										
Provision for decline in value including: fund investment	1,788,459.48	1,788,459.48	-	-	(1,788,459.48)	(1,788,459.48)	-	-	-	-
Inventories Provision for decline in value	29,138,683.77	17,048,281.53	-	-	(3,336,443.82)	(3,336,443.82)	(12,090,402.24)	-	-13,711,837.71	13,711,837.71
inventories in warehouse purchase	29,138,683.77	17,048,281.53	-	-	(3,336,443.82)	(3,336,443.82)	(12,090,402.24)	-	13,711,837.71	13,711,837.71
Impairments loss on Long-term investment	2,669,194.44	2,000,000.00	-	-	-	-	-	-	2,669,194.44	2,000,000.00
Long-term equity investment	2,669,194.44	2,000,000.00	-	-	-	-	-	-	2,669,194.44	2,000,000.00
Impairments loss on fixed assets	12,030,628.14	1,481,191.09	-	-	-	-	(10,549,437.05)	-	1,481,191.09	1,481,191.09
Including: machine	10,549,437.05	-	-	-	-	-	(10,549,437.05)	-	-	-
Office equipment	1,481,191.09	1,481,191.09	-	-	-	-	-	-	1,481,191.09	1,481,191.09