SINOPEC ZHENHAI REFINING & CHEMICAL COMPANY LIMITED

(a joint-stock limited company incorporated in the People's Republic of China)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003

The Board of Directors ("the Directors") of Sinopec Zhenhai Refining & Chemical Company Limited ("the Company") is pleased to present the interim results of the Company and its subsidiaries ("the Group") for the six-month period ended 30 June 2003. The interim financial report is unaudited.

Interim Financial Report prepared in accordance with IAS 34 "Interim Financial Reporting"

This interim financial report is unaudited, but has been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants, by KPMG, whose unmodified review report to the Directors is included in the interim financial report to be distributed to shareholders.

Consolidated Income Statement
For the six-month period ended 30 June 2003 *(unaudited)*
(Amounts expressed in thousands, except per share data)

		Six-month period ended 30 June	
	Note	**2003**	2002
		RMB	*RMB*
Turnover		**13,407,666**	9,887,594
Less: Business taxes and surcharges		**(469,497)**	(485,738)
Net sales		**12,938,169**	9,401,856
Cost of sales		**(11,901,566)**	(8,543,962)
Gross profit		**1,036,603**	857,894
Other operating income		**24,202**	18,591
Selling and administrative expenses		**(237,448)**	(231,546)
Other operating expenses		**(16,292)**	(11,816)
Net loss on disposal of property, plant and equipment		**(13,292)**	(9,955)
Profit from operations		**793,773**	623,168
Net financing costs		**(36,699)**	(30,917)
Share of profits less (losses) from associates		**(8,288)**	1,134
Profit from ordinary activities before taxation	*3*	**748,786**	593,385
Income tax expense	*4*	**(224,379)**	(140,972)
Profit attributable to shareholders	*2*	**524,407**	452,413
Dividends attributable to the period:			
Interim dividend declared after the balance sheet date	*5(a)*	**126,188**	100,950
Earnings per share			
— Basic	*6(a)*	**RMB 0.21**	RMB 0.18
— Diluted	*6(b)*	**RMB 0.21**	RMB 0.18

Notes to the Unaudited Interim Financial Report

1 Principal activities and basis of preparation

The Group is principally engaged in the production and sale of petroleum products (including gasoline, diesel, kerosene, naphtha, liquefied petroleum gas, solvent oil and fuel oil), intermediate petrochemical products, asphalt, urea and other petrochemical products. Gasoline, diesel and kerosene are three major products of the Group. China Petroleum & Chemical Corporation ("Sinopec Corp") is the immediate parent company and China Petrochemical Corporation ("Sinopec Group Company") is the ultimate parent company.

The interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" adopted by the International Accounting Standards Board ("IASB").

The financial information relating to the financial year ended 31 December 2002 included in the interim financial report does not constitute the Company's annual financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2002 are available from the Company's registered office. The Company's independent auditors have expressed an unqualified opinion on those financial statements in their report dated 17 April 2003.

The accounting policies have been consistently applied by the Group and are consistent with those adopted in the 2002 annual financial statements.

The 2002 annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2 Segment reporting

The Group conducts the majority of its business activities in two areas, refining and chemicals. An analysis of business segment is as follows:

	Six-month period ended 30 June 2003			
	Refining	**Chemicals**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Net sales	**12,855,238**	**326,675**	**(243,744)**	**12,938,169**
Cost of sales	**(11,888,886)**	**(256,424)**	**243,744**	**(11,901,566)**
Gross profit	**966,352**	**70,251**	**—**	**1,036,603**
Other operating income				**24,202**
Selling and administrative expenses				**(237,448)**
Other operating expenses				**(16,292)**
Net loss on disposal of property, plant and equipment				**(13,292)**
Profit from operations				**793,773**
Net financing costs				**(36,699)**
Share of profits less (losses) from associates				**(8,288)**
Profit from ordinary activities before taxation				**748,786**
Income tax expense				**(224,379)**
Profit attributable to shareholders				**524,407**

	Six-month period ended 30 June 2002			
	Refining	Chemicals	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net sales	9,262,768	303,453	(164,365)	9,401,856
Cost of sales	(8,467,675)	(240,652)	164,365	(8,543,962)
Gross profit	795,093	62,801	—	857,894
Other operating income				18,591
Selling and administrative expenses				(231,546)
Other operating expenses				(11,816)
Net loss on disposal of property, plant and equipment				(9,955)
Profit from operations				623,168
Net financing costs				(30,917)
Share of profits less (losses) from associates				1,134
Profit from ordinary activities before taxation				593,385
Income tax expense				(140,972)
Profit attributable to shareholders				452,413

Segment information is presented in respect of the Group's business segments. The format of which is based on the Group's management and internal reporting structure.

Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by Sinopec Corp's policy.

The Group conducts the majority of its business activities in two areas, refining and chemicals. The specific products of each segment are as follows:

(a) The refining segment is principally engaged in the production and sale of petroleum products, intermediate petrochemical products and other petrochemical products. Gasoline, diesel and kerosene are three major products of the segment.

(b) The chemical segment is principally engaged in the production and sale of urea.

3 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2003	2002
	RMB'000	*RMB'000*
Interest expense on		
— Bank borrowings wholly repayable within five years	**48,110**	39,982
— Convertible bonds	**72**	72
Less: Amount capitalised as projects in progress	**(15,268)**	(10,425)
Interest expense, net	**32,914**	29,629
Cost of inventories	**11,563,227**	8,351,320
Depreciation and amortisation	**373,344**	338,386
Provision for impairment of associates	**10,000**	—
Dividend income from other investments	**(2,758)**	(2,721)
Interest income	**(3,638)**	(2,825)

4 Income tax expense

	Six-month period ended 30 June	
	2003	2002
	RMB'000	*RMB'000*
Current tax expense		
— Current period	**219,235**	132,360
— Under provision in respect of prior years	**5,079**	—
	224,314	132,360
Deferred taxation	**(2,606)**	5,443
Share of associates' income tax	**2,671**	3,169
	224,379	140,972

Individual companies within the Group are mainly subject to Enterprise Income Tax ("EIT") at 33% on taxable income determined according to the PRC tax laws.

Pursuant to the document "Cai Shui Zi 1994 No.1" issued by the Ministry of Finance ("MOF") and State Administration of Taxation of China ("SAT") on 29 March 1994, the Group is eligible to certain EIT preferential treatments because of its recycling of certain wasted materials. The amount of EIT refund was RMB9,833,000 (2002: RMB43,077,000).

Pursuant to the document "Cai Shui Zi 1999 No. 290" issued by the MOF and SAT on 8 December 1999, the Group is eligible to certain EIT preferential treatments because of its purchase of certain domestic equipment for technical improvement. The amount of EIT refund was RMB24,113,000 (2002: Nil).

The Group did not carry on business overseas and in Hong Kong and therefore does not incur overseas and Hong Kong Profits Tax.

5 Dividends

(a) Dividends attributable to the period:

	Six-month period ended 30 June	
	2003	2002
	RMB'000	*RMB'000*
Interim dividend declared after the balance sheet date of RMB0.05 per share (2002: RMB0.04 per share)	**126,188**	100,950

The interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, and approved during the period:

	Six-month period ended 30 June	
	2003	2002
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the period, of RMB0.08 per share (2002: RMB0.035 per share)	**201,900**	88,332

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of RMB524,407,000 for the six-month period ended 30 June 2003 (2002: RMB452,413,000) and the weighted average number of ordinary shares of 2,523,754,468 (2002: 2,523,754,468) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the adjusted profit attributable to ordinary shareholders of RMB524,455,000 for the six-month period ended 30 June 2003 (2002: RMB452,462,000) and the weighted average number of ordinary shares of 2,525,357,000 (2002: 2,525,357,000) after adjusting for the effects of all dilutive potential ordinary shares.

7 Reserves

No transfers were made to the statutory surplus reserve, the statutory public welfare fund nor the discretionary surplus reserve from profit attributable to shareholders for the six-month period ended 30 June 2003 (2002: Nil).

8 Comparative figures

The presentation and classification of certain cost and expense items in the consolidated income statement for the six-month period ended 30 June 2002 have been changed to conform with the current period's presentation and classification.

Dividends

The Directors have declared an interim dividend of Renminbi ("RMB") 0.05 per share, or a total of RMB126.19 million for the year ending 31 December 2003. The dividend will be paid on 20 October 2003 to shareholders whose names appear on the Company's register of members on 13 September 2003. Dividends payable to China Petroleum & Chemical Corporation, the Company's controlling shareholder, will be paid in RMB, while dividends payable to holders of H shares will be paid in Hong Kong dollars at an exchange rate of RMB1.0609 for HK$1.00, being the average of the basic rates of RMB for Hong Kong dollars published by the People's Bank of China in the calendar week immediately before the date of the declaration of dividend (22 August 2003). Accordingly, each H share of the Company is entitled to an interim dividend of HK$0.047.

Register for the Transfer of Shares

The register of members of the Company will be closed from 9 September 2003 to 13 September 2003 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the 2003 interim dividend, holders of H shares of the Company must lodge their transfers together with all relevant share certificates to the Company's H share registrar, Hong Kong Registrars Limited at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4 p.m. on 8 September 2003.

Review of Operations for the First Half of 2003

During the first half of 2003, the Group encountered the challenge brought by the war between the US and Iraq and the sudden outbreak of Severe Acute Respiratory Syndrome ("SARS") in the PRC. The Group faced the difficulties and rose to the occasion with satisfactory results for the period. The throughput of feedstock reached 6,233,200 tonnes (including 428,000 tonnes of crude oil for third-party processing), representing an increase of 5.48 per cent from that of the same period last year. Profit attributable to shareholders increased by 15.91 per cent when compared with that of the same period last year to RMB524 million, while the Group's total earnings continued to rank the highest among domestic refining companies. The Group's performance fully reflected its ability to react to a difficult and changing market environment and its strong earning power.

The US' war with Iraq had led to fluctuations in the prices of international crude oil and petroleum products in the first half of the year, and had thus increased the risk in operation. On the one hand, the Company had closely monitored the international market changes and stepped up efforts in tracking and analyzing market trend, to achieve swift response and decision making in accordance with the prevailing situation. With respect to crude oil, the Company purchased crude oil at appropriate timing and maintained a reasonable inventory level of crude oil. Meanwhile, the Company achieved a higher production to sales ratio and intensified its marketing efforts and increased output to achieve higher sales when the prices of petroleum products and self-distributed products hovered at high levels. All these efforts were made to mitigate the impact of the war. On the other hand, the Company seized the market opportunities by taking advantage of its scale of operations, and through participation in third-party processing business and increasing export volume to increase its total processing volume. The throughput of crude oil for third-party processing business was 428,000 tonnes in the first half of the year, which represented a 283.10 per cent increase over that of the same period last year, while the facility capacity utilisation rate rose by 5.40 percentage points. Despite increased external uncertainties, the Company's refining margin increased by US$0.80 per barrel ("$/bbl") to 4.95 $/bbl when compared with that of same period last year.

Since April, the Company had been committed to taking precautionary measures against the SARS epidemic, while maintaining efficient production and operation. First, the Company took effective measures to ensure stability in its workforce, production and operation. Second, the Company strove to adjust the facility capacity utilisation rate and to fine-tune its operational process, in order to enhance processing intensity. The Company had also adjusted and optimised its product mix, by increasing the production of high value-added products such as liquefied petroleum gas ("LPG"), solvent oil and propylene and reducing the output of jet fuel in phases. By cooperating with local petroleum product distributors, the Company actively explored the market for jet fuel substitutes to alleviate the selling pressure on jet fuel. Third, the Company captured the opportunities to export its products, through which the Company was able to maintain its initiative in production and operation. All these measures had contributed to the Company's satisfactory results amid the SARS epidemic.

During the first half of the year, the Company also finished the planned overhauls of two batches of facilities, resulting in further improvement in the equipment technical level, operation reliability and degree of control via the Distributed Control System (DCS). The improvements had laid the groundwork for arranging facility overhaul once every three years in the future. Despite a shorter effective production period owing to the overhauls, the total throughput of feedstock was still higher than that of the same period last year, with further improvement in various technical and economic indicators. The refining composite commercial yield for the interim period was 93.93 per cent, representing a 0.13 percentage point increase from that of the same period last year. Light oil yield rose by 0.32 percentage point to 73.17 per cent when compared with that of the same period last year, while the added value of the products increased further.

Construction of the 1 million tonnes per annum ("tpa") Continuous Catalytic Reforming (CCR) and 450,000 tpa Paraxylene ("PX") units were completed during the first half of the year. The refining comprehensive processing capacity of the Company reached 16 million tpa, which further enhanced the Company's competitive edge and signifies a major step in the integration of its refining and chemical operations, while striving to strengthen and further expand its core business in refining.

Prospects for the Second Half of 2003

In the second half of 2003, China's economy will continue to experience a steady, fast and healthy growth. The GDP growth rate of China for the entire year is expected to reach a relatively high level of 7 per cent. In addition, the rapid growth in China's automobile consumption will drive further demand for petroleum products. With effect from 1 July 2003, China has adopted more stringent environmental standards for gasoline for automobile and implemented measures that support "price for quality", which is expected to facilitate the Company's profit growth. It is expected that the refining margin will remain at a relatively healthy level in the second half of 2003. Although the commissioning of the new facilities will increase part of the costs and expenses, on the whole, the Company is confident in maintaining continued and steady profitability for the full year.

In the second half of 2003, the Company will seize the favourable opportunity of rising demand for domestic petroleum products by taking advantage of its scale of operations and technology, in order to optimise the composition of feedstock and business structure. The Company also strives to raise the utilisation rate to increase the total sales volume. For the second half of the year, the Company plans to process 6,700,000 tonnes of crude oil (including 400,000 tonnes of crude oil for third-party processing) and strives to achieve the target throughput of crude oil of 13 million tonnes for the full year.

The Company will focus on fine-tuning the new production process formulated after the commissioning of the new facilities such as the PX and CCR units, and will strive to maintain efficient production, lower cost and increase output, in order to create new profit centres. Through efficient operating of the circulating fluidizedbed (“CFB”) boiler, the Company will integrate its refining and chemical operations further. The Company will fully utilise its facilities, which have been upgraded after the overhauls, to increase the throughput of sour crude oil and heavy crude oil, to enhance the yield of high value-added products and to improve the various technical and economic indicators. The Company will also take advantage of its existing production facilities for high-grade clean gasoline to increase the output of high-grade clean gasoline. The Company will maintain its unit refining cash operating cost and unit complete expense at an advanced level in the domestic industry by continuing to take advantage of its approach in low-cost fuel oil processing and by capitalising on advanced technology to further reduce cost and increase profit.

The Company will pay close attention to changes in market demand, and adjust its marketing strategies and positioning accordingly. While ensuring the ex-factory staple products such as gasoline, diesel, kerosene are sold in accordance with the sales plan, the Company will intensify its efforts in selling self-distributed products and capture the opportunities to sell its major self-distributed products at higher prices, in order to improve self-distributed products’ profit contribution to the Company. In accordance with the PX products and the progress of the polypropylene (“PP”) project, operation of which is scheduled to commence early next year, the Company will make an early move in conducting market research and exploring the market for chemical raw materials.

The Company will develop an information-based supporting system for decision-making based on its streamlined management and the one-path implementation of its Enterprise Resource Planning (ERP) programme commenced during the first half of the year. In order to further fine-tune its operating structure, as well as to enhance its management quality and efficiency, the Company will actively push forward with the reforms regarding diversion, and will make formal announcement of the Health, Safety and Environment (HSE) management system, which will incorporate the ISO quality system in its operation.

The Company will focus on the construction of new projects, ensuring that the second CFB boiler of the chemical fertiliser fuel conversion project “replacing oil by coal as a source of energy” will be completed during the year and striving to complete the construction of a PP unit during the year, and to commence the operation of the PP unit early next year. And according to the changes in market demand, the Company will resume the construction of the disproportionation of aromatics sector for the production of PX, striving to expand its PX production capacity to 650,000 tpa (550,000 tpa of PX and 100,000 tpa of orthoxylene) in 2004. The Directors believe the implementation of the aforesaid projects will establish a solid foundation for the Company’s development in the coming years.

New Board of Directors and Supervisory Committee

The annual general meeting held on 20 June 2003 elected members of the Board of Directors and the Supervisory Committee for a new term of office of three years, details of which were published in Hong Kong newspapers, South China Morning Post and Wen Wei Po on 23 June 2003.

External Investment

The Company together with BP Global Investment Ltd establishes a joint-venture company (“JVC”) for the sale of liquefied petroleum gas (“LPG”). The total investment amount of the JVC is US$25 million, including a registered capital of US$10 million. The Company and BP Global Investment Ltd will each hold 50 per cent interest of the JVC. The establishment of the JVC has been approved by the relevant department of the State, and the relevant procedures for business registration have been completed. The Company plans to sell all of the LPG produced by the Company to the JVC.

Loans to Third Party and Overdue Time Deposit

The Company did not have any loans to third party or any overdue time deposit as at 30 June 2003.

Purchase, Sale and Redemption of the Company’s Listed Securities

During the period ended 30 June 2003, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Appointment of Auditors

Pursuant to the approval of the annual general meeting held on 20 June 2003, KPMG was appointed as the Company's auditors for the year of 2003. The term is one year to the conclusion of the next annual general meeting.

Code of Best Practice

The first meeting of the fourth Board of Directors held on 20 June 2003 elected the members of the Audit Committee of the Board of Directors. The organisational structure of the Audit Committee is in compliance with the Code of Best Practice in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Audit Committee of the Company carries out functions similar to those of an audit committee as defined under the Code of Best Practice.

The Audit Committee held a meeting on 22 August 2003 to review the "2003 interim financial report".

The Directors were not aware of any information which reasonably indicated that the Company had not complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the first half of 2003.

Other Disclosure Items

There has been no material change from the information disclosed in accordance with the requirements under paragraphs 46 and 32 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to the information contained in the 2002 Annual Report. A detailed interim results announcement of the Company containing all the information required by paragraphs 46(1) to 46(6) (both paragraphs inclusive) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited at an appropriate time.

By Order of the Board
Sun Weijun
Chairman

22 August 2003, Ningbo, the PRC

Please also refer to the published version of this announcement in the South China Morning Post.