



JILIN CHEMICAL INDUSTRIAL COMPANY LIMITED

吉林化學工業股份有限公司

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

(Stock Code: 0368)

ANNOUNCEMENT

THIRD QUARTERLY REPORT FOR 2004

Highlights of the results of the Company for the nine months ended September 30 2004:

From January 1 to September 30, 2004, the Company's turnover and net profit amounted to RMB20,272,595,485 and RMB2,253,460,441 respectively, representing increases of 45% and 547% from those of the corresponding period of the previous year respectively.

All the financial information set out in this quarterly report has been prepared under the PRC GAAP and in compliance with the requirements of the Shenzhen Stock Exchange. The Company's quarterly report is unaudited.

1. IMPORTANT NOTICE

- 1.1 The board of directors (the "Board") of Jilin Chemical Industrial Company Limited (the "Company") and the directors collectively and individually accepts full responsibility for the authenticity, accuracy and completeness of the information contained in this quarterly report and believes that there are no misrepresentations, misleading statements or material omissions contained in this quarterly report.
- 1.2 The Company's directors Xu Fengli, Ni Muhua, Lan Yunsheng, Lü Yanfeng, Wang Peirong and Fanny Li did not attend the board meeting. Directors Xu Fengli, Ni Muhua, Lan Yunsheng appointed chairman Yu Li and independent directors Lü Yanfeng, Wang Peirong and Fanny Li appointed independent director Zhou Henglong, respectively, to attend and vote on their behalf in respect of the resolutions considered at the meeting.
- 1.3 The third quarterly report of the Company is unaudited.
- 1.4 The chairman, Yu Li, the chief financial officer (deputy chief accountant), Zhang Liyan, and the head of the financial department, Liao Hongwei, declare that they accept full responsibility for the truthfulness and completeness of the financial statements contained in this quarterly report.

2. COMPANY PROFILE

2.1 General information regarding the Company

Abbreviation	A shares: ST Jihua	H shares: Jilin Chemical	
Stock Exchange	Shenzhen Stock Exchange	Hong Kong Stock Exchange	New York Stock Exchange
Stock code	000618	0368	JCC

	Secretary to the Board	Securities representative
Name	Zhang Liyan	Nil
Telephone	0432-3903651	
Contact address	No. 9 Longtan Street, Longtan District, Jilin City, Jilin Province, PRC	
Facsimile	0432-3028126	
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2.2 Financial information

2.2.1 Major Accounting Figures and Financial Benchmarks

	As at September 30, 2004	As at December 31, 2003	In Rmb Yuan Increase/(decrease) as at September 30, 2004 compared with as at December 31, 2003 (%)
Total assets	13,567,115,692.00	13,434,897,838.00	0.98
Shareholder's equity			
(excluding minority interests)	5,533,324,819.00	3,279,864,378.00	68.71
Net assets per share	1.55	0.92	68.48
Adjusted net assets per share	1.52	0.86	76.74
			Increase/(decrease) during the reporting period compared with the same period of last year (%)
	During the reporting period	From January 1, 2004 to September 30, 2004	
Net cash flows from operating activities	1,444,282,084.00	2,923,033,849.00	29.74
Earning per share	0.46	0.63	1,433.33
Return on net assets (%)	29.79	40.73	26.45
Return on net assets after non-operating profit/loss (%)	30.01	41.66	25.23
Note: non-operating profit/loss			Amounts
1. Loss on disposal of fixed assets			44,011,067.00
2. Loss on non-seasonal shut down			8,184,500.00
3. Write-back of provision for diminution in value of assets			-1,570,546.00
4. Other non-operating income			1,146,960.00
Total			<u>51,771,981.00</u>

2.2.2 Profit Statement

Unaudited profit statement for the period from January 1, 2004 to September 30, 2004

Items	<i>In Rmb Yuan</i>			
	From January 1 to September 30, 2004 Consolidated (Unaudited)	From January 1 to September 30, 2003 Consolidated (Unaudited)	From January 1 to September 30, 2004 Parent Company (Unaudited)	From January 1 to September 30, 2003 Parent Company (Unaudited)
1. INCOME FROM PRINCIPAL OPERATION	20,272,595,485	13,941,140,517	20,249,122,782	13,867,798,773
Less: Cost of principal operation	(17,010,650,379)	(12,302,640,644)	(16,965,599,703)	(12,254,551,536)
Tax of principal operation and other levies	(565,409,565)	(501,240,133)	(565,409,565)	(501,240,133)
2. PROFIT FROM PRINCIPAL OPERATION	2,696,535,541	1,137,259,740	2,718,113,514	1,112,007,104
Add: Other operating (loss)/profit	(35,648,241)	(5,064,673)	(43,443,859)	7,544,202
Less: Operating expenses	(20,432,509)	(23,206,934)	(20,424,375)	(23,119,645)
Administrative expenses	(485,391,129)	(381,949,420)	(468,975,866)	(365,497,427)
Financial expenses, net	(213,879,720)	(362,788,133)	(209,564,865)	(358,092,581)
3. OPERATING PROFIT	1,941,183,942	364,250,580	1,975,704,549	372,841,653
Add: Investment income/(loss)	25,360,938	5,129,961	3,710,860	(2,171,356)
Subsidy income	-	502,000	-	502,000
Non-operating income	5,800,915	8,684,082	5,772,197	8,623,764
Less: Non-operating expenses	(100,704,333)	(32,652,720)	(98,227,985)	(32,135,675)
4. TOTAL PROFIT	1,871,641,462	345,913,903	1,886,959,621	347,660,386
Less: Income tax	366,500,820	-	366,500,820	-
Minority interests	15,318,159	2,125,638	-	-
5. NET PROFIT	2,253,460,441	348,039,541	2,253,460,441	347,660,386

Unaudited profit statement for the period from July 1, 2004 to September 30, 2004

Items	<i>In Rmb Yuan</i>			
	From July 1 to September 30, 2004 Consolidated (Unaudited)	From July 1 to September 30, 2003 Consolidated (Unaudited)	From July 1 to September 30, 2004 Parent Company (Unaudited)	From July 1 to September 30, 2003 Parent Company (Unaudited)
1. INCOME FROM PRINCIPAL OPERATION	7,715,878,932	5,056,011,731	7,703,580,892	5,032,499,406
Less: Cost of principal operation	(6,055,172,908)	(4,500,338,885)	(6,044,399,024)	(4,484,059,747)
Tax of principal operation and other levies	(199,044,499)	(174,728,494)	(199,044,499)	(174,728,494)
2. PROFIT FROM PRINCIPAL OPERATION	1,461,661,525	380,944,352	1,460,137,369	373,711,165
Add: Other operating (Loss)/profit	3,948,800	(8,247,479)	1,508,024	(4,383,127)
Less: Operating expenses	(4,356,284)	(8,296,898)	(4,355,194)	(8,272,146)
Administrative expenses	(114,913,317)	(137,402,818)	(109,818,668)	(131,588,881)
Financial expenses, net	(64,546,981)	(118,755,970)	(63,203,180)	(117,315,665)
3. OPERATING PROFIT	1,281,793,743	108,241,187	1,284,268,351	112,151,346
Add: Investment income/(loss)	11,797,546	2,528,332	11,557,884	(936,323)
Subsidy income	-	-	-	-
Non-operating income	4,107,034	8,399,208	4,106,434	8,399,208
Less: Non-operating expenses	(18,359,207)	(12,765,644)	(18,060,975)	(12,547,528)
4. TOTAL PROFIT	1,279,339,116	106,403,083	1,281,871,694	107,066,703
Less: Income tax	366,500,820	-	366,500,820	-
Minority interests	2,532,578	663,620	-	-
5. NET PROFIT	1,648,372,514	107,066,703	1,648,372,514	107,066,703

2.3 As at September 30, 2004, the Company had a total of 63,698 shareholders.

As at September 30, 2004, the total shareholders and the top ten shareholders of listed shares of the Company were as follows:

Total number of shareholders as at September 30, 2004 63,698 shareholders

Information concerning the top ten shareholders of listed share of the Company

Name of shareholders	Class	Number of listed shares held (shares)
Buo Shi Shares and Securities Investment Funds	A shares	1,928,262
Chen Yu	A shares	1,870,000
Zhang Li	A shares	1,510,000
Qiao Liang	A shares	1,450,000
Shanghai Hao Duo Network Information Technology Company Limited	A shares	1,391,000
Zhao Ying	A shares	1,070,000
Huang Sujie	A shares	1,060,000
Qiao Hong	A shares	990,000
Zhang Jin	A shares	820,029
Shanghai Shi Hong Development Company Limited	A shares	711,550

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Analysis of operating activities of the Company during the reporting period

During the third quarter of 2004, the Company adopted effective measures to ensure its production facilities operated in a safe and stable manner and at full utilization rate, and seized the opportunity afforded by a rise in the price of its petrochemical products and synthetic rubber products to further boost sales volume of its high margin products, as a result of which the Company's sales revenue and profit increased significantly. For the nine months ended September 30, 2004, the Group processed 4.71 million tons of crude oil. Income from principal operations and net profits were approximately RMB20,272.60 million and RMB2,253.46 million, respectively, representing increases of 45% and 547%, respectively, as compared with the same period of 2003. Due to certain PRC preferential income tax policies, the Company has recorded a better-than-expected net profit for the nine months ended September 30, 2004. Shareholders' equity was RMB5,533.32 million, representing an increase of 69% as compared with the same period a year ago.

3.1.1 *Businesses or major products contributed more than 10% of the Company's income or profits from principal operation*

Businesses or products	Income from principal operation	Cost of principal operation	Gross Profit (%)
Petroleum products	10,258,220,721.35	9,673,367,091.73	5.70
Of which: connected transaction	7,765,534,436.80	7,322,898,973.90	5.70
Petrochemical and organic chemical products	8,435,300,353.18	5,996,976,739.33	28.91
Of which: connected transaction	6,071,910,090.06	4,592,600,102.10	24.36

3.1.2 *Seasonal or periodic characteristics of the Company's operation*

Applicable Non-applicable

3.1.3 *Profit composition during the reporting period (significant changes of profit from principal operation, profit from other operations, costs during the reporting period, investment income, subsidy income, and non-operating income and expenses (net) as a percentage of the total profit as compared with the previous reporting period and the reason for such changes)*

in Rmb Yuan

Items	Form July 1, to September 30, 2004		Form January 1, to June 30, 2004		Change in ratio	Reasons for change
	Amounts	As a percentage of total profit (%)	Amounts	As a percentage of total profit (%)		
Total profit	1,279,339,116	100.00	592,302,346	100.00	-	-
Profit from principal operation	1,461,661,525	114.25	1,234,874,016	208.49	-94.24	Note 1
Profit/(loss) from other operations	3,948,800	0.31	-39,597,041	-6.69	7.00	-
Expenses during the reporting period	183,816,582	14.37	535,886,776	90.48	-76.11	Note 2
Investment income	11,797,546	0.92	13,563,392	2.29	-1.37	-
Subsidy income	-	-	-	-	-	-
Non-operating income and expenses, net	14,252,173	1.11	80,651,245	13.62	- 12.51	-

Notes:

- The decrease of profit from principal operation as a percentage of the total profits is attributable to the increase of costs arising from the surge of crude oil price.
- The decrease of costs during the reporting period as a percentage of the total profits is attributable to the reduction of interest expenses as a result of the decrease of interest-bearing liabilities in the third quarter and the provision for diminution in value in the first half of the year.

3.1.4 *Significant changes of principal operation and its structure as compared with the previous reporting period and the reason for such changes*

Applicable Non-applicable

3.1.5 Significant change of profitability of principal operation (gross profit margin) as compared with the previous reporting period and the reason for such change

Applicable (See 3.1) Non-applicable

3.2 Analysis of significant events and its effects and solutions

Applicable Non-applicable

3.3 Changes of significant accounting policies, accounting estimates and basis of preparation of the consolidated financial statements and major differences arising from the application of different accounting policies, and the reason for such changes

Applicable Non-applicable

3.4 Statement from the board of directors and supervisory committee issued based on “unqualified opinion” on the audited financial statements

Applicable Non-applicable

3.5 Warning in respect of forecast on possible loss from the beginning to the end of the next reporting period or significant changes as compared with the same period of previous year, and the reason for such change

Applicable Non-applicable

In the event of no significant increase in crude oil prices and no significant change regarding the petrochemical product market, the Company will strive for the increase of its profits by approximately 550% for the year ending December 31, 2004 as compared to the same period in 2003.

3.6 Amendment to the annual business plan or budget disclosed by the Company

Applicable Non-applicable

The Board of Directors of the Company comprises of:

Executive Directors: Yu Li, Shi Jianxun, Zhang Xingfu

Non-executive Directors: Xu Fengli, Ni Muhua, Jiang Jixiang, Lan Yusheng

Independent non-executive Directors: Lu Yanfeng, Wang Peirong, Fanny Li, Zhou Henglong

Jilin Chemical Industrial Company Limited

Yu Li
Chairman

October 25, 2004

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