



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)

(Stock Code: 0368)

2005 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS (UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS)

- Turnover in the first half of 2005 increased to RMB17,993 million from RMB13,730 million in the same period of 2004.
- Profit in the first half of 2005 increased to RMB129 million from RMB606 million in the same period of 2004.
- Earnings per share for the first half of 2005 decreased to RMB0.04 per share from RMB0.17 per share in the same period of 2004.

INTERIM RESULTS

The board of directors (the "Board") of Jilin Chemical Industrial Company Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2005 (the "Reporting Period"), together with the comparative figures in 2004.

The Company's financial statements for the first six months of 2005 prepared under the People's Republic of China (the "PRC") Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS") are unaudited.

The directors Ni Muhua, Jiang Jixiang, Li Chongjie and Fanny Li did not attend the board meeting. The directors Ni Muhua, Jiang Jixiang and Li Chongjie appointed the chairman of the Board, Yu Li, and the independent non-executive director, Fanny Li appointed the independent non-executive director, Lü Yanfeng, to attend and vote on their behalf in respect of the resolutions considered at the meeting.

The chairman, Yu Li, the chief financial officer, Zhang Liyan, and the head of the finance department, Wang Chunxia, accept full responsibility for the truthfulness and completeness of the financial statements contained in this interim report.

FINANCIAL SUMMARY

Prepared in Accordance with PRC GAAP

	For the six months ended 30th June,		Increase/ (decrease)
	2005 RMB unaudited	2004 RMB unaudited	
Net profit	123,956,551	605,087,927	(79.51%)
Net profit before non-operating loss	125,884,635	644,854,087	(80.48%)
Earnings per share	RMB0.035	RMB0.17	(79.41%)
Return on net assets (%)	2.07%	15.58%	(13.51)
Net cash flow from operating activities	2,145,757,163	1,478,751,765	45.11%
	As at 30th June, 2005 RMB unaudited	As at 31st December, 2004 RMB audited	Increase/ (decrease)
Current assets	2,198,546,381	3,327,819,333	(33.93%)
Current liabilities	5,999,171,982	7,628,841,391	(21.36%)
Total assets	12,717,874,138	14,392,756,371	(11.64%)
Shareholders' equity (excluding minority interests)	5,977,580,979	5,853,624,428	2.12%
Net assets per share	1.68	1.64	2.44%
Adjusted net assets per share	1.65	1.61	2.48%

Note: Non-operating loss was RMB1,928,084, of which net profit from disposal of fix assets was RMB4,638,282, reversal of assets impairment provision was RMB900,104, subsidy income was RMB2,683,084, other profits were RMB1,170,067, loss on non-seasonal shutdown was RMB12,269,275 and net income tax credit was RMB949,654.

Prepared in Accordance with IFRS

	For the six months ended 30th June, 2005		2004	
	RMB'000 unaudited		RMB'000 unaudited	
Profit attributable to equity holders of the Company	128,536		606,354	
Earning per share	RMB 0.04		RMB 0.17	
Return on net assets (%)	2.48		19.45	
	As at 30th June, 2005		As at 31st December, 2004	
	RMB'000 unaudited		RMB'000 audited	
Equity	5,204,372		5,069,342	
Net assets per share	1.46		1.42	

SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

During the reporting period, net profit and profit under PRC GAAP and IFRS were RMB123,957 thousand and RMB135,030 thousand, respectively. Effect of significant differences between PRC GAAP and IFRS on profit is summarised below.

	Six months ended 30th June, 2005		2004	
	RMB'000		RMB'000	
Net profit as reported under PRC GAAP	123,957		605,088	
Adjustments to conform with IFRS:				
– Depreciation expense due to revaluation of fixed assets at 28th February, 1995	(726)		(726)	
– Depreciation expense on fixed assets due to difference in exchange gains capitalised	(3,655)		(3,655)	
– Amortisation of housing subsidy cost	(4,660)		(4,660)	
– Reversal of amortisation of land use rights	10,636		10,307	
– Tax adjustment	2,984		–	
– Minority interest	6,494		(12,786)	
Profit as reported under IFRS	135,030		593,568	

Return on net assets and profit per share were prepared in accordance with No. 9 Regulations regarding the Preparation of Information Announcement for Public Listed Companies Issued by CSRC:

Profit for the six months ended 30th June, 2005	Return on net assets (%)		Profit per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	9.87	9.97	0.1656	0.1656
Operating profit	2.92	2.95	0.0489	0.0489
Net profit	2.07	2.10	0.0348	0.0348
Net profit before non-operating loss	2.11	2.13	0.0354	0.0354

TOTAL NUMBER OF SHAREHOLDERS

As at 30th June, 2005, the Company had a total of 66,753 shareholders.

SUBSTANTIAL SHAREHOLDERS

1. As at 30th June, 2005, the ten largest shareholders of the Company were as follows:

Name of shareholders	Class	Number of shares held (shares)	Increase/ (decrease) of shares during the reporting period (shares)	Percentage of holding (%)
1. PetroChina Company Limited	A shares	2,396,300,000	–	67.2914
2. HKSCC Nominees Limited	H shares	822,166,699	2,322,000	23.0876
3. HSBC Nominees (Hong Kong) Limited	H shares	135,627,300	–	3.8086
4. Qiao Liang	A shares	1,450,000	–	0.0407
5. Zhang Li	A shares	1,250,000	220,000	0.0351
6. Huang Sujie	A shares	1,150,000	1,150,000	0.0323
7. Zhao Ying	A shares	1,060,000	180,000	0.0298
8. Shanghai Shi Hong Development Company Limited	A shares	711,550	711,550	0.0200
9. Tian Qiucheng	A shares	706,050	706,050	0.0198
10. Industrial and Commercial Bank of China-Rongtong Shenzheng 100 Index Securities Investment Fund	A shares	656,663	170,000	0.0184

Notes:

- As far as the Company is aware, the ten largest shareholders of the Company are not related or concerted parties.
- PetroChina Company Limited (“PetroChina”) held 2,396,300,000 state-owned legal person shares issued by the Company, representing approximately 67.29 per cent of the Company’s total share capital. Shares held by PetroChina in the Company were not pledged, locked up or held in trust during the six months ended 30th June, 2005.
- There were no shareholders for whom HKSCC Nominees Limited acted as nominees whose shareholding accounted for 5 per cent or more of the total number of shares issued by the Company.

2. As at 30th June, 2005, the ten largest shareholders of listed shares of the Company were as follows:

Name of shareholders	Class	Number of shares held (shares)	Increase/ (decrease) of shares during the reporting period (shares)	Percentage of holding (%)
1. HKSCC Nominees Limited	H shares	822,166,699	2,322,000	23.0876
2. HSBC Nominees (Hong Kong) Limited	H shares	135,627,300	–	3.8086
3. Qiao Liang	A shares	1,450,000	–	0.0407
4. Zhang Li	A shares	1,250,000	220,000	0.0351
5. Huang Sujie	A shares	1,150,000	1,150,000	0.0323
6. Zhao Ying	A shares	1,060,000	180,000	0.0298
7. Shanghai Shi Hong Development Company Limited	A shares	711,550	711,550	0.0200
8. Tian Qiucheng	A shares	706,050	706,050	0.0198
9. Industrial and Commercial Bank of China-Rongtong Shenzheng 100 Index Securities Investment Fund	A shares	656,663	170,000	0.0184
10. Chen Yu	A shares	610,000	610,000	0.0171

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

PRODUCTION AND OPERATION DURING THE REPORTING PERIOD

1. Overall Operation

The Group is principally engaged in the production and sale of petroleum products, petrochemical, organic chemical and synthetic rubber products.

During the first half of 2005, the Company implemented a strategy of vertical integration in refinery to improve and adjust its overall product mix; closely monitored the development of product market and took full advantage of any price movement of products so as to adjust its product sales strategy in a timely manner; continued to improve efficiency, save energy and reduce wastage for the purpose of imposing stringent control on costs and expenses; continued to improve internal control to enhance capital management and increase efficiency in the use of capital.

For the first half of 2005, the sales revenue and sales of the Company and its subsidiaries (together "the Group") amounted to RMB16,122.195 million and RMB17,992.634 million, respectively, under PRC GAAP and IFRS, representing the increase of 28% and 31% from the same period in 2004. The continuing substantial increase in the price of crude oil drove the price of refined oil to move upward, which unfortunately failed to offset any impacts caused by price rise in crude oil. Actual realized net profits and profits of the Company were RMB123.957 million and RMB135.030 million, respectively, down by 80% and 77% as compared to the corresponding period in 2004.

2. Operating Revenues and Profits from Principal Business Activities

For the first half of 2005, in accordance with PRC GAAP, actual realized revenue from the sale of the Group's petroleum products was RMB7,589.622 million, which accounted for 47% of the revenue from principal business activities and the requisite cost of sales was RMB8,519.813 million, with a gross profit margin of -12%; actual realized revenue from the sale of petrochemical and organic chemical products was RMB7,315.044 million, which accounted for 45% of the revenue from principal business activities and the requisite cost of sales was RMB5,544.427 million, with a gross profit margin of 24%; actual realized revenue from the sale of synthetic rubber products was RMB878.241 million, which accounted for 5% of the revenue from principal business activities and the requisite cost of sales was RMB706.814 million, with a gross profit margin of 20%.

3. The Company conducts its principal business in the PRC and does not engage in any other industry other than the petrochemical industry. During the reporting period, there was no change in the Company's principal business, nor was the Company engaged in any other business which had material impact on its net profits during such reporting period.

4. During the reporting period, no jointly-invested company had an impact of more than 10% on the net profits of the Company.

5. Problems and Difficulties in the Operation of the Company

For the first half of 2005, the continuing substantial increase in the price of crude oil drove the price of refined oil to move upward, which unfortunately failed to offset any impacts caused by price rise in crude oil. As a result, the Group recorded a loss from the sale of its petroleum products, thereby adversely affecting the overall performance of the Company. For the first half of 2005, net profits of the Company decreased by 80% as compared to the same period in 2004.

OPERATING RESULTS AND FINANCIAL RESULTS ANALYSIS

I. Under PRC GAAP

1. For the six months ended 30th June 2005, revenue realized from the principal business of the Group was RMB16,122.195 million, an increase of 28% from the same period in 2004. This increase was principally attributable to an increase in the total number of products of the Group, such as petroleum products, petrochemical, organic chemical and synthetic rubber products, and the increase in their price.

(1) Petroleum Products

In the first half of 2005, revenue from the sale of petroleum products was RMB7,589.622 million, an increase of RMB1,157.868 million from the same period in 2004. The increase was primarily attributable to an increase in the volume of the Group's crude oil processing by 16% from last year to 3.5 million tons in the first half of 2005. In addition, the weighted average price of petroleum products grew by 16% from RMB2,416/ton in the first half of 2004 to RMB2,798/ton in the first half of 2005.

(2) Petrochemical and organic chemical products

In the first half of 2005, revenue realized from the sale of petrochemical and organic chemical products was RMB7,315.044 million, representing an increase of RMB2,252.693 million from the same period in 2004. This increase was principally attributable to an increase in the demand of petrochemicals from enterprises engaged in the downstream segment of the petrochemical industry, which has resulted in the sales volume and weighted average price of such products increasing by 16% and 25%, respectively, from the same period in 2004 to 1.07 million tons and RMB6,841/ton.

(3) *Synthetic rubber products*

In the first half of 2005, revenue realized from the sale of synthetic rubber products was RMB878.241 million, an increase of RMB154.964 million from the same period in 2004. The increase was principally attributable to an increase in the weighted average price of such products by 24% from the same period in 2004.

2. The cost of principal business increased by 38% to RMB15,123.413 million in the first half of 2005 from RMB10,955.477 million in the first half of 2004. This increase was principally attributable to a growth in the sales volume of the Company's products and the volume of crude oil processing, as well as an increase in the price of other raw materials. In the first half of 2005, the weighted average price of the Group's crude oil cost was RMB3,016/ton, which represented an increase of 47% as compared to the same period in 2004.

The cost of sales grew due to the continuing substantial increase in the price of crude oil. Therefore, profits of the Group from its principal business dropped by 52% as compared to the same period in 2004.

3. Financial cost, administrative and operating costs decreased by 35% from RMB548.128 million in the first half of 2004 to RMB357.736 million in the first half of 2005, of which, the financial cost decreased by RMB67.410 million from the same period in 2004. This decrease was primarily due to a reduction in the Group's interest bearing borrowings and the replacement of the Company's high-interest bearing loans with low-interest bearing loans. As a result, interest expenses decreased by RMB58.083 million. The Group realized a net exchange gain of RMB12.197 million due to its foreign currency borrowing being affected by the interest rate fluctuation. Administrative expenses decreased from RMB382.719 million in the first half of 2004 to RMB267.197 million in the first half of 2005. This decrease was principally due to the provision of RMB76.870 million made for the decrease in inventory price and the provision of RMB22.533 million made for bad debts in the same period in 2004 which were not made during the current reporting period.

In the first half of 2005, the Group recorded a loss from other business activities and its profits from operation fell by RMB57,733 million.

Due to the above factors, the Group's profits from its operation decreased from RMB647.149 million in the first half of 2004 to RMB174.272 million in the first half of 2005.

4. Compared to the first half of 2004, the Group's return from investment decreased by RMB2.166 million in the first half of 2005 due to a reduction of the Group's share of profits of its jointly controlled entity. The decrease of RMB56.186 million in non-operating expenses of the Group was principally attributable to no substantial loss incurred in the disposal of fixed assets during the reporting period. In addition, revenue from subsidies and non-operating revenue increased by RMB8.199 million.

Based on the aforesaid, the Group's total profits decreased from RMB592.302 million in the first half of 2004 to RMB181.643 million in the first half of 2005.

In the first half of 2005, the income tax of the Group amounted to RMB51.192 million, which consists of the deferred tax liabilities arising from the acceleration of depreciation and amortization, and the deferred tax assets resulting from taxation loss in the first half of 2005. In the same period in 2004, the Company did not make up in full its accumulated loss for 2002 and the previous years in accordance with applicable taxation laws and no deferred tax assets in respect of such taxation loss had been confirmed. Therefore, there was no income tax in the same period in 2004. In addition, the minority interest of the Group was RMB6.494 million during the reporting period. After deducting the above, the Group recorded a net profit of RMB123.957 million in the first half of 2005.

5. Net increase in cash and cash equivalents amounted to RMB25.671 million in the first half of 2005, and net decrease in cash and cash equivalents amounted to RMB19.221 million in the same period of 2004. This change was primarily attributable to the improvement of capital management and an increase in the turnover of capital of the Company.
6. As at 30th June, 2005, the total assets of the Group was RMB12,717.874 million, representing a decrease of 12% as compared to the percentage as at 31st December, 2004. This decrease was principally attributable to a decrease in inventories and an increase in accumulated depreciation.
7. As at 30th June, 2005, the shareholder's equity of the Group was RMB5,977.581 million, representing an increase of 2% from 31st December, 2004. This increase was primarily attributable to an increase in net profits during the reporting period.

II. Under IFRS

1. In the first half of 2005, total turnover of the Group was RMB17,992.634 million, up 31% from the same period in 2004. This increase was primarily attributable to an increase in market demand, thus resulting in the simultaneous increase in the Group's sales volume and the weighted average price of its products.

(1) *Petroleum Products*

Revenue of petroleum products increased by 17% from RMB6,212.553 million in the first half of 2004 to RMB7,263.050 million in the first half of 2005, which accounted for 40% of its total turnover attributable to petroleum products. The increase in revenue was principally attributable to an increase of weighted average price and sales volume of petroleum products by 16% and 2%, respectively, from the same period in 2004.

(2) *Petrochemical and organic chemical products*

Revenues of petrochemical and organic chemical products increased by 45% from RMB5,493.959 million in the first half of 2004 to RMB7,943.724 million in the first half of 2005, which accounted for 44 % of the total turnover attributable to such products. This increase was principally attributable to an increase in market demand which has caused an increase of weighted average price and sales volume of petrochemical and organic chemical products by 25% and 16%, respectively, from the same period in 2004.

(3) *Synthetic rubber products*

Revenue of synthetic rubber products increased by 27% from RMB800.349 million in the first half of 2004 to RMB1,017.254 million in the first half of 2005. This increase was mainly attributable to an increase in the price of such products by 24% from the same period in 2004.

2. Cost and expenditure

The cost of sales increased by 39% from RMB12,615.949 million in the first half of 2004 to RMB17,508.817 million in the first half of 2005. This increase was primarily attributable to an increase in the sales volume of the Company's products, volume of crude oil processing and the price of other raw materials. In the first half of 2005, the weighted average price of the Group's crude oil cost was RMB3,016/ton, which represented an increase of 47% from the same period in 2004, and the volume of crude oil processing was 3.5 million tons, which represented an increase of 16% from the same period in 2004.

The Group's gross profit margin decreased by 5% in the first half of 2005 as compared to the same period in 2004 due to an increase in cost of sales in connection with the continuous surge in crude oil price.

Distribution costs, administrative expenses and other operating expenses dropped by 40% from RMB384.770 million in the first half of 2004 to RMB230.143 million in the first half of 2005. This decrease was primarily attributable to the provisions made for diminution in value of trade and other receivables, construction in progress and intangible assets made in the first half of 2004 which were not made during the reporting period, a net loss of RMB34.158 million incurred from the retirement of fixed assets in the first half of 2004 and a net profit of RMB4.638 million so incurred during the reporting period.

Due to the aforesaid factors, the Group's operating profit decreased from RMB729.256 million in the first half of 2004 to RMB253.674 million in the first half of 2005.

Interest expenses decreased by 38% from RMB152.934 million in the first half of 2004 to RMB94.851 million in the first half of 2005. The decrease was principally attributable to a reduction in the Group's interest bearing borrowings and the replacement of high-interest bearing loans with low-interest bearing loans during the reporting period.

In the first half of 2005, the Group recorded a net foreign exchange gain of RMB12.197 million, which increased by RMB9.1 million from the same period in 2004. This increase was mainly attributable to the foreign exchange rate fluctuation in favour of the Company's foreign currency borrowing during the reporting period.

In the first half of 2005, the Group's shares of profit before taxation of its jointly controlled entity and associate stood at RMB11.396 million, as compared to RMB13.564 million in the first half of 2004. This change was primarily caused by a decrease of profit of its jointly controlled entity and associate during the reporting period.

In the first half of 2005, the income tax of the Group amounted to RMB48.209 million, which consists of the deferred tax liabilities arising from the acceleration of depreciation and amortization, and the deferred tax assets resulting from taxation loss in the first half of 2005. In the same period in 2004, the Company did not make up in full its accumulated loss for 2002 and the previous years in accordance with applicable taxation laws and no deferred tax assets in respect of such taxation loss had been confirmed. Therefore, there was no income tax in the same period in 2004.

3. Liquidity and Capital Resources

The Company depends upon cash flow from operations and loans to satisfy its ongoing liquidity and capital needs.

Net cash flows from the Group's operating activities in the first half of 2005 was RMB2,059.624 million, as compared to RMB1,295.921 million in the first half of 2004. The increase of net cash inflows was primarily due to a decrease in inventories during the reporting period.

Net cash used in investing activities in the first half of 2005 was RMB40.426 million, as compared to RMB195.203 million in the first half of 2004. This decrease was due to a decrease in capital expenditure during the reporting period.

Net cash used in financing activities in the first half of 2005 was RMB1,993.527 million, as compared to RMB1,119.939 million in the first half of 2004. The change was due to a decrease in proceeds obtained from borrowings during the reporting period.

As at 30th June, 2005, the Group's current assets amounted to RMB2,198.547 million and the current liabilities amounted to RMB5,999.173 million, which caused a negative working capital of RMB3,800.626 million. The Group regularly reviews its working capital and liquidity position and ensures the short term obligations of the Group are satisfied through the refinancing of indebtedness and other measures. China Petroleum Finance Company Limited, a subsidiary of our ultimate beneficial shareholder, has agreed to extend the term of a RMB8 billion loan facility provided to the Group up to 31st December, 2008. The Company believes that it has sufficient capital resources to meet its foreseeable working capital needs. As at 30th June, 2005, the Group's capital liabilities ratio was 12% as compared to 15% as at 31st December, 2004 (the capital liabilities ratio is calculated by dividing the long-term liabilities by the aggregate of shareholders' equity and long-term liabilities).

As at 30th June, 2005, the Group's liquidity ratio was 37% and its quick ratio was 12%; inventory ratio was 7.66 times, an increase of 0.45 times as compared to the same period in 2004.

As at 30th June, 2005, the Group's aggregate borrowings were RMB1,988.563 million, a decrease of RMB1,993.527 million as compared to the figure as at 31st December, 2004, of which short-term borrowings was RMB1,268.212 million, representing a decrease of RMB1,817.863 million as compared to the level of short-term borrowings as at 31st December, 2004. Long-term borrowings were RMB720.351 million, representing a decrease of RMB175.664 million as compared to the same type of borrowings as at 31st December, 2004. These changes reflected an increase in the repayment amounts of the Group during the first half of 2005 which in turn led to a decrease in liabilities ratio.

The Group does not have seasonal demands for capital.

4. Exchange Risk

On 30th June, 2005, the Group's short-term borrowings were denominated in Renminbi and the portion of long-term borrowings denominated in foreign currency that was translated into RMB968.803 million was mainly a foreign currency-denominated loan for the 300,000-ton ethylene facility project. Foreign currency-denominated loans are mainly taken out in United States Dollar, Japanese Yen and Euro Dollar. The Group also experiences foreign exchange risk in making payments related to the import of raw materials and machinery, which needs to be converted into the applicable foreign currency from Renminbi. In addition, dividends for H shares are also payable in foreign currency. Hence, any fluctuation in foreign exchange rates will have a significant impact on the Group. In the first half of 2005, the Group had a net foreign exchange gain of RMB12.197 million.

5. Employees

As at 30th June, 2005, the Company had a total of 20,187 employees. The aggregate remuneration paid to them was RMB378.110 million.

6. Charges of Assets

The Group has not created any charges on any of its principal assets as at 30th June, 2005.

7. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30th June, 2005.

INVESTMENT (CAPITAL NOT OBTAINED FROM FUND-RAISING ACTIVITIES)

During the first half of 2005, the Company did not carry out any large-scale technological renovation projects. The total investment attributable to such projects was RMB57.174 million as at 30th June, 2005.

PROSPECTS OF THE SECOND HALF OF 2005

For the second half of 2005, the Company will further strengthen the following: (i) the management of safety production by arranging for installation and overhaul of equipment so as to ensure its production facilities run at full capacity; (ii) the control on capital budget in order to use capital in a safely, reasonable and efficient manner, thereby speeding up the turnover of its capital; (iii) the control on cost budget by continuing to implement a low-cost strategy to reduce the production and operation costs; (iv) the marketing management in order to respond to the changes in petrochemical and chemical products. The Company expects the processing capacity for crude oil to reach 3.5 million tons in the second half of 2005. In view of the continuing increase in the price of crude oil to a high level which may not be offset by the increase in the price of refined oil, the actual realized profits for the period from January to September 2005 is expected to decrease by over 50% as compared to the same period in 2004.

REVIEW OF THE SIGNIFICANT EVENTS

1. CORPORATE GOVERNANCE STRUCTURE

The Company's corporate governance structure was in compliance with the requirements of the Listed Company Governance Guidelines.

2. PROPOSED INTERIM DISTRIBUTION AND TRANSFER FROM COMMON RESERVE TO SHARE CAPITAL

The directors resolved not to declare any interim dividend and did not make any transfer from the common reserves to the Company's share capital during the first six months ended 30th June, 2005.

3. PREVIOUS YEAR'S PROFIT DISTRIBUTION

According to the Company's 2004 annual general meeting of the Company, no final dividend was declared and no transfer was made from the common reserve to the Company's share capital for 2004.

4. The Company was not involved in any material litigation or arbitration during the reporting period.

5. During the reporting period, there were no mergers, acquisitions or restructuring involving the Company or any member of the Group.

6. MATERIAL CONTRACTS AND PERFORMANCE

(1) During the reporting period, the Company did not enter into any trust, sub-contracting or lease arrangements in respect of the assets of any third party nor has any third party entered into any trust, sub-contracting or lease arrangements in respect of the assets of the Company.

(2) The Company has not entered into any significant guarantees during the reporting period and no significant guarantees entered into prior to the reporting period has been extended to the reporting period.

(3) During the reporting period, the Company did not entrust any party with cash assets administration.

7. The Company and its shareholders holding an interest of 5 per cent or more have not provided any undertakings that may have a significant impact on the Company's operating results and financial conditions.

8. Neither the Company, the Board nor any directors of the Company has experienced any reprimand, penalties or complaints from or faced investigation by CSRC, or any public reprimand from any stock exchanges or any regulatory authority during the reporting period.

9. PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

10. CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information that would reasonably indicate that the Company does not, or during the period, did not comply with the Code on Corporate Governance Practices contained in Appendix 14.

11. MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions in terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of the directors of the Company who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the reporting period.

12. TRUST DEPOSITS AND TRUST LOANS

As at 30th June, 2005, the Company did not have any trust deposits and trust loans with any financial institutions and did not encounter any difficulty in making withdrawals.

13. HOUSING REFORMS

Since 1998, the Company has incurred a loss of RMB84.09 million due to the discount offered to its employees to purchase staff accommodation.

In accordance with IFRS, the above loss was capitalized. The staff cost associated with the Company's employee housing reform programs was amortized on a straight-line basis over the remaining expected average employment period of the relevant employees.

From 1st January, 1998 to 30th June, 2005, the total amount amortized was RMB54.55 million. The amount amortized in the first six months of 2005 was RMB4.66 million. As at 30th June, 2005, the above remaining deferred staff cost was approximately RMB29.54 million. In the opinion of the Board, if the aforesaid deferred staff cost was completely written off in the first half of 2005, the net assets of the Company as at 30th June, 2005 would be reduced by approximately RMB29.54 million. Other than the employees' housing reform programs mentioned above, the Company has not implemented any employees' housing plan.

14. INFORMATION RELATING TO FUND OCCUPATION BY THE CONTROLLING SHAREHOLDER AND SUBSIDIARIES OF THE COMPANY AND INDEPENDENT NON-EXECUTIVE DIRECTORS' OPINION

Excluding the normal course of production and operating activities, there were no instances where the controlling shareholder and its subsidiaries occupied the funds of the Company during the reporting period.

During the reporting period, the independent non-executive directors have not found any instances of fund occupation between the Company and the controlling shareholder and related parties to be outside the ordinary course of production and operating activities of the Company. The independent non-executive directors have not found any instances where the controlling shareholder and other related parties misused funds belonging to the Company or any instances of third party guarantees.

15. There were no other significant events during the reporting period.

FINANCIAL STATEMENTS (UNAUDITED)

The Board hereby announces the unaudited interim results of the Group for the six months ended 30th June, 2005 prepared under the PRC GAAP and the IFRS. The Company's Audit Committee and management have reviewed the accounting principles, accounting standards and measures adopted by the Group, and have reviewed internal supervision and financial reports, including the unaudited financial statement prepared under the PRC GAAP and IFRS and the additional information in respect thereof for the six months ended 30th June, 2005.

UNAUDITED CONSOLIDATED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (PREPARED UNDER IFRS)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

(Amounts in thousands except for per share data)

		Six months ended 30th June,	
	Notes	2005	2004
		RMB	RMB
Turnover	2	17,992,634	13,729,975
Cost of sales		(17,508,817)	(12,615,949)
Gross profit		483,817	1,114,026
Distribution costs		(8,617)	(16,076)
Administrative expenses		(229,788)	(306,330)
Other operating income/(expenses), net		8,262	(62,364)
Operating profit	3	253,674	729,256
Interest expense		(94,851)	(152,934)
Interest income		823	585
Exchange loss		(29)	(3,829)
Exchange gain		12,226	6,926
Share of profit of a jointly controlled entity		8,443	12,559
Share of profit of an associated company		2,953	1,005
Profit before taxation		183,239	593,568
Taxation	4	(48,209)	-
Profit for the period		<u>135,030</u>	<u>593,568</u>
Attributable to:			
Equity holders of the Company		128,536	606,354
Minority interest		6,494	(12,786)
		<u>135,030</u>	<u>593,568</u>
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period	5	<u>RMB0.04</u>	<u>RMB0.17</u>
Dividend	6	<u>-</u>	<u>-</u>

UNAUDITED CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (PREPARED UNDER IFRS)

AS OF 30TH JUNE, 2005

(Amounts in thousands)

	Notes	30th June, 2005 RMB	31st December, 2004 RMB
NON-CURRENT ASSETS			
Property, plant and equipment		8,937,297	9,368,990
Interests in a jointly controlled entity		74,278	89,835
Investment in an associated company		12,258	9,305
Intangible assets		466,523	515,047
Deferred income tax assets		234,993	283,202
		9,725,349	10,266,379
CURRENT ASSETS			
Inventories		1,449,954	2,606,053
Accounts receivable	7	317,832	265,245
Prepaid expenses and other current assets		390,461	441,891
Cash and cash equivalents		40,300	14,629
		2,198,547	3,327,818
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	8	4,633,438	4,429,686
Current income tax liabilities		97,523	113,079
Short-term borrowings		1,268,212	3,086,075
		5,999,173	7,628,840
NET CURRENT LIABILITIES		(3,800,626)	(4,301,022)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,924,723</u>	<u>5,965,357</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		3,561,078	3,561,078
Reserves		2,099,372	2,099,858
Accumulated losses		(476,848)	(605,870)
		5,183,602	5,055,066
Minority interest		20,770	14,276
Total equity		5,204,372	5,069,342
NON-CURRENT LIABILITIES			
Long-term borrowings		720,351	896,015
		<u>5,924,723</u>	<u>5,965,357</u>

UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (PREPARED UNDER IFRS)
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2005
 (Amounts in thousands)

	Attributable to equity holders of the Company			Minority interest	Total equity
	Share capital RMB	Accumulated losses RMB	Reserves RMB		
Balance at 1st January, 2004 as previously represented	3,561,078	(3,151,353)	2,100,831	–	2,510,556
Representation as a result of the adoption of revised IAS 1 and IAS 27	–	–	–	30,800	30,800
Balance at 1st January, 2004	3,561,078	(3,151,353)	2,100,831	30,800	2,541,356
Profit for the period	–	606,354	–	(12,786)	593,568
Transfer to accumulated losses on realisation of revaluation reserve	–	486	(486)	–	–
Balance at 30th June, 2004	<u>3,561,078</u>	<u>(2,544,513)</u>	<u>2,100,345</u>	<u>18,014</u>	<u>3,134,924</u>
Balance at 1st January, 2005 as previously represented	3,561,078	(605,870)	2,099,858	–	5,055,066
Representation as a result of the adoption of revised IAS 1 and IAS 27	–	–	–	14,276	14,276
Balance at 1st January, 2005	3,561,078	(605,870)	2,099,858	14,276	5,069,342
Profit for the period	–	128,536	–	6,494	135,030
Transfer to accumulated losses on realisation of revaluation reserve	–	486	(486)	–	–
Balance at 30th June, 2005	<u>3,561,078</u>	<u>(476,848)</u>	<u>2,099,372</u>	<u>20,770</u>	<u>5,204,372</u>

Notes:

- The unaudited consolidated interim condensed financial statements are prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting". The accounting policies and methods of computation used in the preparation of the consolidated interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31st December, 2004 except for the ones modified by the Company as a result of the adoption of the new revised International Financial Reporting Standards ("IFRS").

The results of operations for the six months ended 30th June, 2005 are not necessarily indicative of the results to be expected for the full year ending 31st December, 2005.

2. SEGMENT INFORMATION
Six months ended 30th June, 2005

	Petroleum products RMB	Petrochemical and organic chemical products RMB	Chemical fertilisers and inorganic products RMB	Synthetic rubber products RMB	Other products and services RMB	Total RMB
Revenues	7,263,050	7,943,724	337,620	1,017,254	1,430,986	17,992,634
Segment results	(1,351,841)	1,571,834	(23,606)	145,611	(88,324)	253,674
Finance costs, net	–	–	–	–	–	(81,831)
Share of profit of a jointly controlled entity	–	8,443	–	–	–	8,443
Share of profit of an associated company	–	–	–	–	2,953	2,953
Profit before taxation						<u>183,239</u>

Six months ended 30th June, 2004

	Petroleum products RMB	Petrochemical and organic chemical products RMB	Chemical fertilisers and inorganic products RMB	Synthetic rubber products RMB	Other products and services RMB	Total RMB
Revenues	6,212,553	5,493,959	616,306	800,349	606,808	13,729,975
Segment results	(93,733)	818,966	(91,967)	172,965	(76,975)	729,256
Finance costs, net						(149,252)
Share of profit of a jointly controlled entity	–	12,559	–	–	–	12,559
Share of profit of an associated company	–	–	–	–	1,005	1,005
Profit before taxation						<u>593,568</u>

All assets and operations of the Group are located in the PRC, which is considered as one geographic location in an economic environment with similar risks and returns. Accordingly, no geographic segment information is presented.

3. OPERATING PROFIT

The following items have been charged/(credited) to operating profit during the period:

	Six months ended 30th June, 2005 RMB	2004 RMB
Crediting		
Government grants and subsidies	(2,683)	–
Charging		
Amortisation of intangible assets	48,524	61,562
Depreciation of property, plant and equipment	491,792	501,375
Net (profit)/loss on disposal of property, plant and equipment (included in “other operating (income)/expenses”)	(4,638)	34,158
Provision for impairment of property, plant and equipment (included in “cost of sales”)	–	19,814
Provision for impairment of intangible assets (included in “cost of sales”)	–	6,698
(Reversal)/provision for impairment of receivables (included in “administrative expenses”)	(882)	11,354
(Reversal)/provision for impairment of prepaid expenses and other current assets (included in “other operating (income)/expenses”)	(18)	11,179
Inventory writedowns (included in “cost of sales”)	–	79,169
Research and development expenditure	279	192
Employee compensation costs	378,110	497,520
Operating lease rentals on land and buildings	3,200	4,320
Operating lease rentals on plant and machinery	15,650	13,867
Repair and maintenance	163,357	304,285

4. TAXATION

	Six months ended 30th June, 2005 RMB	2004 RMB
PRC income tax	–	–
Deferred tax	48,209	–
	<u>48,209</u>	<u>–</u>

Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year. During the six months ended 30th June, 2005 and 2004 there was no current tax expense because of the utilisation of tax loss carryforwards. Tax expense during the six months ended 30th June, 2005 results from changes in the deferred tax assets and liabilities at the expected annual rate of 33%.

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

	Six months ended 30th June, 2005 RMB	2004 RMB
Profit before taxation	183,239	593,568
Tax calculated at a rate of 33%	60,469	195,877
Utilisation of previously unrecognised deferred tax assets	–	(202,269)
Other	(12,260)	6,392
Tax expense	<u>48,209</u>	<u>–</u>

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended 30th June, 2005 have been computed by dividing the profit attributable to equity holders of the Company of RMB128,536 (2004: RMB606,354) by the number of 3,561,078,000 shares issued and outstanding for the period.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (2004: nil).

7. ACCOUNTS RECEIVABLE

	30th June, 2005 RMB	31st December, 2004 RMB
Due from third parties	218,325	236,943
Due from related parties		
– PetroChina	287,222	211,530
– JCGC (a fellow subsidiary) Group Companies	172,007	169,077
– An associated company	17,147	23,138
– Other state-controlled enterprises	263,691	265,999
	958,392	906,687
Less: Provision for impairment loss		
– Due from third parties	(205,114)	(211,932)
– Due from related parties	(435,446)	(429,510)
	317,832	265,245

Amounts due from related parties are interest free and unsecured. Related parties are offered credit terms of no more than 30 days.

Provision for impairment of amounts due from related parties charged to profit and loss account was RMB5,936 for the six months ended 30th June, 2005 (Six months ended 30th June, 2004: RMB2,507).

The ageing analysis of accounts receivable at 30th June, 2005 is as follows:

	30th June, 2005 RMB	31st December, 2004 RMB
Within 1 year	289,193	222,075
Between 1 to 2 years	–	2,042
Between 2 to 3 years	2,042	299
Over 3 years	667,157	682,271
	958,392	906,687

In 2002, the Group implemented a cash sales policy for the majority of its customers. Certain selected customers are offered credit terms of no more than 30 days. There is no change in this policy during 2004 and the six months ended 30th June, 2005.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30th June, 2005 RMB	31st December, 2004 RMB
Trade payables	1,205,534	1,548,764
Advances from customers	203,243	545,545
Salaries and welfare payable	194,570	197,094
Other payables and accrued liabilities	200,731	121,461
Amounts due to related parties		
– PetroChina	2,620,436	1,667,303
– CNPC Group Companies	3,718	–
– JCGC (a fellow subsidiary) Group Companies	58,277	85,623
– An associated company	–	9,109
– Other state-controlled enterprises	146,929	254,787
	4,633,438	4,429,686

Amounts due to related parties are interest free, unsecured and with no fixed term of repayment.

The ageing analysis of trade payables at 30th June, 2005 is as follows:

	30th June, 2005 RMB	31st December, 2004 RMB
Within 1 year	1,112,293	1,450,029
Between 1 to 2 years	25,483	33,123
Between 2 to 3 years	12,345	23,267
Over 3 years	55,413	42,345
	1,205,534	1,548,764

UNAUDITED BALANCE SHEETS (PREPARED UNDER PRC GAAP)

AS AT 30TH JUNE, 2005

(All amounts are stated in RMB Yuan unless otherwise stated)

	30th June, 2005 Group (Unaudited)	31st December, 2004 Group (Audited)	30th June, 2005 Company (Unaudited)	31st December, 2004 Company (Audited)
ASSETS				
CURRENT ASSETS				
Cash and bank	40,300,488	14,629,219	36,259,808	11,819,321
Short-term investments	-	-	-	-
Notes receivable	1,971,000	10,545,237	1,911,000	9,456,637
Dividend receivable	-	-	-	-
Interest receivable	-	-	-	-
Accounts receivable	315,860,595	254,700,444	385,279,727	322,568,028
Other receivables	33,799,957	45,075,155	7,494,684	19,094,936
Advances to suppliers	354,036,608	376,959,411	352,314,863	376,874,901
Subsidy receivable	-	-	-	-
Inventories	1,449,953,644	2,606,053,383	1,406,094,241	2,566,518,007
Prepaid expenses	2,624,089	19,856,484	1,972,175	19,474,862
Long-term bond investments maturing within one year	-	-	-	-
Other current assets	-	-	-	-
Total current assets	2,198,546,381	3,327,819,333	2,191,326,498	3,325,806,692
LONG-TERM INVESTMENTS				
Long-term equity investments	86,536,435	99,139,594	165,156,303	169,469,728
Long-term bond investments	-	-	-	-
Total long-term investments	86,536,435	99,139,594	165,156,303	169,469,728
Including: Consolidation difference	-	-	-	-
FIXED ASSETS				
Fixed assets – cost	16,228,024,899	16,196,975,563	15,847,825,984	15,822,513,692
Less: Accumulated depreciation	(7,189,153,350)	(6,719,916,853)	(7,003,001,894)	(6,545,147,557)
Fixed assets – net book value	9,038,871,549	9,477,058,710	8,844,824,090	9,277,366,135
Less: Impairment of fixed assets	(282,023,248)	(282,023,248)	(269,931,112)	(269,931,112)
Fixed assets – net book amount	8,756,848,301	9,195,035,462	8,574,892,978	9,007,435,023
Construction materials	2,833,640	2,837,473	2,833,640	2,837,473
Construction in progress	64,217,179	42,555,665	64,217,179	42,555,665
Fixed assets pending disposal	-	-	-	-
Total fixed assets	8,823,899,120	9,240,428,600	8,641,943,797	9,052,828,161
INTANGIBLE AND OTHER ASSETS				
Intangible assets	1,290,637,730	1,345,139,741	1,289,126,149	1,343,581,225
Long-term deferred expenses	53,866,319	64,648,462	53,866,319	64,648,462
Other long-term assets	-	-	-	-
Total intangible and other assets	1,344,504,049	1,409,788,203	1,342,992,468	1,408,229,687
DEFERRED TAXES				
Deferred tax assets	264,388,153	315,580,641	264,388,153	315,580,641
TOTAL ASSETS	12,717,874,138	14,392,756,371	12,605,807,219	14,271,914,909

	30th June, 2005 Group (Unaudited)	31st December, 2004 Group (Audited)	30th June, 2005 Company (Unaudited)	31st December, 2004 Company (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans	1,019,760,000	2,918,970,000	975,120,000	2,874,330,000
Notes payable	-	-	-	-
Accounts payable	2,409,675,322	1,891,153,893	2,403,450,986	1,864,805,946
Advances from customers	1,711,754,822	2,137,105,902	1,704,000,340	2,119,941,248
Salaries payable	128,491,679	139,240,168	123,976,408	139,183,607
Welfare payable	66,078,191	57,854,011	53,914,480	48,261,501
Dividend payable	-	-	-	-
Taxes payable	181,876,402	154,334,897	178,690,849	150,912,286
Other levies payable	-	-	-	-
Other payables	135,460,655	137,027,193	127,048,196	131,685,926
Accrued expenses	97,622,539	26,049,897	93,221,680	26,049,897
Provisions	-	-	-	-
Long-term liabilities due within one year	248,452,372	167,105,430	248,452,372	167,105,430
Other current liabilities	-	-	-	-
Total current liabilities	5,999,171,982	7,628,841,391	5,907,875,311	7,522,275,841
LONG-TERM LIABILITIES				
Long-term loans	580,557,049	682,499,114	580,557,049	682,499,114
Debentures payable	-	-	-	-
Payables due after one year	-	-	-	-
Special project payables	-	-	-	-
Other long-term liabilities	139,793,880	213,515,526	139,793,880	213,515,526
Total long-term liabilities	720,350,929	896,014,640	720,350,929	896,014,640
DEFERRED TAXES				
Deferred tax liabilities	-	-	-	-
TOTAL LIABILITIES	6,719,522,911	8,524,856,031	6,628,226,240	8,418,290,481
MINORITY INTERESTS	20,770,248	14,275,912	-	-
SHAREHOLDERS' EQUITY				
Share capital	3,561,078,000	3,561,078,000	3,561,078,000	3,561,078,000
Capital surplus	2,293,618,886	2,293,618,886	2,293,618,886	2,293,618,886
Statutory common reserve fund	701,442,717	701,442,717	693,730,248	693,730,248
Including: Statutory common welfare fund	126,834,279	126,834,279	125,287,623	125,287,623
Accumulated losses	(578,558,624)	(702,515,175)	(570,846,155)	(694,802,706)
Foreign exchange difference reserve	-	-	-	-
Total shareholders' equity	5,977,580,979	5,853,624,428	5,977,580,979	5,853,624,428
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>12,717,874,138</u>	<u>14,392,756,371</u>	<u>12,605,807,219</u>	<u>14,271,914,909</u>

UNAUDITED PROFIT AND LOSS ACCOUNTS (PREPARED UNDER PRC GAAP)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

(All amounts are stated in RMB Yuan unless otherwise stated)

Items	2005 (1-6) Group (Unaudited)	2004 (1-6) Group (Unaudited)	2005 (1-6) Company (Unaudited)	2004 (1-6) Company (Unaudited)
1. SALES REVENUE	16,122,195,208	12,556,716,553	16,055,223,686	12,545,541,890
Less: Cost of sales	(15,123,412,908)	(10,955,477,471)	(15,088,226,705)	(10,921,200,679)
Sales tax and other levies	(409,040,843)	(366,365,066)	(409,040,843)	(366,365,066)
2. GROSS PROFIT ON SALES	589,741,457	1,234,874,016	557,956,138	1,257,976,145
Add: Other operating loss	(57,733,155)	(39,597,041)	(63,101,688)	(44,951,883)
Less: Selling expenses	(8,616,914)	(16,076,225)	(8,614,199)	(16,069,181)
General and administrative expenses	(267,196,723)	(382,719,213)	(245,913,469)	(371,398,599)
Financial expenses, net	(81,922,594)	(149,332,739)	(80,792,863)	(146,361,685)
3. OPERATING PROFIT	174,272,071	647,148,798	159,533,919	679,194,797
Add: Investment income/(loss)	11,396,841	13,563,392	19,686,575	(7,847,024)
Subsidy income	2,683,084	—	2,683,084	—
Non-operating income	7,209,537	1,693,881	7,163,619	1,665,763
Less: Non-operating expenses	(13,918,158)	(70,103,725)	(13,918,158)	(67,925,609)
4. TOTAL PROFIT	181,643,375	592,302,346	175,149,039	605,087,927
Less: Income tax	(51,192,488)	—	(51,192,488)	—
Minority interests	(6,494,336)	12,785,581	—	—
5. NET PROFIT	123,956,551	605,087,927	123,956,551	605,087,927

Supplementary Information

	2005 (1-6) Group (Unaudited)	Company (Unaudited)	2004 (1-6) Group (Unaudited)	Company (Unaudited)
1. Income from sale and disposal of departments or investees	—	—	—	—
2. Loss from natural catastrophe	—	—	—	—
3. Increase in total profit resulting from change in accounting policies	—	—	—	—
4. Increase in total profit resulting from change in accounting estimates	—	—	—	—
5. Loss from debt restructuring	—	—	—	—
6. Other	—	—	—	—

UNAUDITED PROFIT APPROPRIATION STATEMENTS (PREPARED UNDER PRC GAAP)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

(All amounts are stated in RMB Yuan unless otherwise stated)

Items	2005 (1-6) Group (Unaudited)	2004 (1-6) Group (Unaudited)	2005 (1-6) Company (Unaudited)	2004 (1-6) Company (Unaudited)
1. NET PROFIT	123,956,551	605,087,927	123,956,551	605,087,927
Add: Accumulated losses at the beginning of the period	(702,515,175)	(3,276,275,225)	(694,802,706)	(3,268,562,756)
Transfer from other sources	-	-	-	-
2. ACCUMULATED LOSSES	(578,558,624)	(2,671,187,298)	(570,846,155)	(2,663,474,829)
Less: Transfer to statutory common reserve fund	-	-	-	-
Transfer to statutory common welfare fund	-	-	-	-
Transfer to staff and workers' bonus and welfare fund	-	-	-	-
3. ACCUMULATED LOSSES	(578,558,624)	(2,671,187,298)	(570,846,155)	(2,663,474,829)
Less: Dividend for preference stocks	-	-	-	-
Transfer to discretionary common reserve fund	-	-	-	-
Dividend for common stocks	-	-	-	-
Dividend for common stocks transferred to capital	-	-	-	-
4. ACCUMULATED LOSSES AT THE END OF THE PERIOD	<u>(578,558,624)</u>	<u>(2,671,187,298)</u>	<u>(570,846,155)</u>	<u>(2,663,474,829)</u>

UNAUDITED CASH FLOW STATEMENTS (PREPARED UNDER PRC GAAP)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

(All amounts are stated in RMB Yuan unless otherwise stated)

Items	2005 (1-6) Group (Unaudited)	2004 (1-6) Group (Unaudited)	2005 (1-6) Company (Unaudited)	2004 (1-6) Company (Unaudited)
I. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	18,577,643,853	13,575,335,485	18,433,571,643	13,484,432,032
Refund of tax	9,674,715	-	9,674,715	-
Cash received relating to other operating activities	2,919,221	763,975	2,585,083	2,301,971
Sub-total of cash inflows	18,590,237,789	13,576,099,460	18,445,831,441	13,486,734,003
Cash paid for goods and services	(15,050,303,981)	(10,782,067,240)	(14,974,325,328)	(10,730,760,826)
Cash paid to and on behalf of employees	(386,424,308)	(235,213,677)	(349,288,007)	(206,644,741)
Payment of all types of taxes	(971,247,853)	(999,288,984)	(953,334,584)	(994,857,894)
Cash paid relating to other operating activities	(36,504,484)	(80,777,794)	(31,508,819)	(75,840,348)
Sub-total of cash outflows	(16,444,480,626)	(12,097,347,695)	(16,308,456,738)	(12,008,103,809)
Net cash flows from operating activities	2,145,757,163	1,478,751,765	2,137,374,703	1,478,630,194

Items	2005 (1-6) Group (Unaudited)	2004 (1-6) Group (Unaudited)	2005 (1-6) Company (Unaudited)	2004 (1-6) Company (Unaudited)
2. Cash flows from investing activities				
Cash received from sale of investments	–	–	–	–
Cash received from return of investments	24,000,000	–	24,000,000	–
Net cash received from disposal of fixed assets	5,113,098	1,514,731	5,113,098	1,514,731
Cash received relating to other investing activities	–	–	–	–
Sub-total of cash inflows	29,113,098	1,514,731	29,113,098	1,514,731
Cash paid to acquire fixed assets and other long-term assets	(69,538,730)	(196,718,328)	(63,801,686)	(195,192,189)
Cash paid to acquire investments	–	–	–	–
Cash paid relating to other investing activities	–	–	–	–
Sub-total of cash outflows	(69,538,730)	(196,718,328)	(63,801,686)	(195,192,189)
Net cash flows from investing activities	(40,425,632)	(195,203,597)	(34,688,588)	(193,677,458)
3. Cash flows from financing activities				
Proceeds from issuing shares	–	–	–	–
Including: Cash received from minority shareholders	–	–	–	–
Proceeds from borrowings	2,861,390,000	4,854,427,269	2,861,390,000	4,854,427,269
Cash received relating to other financing activities	–	–	–	–
Sub-total of cash inflows	2,861,390,000	4,854,427,269	2,861,390,000	4,854,427,269
Repayment of borrowings	(4,854,916,769)	(5,974,366,833)	(4,854,916,769)	(5,974,366,833)
Cash paid for interest expense and distribution of dividends	(86,133,493)	(182,829,135)	(84,718,859)	(181,429,548)
Including: Dividends paid to minority shareholders	–	–	–	–
Cash paid relating to other financing activities	–	–	–	–
Including: Cash paid to minority shareholders due to reduction of capital of subsidiaries	–	–	–	–
Sub-total of cash outflows	(4,941,050,262)	(6,157,195,968)	(4,939,635,628)	(6,155,796,381)
Net cash flows from financing activities	(2,079,660,262)	(1,302,768,699)	(2,078,245,628)	(1,301,369,112)
4. Effect of foreign exchange rate changes on cash	–	–	–	–
5. Net increase/(decrease) in cash and cash equivalents	<u>25,671,269</u>	<u>(19,220,531)</u>	<u>24,440,487</u>	<u>(16,416,376)</u>

Supplementary Information

1. Reconciliation of net profit to cash flows from operating activities

Net profit	123,956,551	605,087,927	123,956,551	605,087,927
Add: Minority interests	6,494,336	(12,785,581)	-	-
(Reversal)/provision for impairment of assets	(900,104)	128,214,613	(900,104)	127,551,812
Depreciation of fixed assets	470,407,433	454,768,739	459,025,273	443,626,779
Amortization of intangible assets	54,502,011	67,208,626	54,455,076	67,158,685
Amortization of long-term deferred expenses	17,001,633	42,225,822	17,001,633	42,225,822
Decrease/(increase) in prepaid expenses	17,232,395	(4,276,743)	17,502,687	(4,292,406)
Increase in accrued expenses	62,855,438	263,075,625	58,454,579	259,935,408
Gain on disposal of fixed assets	(5,113,098)	(1,514,731)	(5,113,098)	(1,514,731)
Loss on scrapping of fixed assets	474,816	35,672,355	474,816	33,737,001
Financial expenses	94,850,697	152,933,553	93,436,063	151,533,966
Investment (income)/loss	(11,396,841)	(13,563,392)	(19,686,575)	7,847,024
Deferred tax credit	51,192,488	-	51,192,488	-
Decrease/(increase) in inventories	1,156,099,739	(7,391,193)	1,160,423,766	12,668,078
Increase in operating receivables	(12,841,338)	(217,013,842)	(13,459,197)	(229,303,010)
Increase/(decrease) in operating payables	120,941,007	(13,890,013)	140,610,745	(37,632,161)
Net cash flows from operating activities	2,145,757,163	1,478,751,765	2,137,374,703	1,478,630,194

2. Investing and financing activities that do not involve cash receipts and payments

Purchase of fixed assets	-	-	-	-
Convertible bonds maturing within one year	-	-	-	-
Finance lease of fixed assets	-	-	-	-

3. Net increase/(decrease) in cash and cash equivalents

Cash at the end of the period	40,300,488	16,278,288	36,259,808	14,258,692
Less: Cash at the beginning of the period	(14,629,219)	(35,498,819)	(11,819,321)	(30,675,068)
Cash equivalents at the end of the period	-	-	-	-
Less: Cash equivalents at the beginning of the period	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	25,671,269	(19,220,531)	24,440,487	(16,416,376)

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and the "Accounting System for Business Enterprises" as promulgated by the People's Republic of China.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2005 interim report, which set out all the information required by paragraphs 46(1) to 46(9) inclusive in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, will be available for publication on the website of the Stock Exchange (<http://www.hkex.com.hk>) within 21 days from the date of this announcement.

By Order of the Board
YU Li
 Chairman

Jilin, PRC, 12th August, 2005

As of the date of this announcement, the composition of the Board is as follows:

Executive directors: Yu Li, Zhang Xingfu, Li Chongjie

Non-executive directors: Yang Dongyan, Ni Muhua, Jiang Jixiang, Xiang Ze

Independent Non-executive directors: Lü Yanfeng, Wang Peirong, Zhou Henglong, Fanny Li

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