SINOPEC ZHENHAI REFINING & CHEMICAL COMPANY LIMITED

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

(Stock Code: 1128)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

SUMMARY

- The feedstock throughput amounted to 8,468,200 tonnes (including third-party processing business), representing a 4.42% increase from that of the same period last year.
- Net sales amounted to RMB24,993 million, representing an increase of 34.51% from that of the same period last year.
- In the first half of the year, the Company's three staple products, namely gasoline, kerosene and diesel, ranked first in the PRC in terms of output.

The Board of 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 months ended 30 June 2005.

INTERIM FINANCIAL REPORT PREPARED IN ACCORDANCE WITH IAS 34 "INTERIM FINANCIAL REPORTING"

The following financial information has been extracted from the Group's unaudited interim financial report, prepared in accordance with IAS 34 "Interim Financial Reporting", for the six months ended 30 June 2005.

Consolidated Income Statement
for the six months ended 30 June 2005 — *unaudited*

		Six months ended 30 June	
		2005	2004
	Note	***RMB'000***	*RMB'000*
Turnover	3	**25,858,192**	19,412,997
Less: Business taxes and surcharges		**(865,365)**	(832,872)
Net sales		**24,992,827**	18,580,125
Cost of sales		**(23,186,041)**	(16,527,987)
Gross profit		**1,806,786**	2,052,138
Other operating income		**63,436**	37,833
Selling and administrative expenses		**(253,086)**	(221,604)
Other operating expenses		**(32,715)**	(45,978)

	Note	Six months ended 30 June **2005** ***RMB'000***	 2004 *RMB'000*
Operating profit before financing costs		**1,584,421**	1,822,389
Financial income		**8,188**	6,281
Financial expenses		**(37,977)**	(48,590)
Net financing costs		**(29,789)**	(42,309)
Share of profits less losses of associates		**21,052**	18,628
Share of profits of jointly controlled entity		**381**	2,354
		21,433	20,982
Profit before tax	5	**1,576,065**	1,801,062
Income tax expense	6	**(314,892)**	(524,575)
Profit for the period	4	**1,261,173**	1,276,487
Attributable to:			
Equity holders of the parent		**1,261,148**	1,276,600
Minority interests		**25**	(113)
Profit for the period	4	**1,261,173**	1,276,487
Basic earnings per share *(in Rmb)*	8(a)	**RMB0.50**	RMB0.51

Consolidated Balance Sheet as at 30 June 2005 — *unaudited*

	Note	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Non-current assets			
Property, plant and equipment		**8,910,315**	8,619,019
Construction in progress		**473,327**	840,159
Lease prepayments		**49,802**	51,954
Interests in associates		**209,163**	189,650
Interest in jointly controlled entity		**45,218**	44,962
Other investments		**144,744**	148,996
Deferred tax assets		**121,909**	127,271
Total non-current assets		**9,954,478**	10,022,011
Current assets			
Inventories		**3,283,135**	2,016,241
Trade receivables-third parties	9	**32,086**	230,017
Other receivables, deposits and prepayments		**406,499**	287,083
Amounts due from associates and jointly controlled entity		**103,359**	32,253
Amounts due from parent companies and fellow subsidiaries		**891,715**	769,834
Deposits with banks		**103,143**	40,806
Cash and cash equivalents		**1,026,694**	2,094,534
Total current assets		**5,846,631**	5,470,768
Current liabilities			
Bank loans		**430,000**	430,000
Trade payables-third parties	10	**638,288**	671,572
Accruals and other payables		**669,065**	742,594
Amount due to associates		**30,154**	—
Amounts due to parent companies and fellow subsidiaries		**1,134,156**	1,191,721
Income tax payable		**193,356**	373,550
Other taxes payable		**327,650**	345,887
Dividends payable		**1,344**	1,344
Total current liabilities		**3,424,013**	3,756,668
Net current assets		**2,422,618**	1,714,100
Total assets less current liabilities		**12,377,096**	11,736,111

	Note	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Non-current liabilities			
Bank loans		**220,000**	320,000
Net assets		**12,157,096**	11,416,111
Equity			
Share capital		**2,523,755**	2,523,755
Reserves		**7,913,324**	6,404,120
Retained earnings		**1,717,702**	2,485,885
Total equity attributable to equity holders of the parent		**12,154,781**	11,413,760
Minority interests		**2,315**	2,351
Total equity		**12,157,096**	11,416,111

Notes to the Unaudited Interim Financial Report

1. Principal activities and basis of preparation

Sinopec Zhenhai Refining & Chemical Company Limited ("the Company") and its subsidiaries (collectively "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 (including paraxylene and polypropylene). Gasoline, diesel and kerosene are three major products of the Group. China Petroleum & Chemical Corporation ("Sinopec Corp") is the Company's immediate parent company and China Petrochemical Corporation is the Company's ultimate parent company.

This interim financial report has been prepared in accordance with the applicable disclosure provisions 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 interim financial report was authorized for issuance on 19 August 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy change that is expected to be reflected in the 2005 annual financial statements. Details of this change in accounting policy are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's unmodified independent review report to the Board of Directors is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 31 December 2004 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 8 April 2005. The 2004 annual financial statements have been prepared in accordance with IFRSs.

2. Change in accounting policy

The IASB has issued a number of new and revised IFRSs (which term collectively includes IASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2005, on the basis of IFRSs currently in issue.

The IFRS that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the change in accounting policy for the annual accounting period beginning on 1 January 2005 which has been reflected in this interim financial report.

Minority interests (IAS 1, Presentation of financial statements and IAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2005, in order to comply with IAS 1 and IAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, consolidated income statement and condensed consolidated statement of changes in equity for the comparative period has been restated accordingly.

3. Turnover

Turnover represents the sales value of goods sold to customers, net of value-added tax and is after deduction of any sales discounts and returns.

4. Segment reporting

Segment information is presented in respect of the Group's business segments. The Group conducts the majority of its business activities in two areas, refining and chemicals. An analysis of business segment is as follows:

	Six months ended 30 June 2005			
	Refining	**Chemicals**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Net sales	**24,725,546**	**482,957**	**(215,676)**	**24,992,827**
Cost of sales	**(23,104,984)**	**(296,733)**	**215,676**	**(23,186,041)**
Gross profit	**1,620,562**	**186,224**	**—**	**1,806,786**
Other operating income				**63,436**
Selling and administrative expenses				**(253,086)**
Other operating expenses				**(32,715)**
Operating profit before financing costs				**1,584,421**
Net financing costs				**(29,789)**
Share of profits less losses of associates				**21,052**
Share of profits of jointly controlled entity				**381**
Profit before tax				**1,576,065**
Income tax expense				**(314,892)**
Profit for the period				**1,261,173**

	Six months ended 30 June 2004			
	Refining	Chemicals	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net sales	18,354,962	517,885	(292,722)	18,580,125
Cost of sales	(16,457,761)	(362,948)	292,722	(16,527,987)
Gross profit	1,897,201	154,937	—	2,052,138
Other operating income				37,833
Selling and administrative expenses				(221,604)
Other operating expenses				(45,978)
Operating profit before financing costs				1,822,389
Net financing costs				(42,309)
Share of profits less losses of associates				18,628
Share of profits of jointly controlled entity				2,354
Profit before tax				1,801,062
Income tax expense				(524,575)
Profit for the period				1,276,487

The above 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.

5. Profit before tax

Profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Interest on borrowings	**21,733**	40,171
Less: Borrowing costs capitalised into projects in progress	**(855)**	(2,254)
Interest expense, net	**20,878**	37,917
Write-down of inventory	**30,920**	8,437
Depreciation and amortisation	**526,011**	501,535
Net loss on disposal of property, plant and equipment	**1,741**	4,546
Dividend income from other investments	**(5,857)**	(5,461)
Interest income	**(8,188)**	(6,281)

6. Income tax expense

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Current tax expense		
— Current period	**310,391**	525,735
— (Over)/under-provision in respect of prior years	**(7,976)**	477
	302,415	526,212
Deferred taxation	**5,362**	(7,939)
Share of associates' taxation	**6,989**	5,525
Share of jointly controlled entity's taxation	**126**	777
Total income tax expense in consolidated income statement	**314,892**	524,575

Individual companies within the Group are mainly subject to Enterprise Income Tax ("EIT") at 33% (2004: 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 for certain EIT preferential treatments because of its recycling of certain waste materials. The amount of EIT refund recognized by the Group during the six months ended 30 June 2005 was RMB120,587,000 (for the six months ended 30 June 2004: RMB71,747,000).

Pursuant to the document "Cai Shui Zi [1999] No. 290" issued by the MOF and SAT on 8 December 1999, the Group is eligible for certain EIT preferential treatments because of its purchase of certain domestic equipment for technical improvements. The amount of EIT refund recognized by the Group during the six months ended 30 June 2005 was RMB75,534,000 (for the six months ended 30 June 2004: RMB nil).

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

7. Dividends

(a) *Dividends attributable to the interim period:*

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Interim dividend declared after the interim period of RMB0.09 per share (2004: RMB0.09 per share)	**227,138**	227,138

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

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

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2004, approved and paid during the following interim period, of RMB0.21 per share (year ended 31 December 2003: RMB0.09 per share)	**529,988**	227,138

8. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of RMB1,261,148,000 for the six months ended 30 June 2005 (six months ended 30 June 2004: RMB1,276,600,000) and the weighted average number of ordinary shares of 2,523,754,468 (2004: 2,523,754,468) in issue during the period.

(b) *Diluted earnings per share*

The Group had no dilutive potential ordinary shares in existence during the six months ended 30 June 2005.

9. Trade receivables-third parties

	As at 30 June 2005	As at 31 December 2004
	RMB'000	*RMB'000*
Bills receivable	**5,356**	137,202
Accounts receivable	**27,754**	93,918
	33,110	231,120
Less: Allowance for doubtful accounts	**(1,024)**	(1,103)
	32,086	230,017

The ageing analysis of trade receivables-third parties (before allowance for doubtful accounts) is as follows:

	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
Invoice date:		
Within one year	**31,135**	228,890
Between one and two years	**1,358**	1,607
Between two and three years	**—**	6
Over three years	**617**	617
	33,110	231,120

The Company generally requests customers to pay cash or settle by bills in full prior to delivery of goods. Subject to negotiation, credit is only available for major customers with well-established trading records.

10. Trade payables-third parties

The maturity analysis of trade payables-third parties is as follows:

	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
Due within 1 month or on demand	**254,936**	481,548
Due after 1 month and within 6 months	**383,352**	190,024
	638,288	671,572

11. Comparative figures

Certain comparative figures have been adjusted as a result of the change in accounting policy, details of which are set out in note 2.

DIVIDENDS

The Board of Directors has declared an interim dividend of Renminbi ("RMB") 0.09 per share, or a total of RMB227.14 million for the year ending 31 December 2005. The dividend will be paid on 21 October 2005 to shareholders whose names appear on the Company's register of members on 30 September 2005. Dividends payable to China Petroleum & Chemical Corporation ("Sinopec Corp"), 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 RMB1.0427 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 on 19 August 2005. Accordingly, each H share in the Company is entitled to an interim dividend of HK$0.086.

REGISTER FOR THE TRANSFER OF SHARES

The register of members of the Company will be closed from 26 September 2005 to 30 September 2005 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the 2005 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, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4 pm on 23 September 2005.

REVIEW OF OPERATIONS FOR THE FIRST HALF OF 2005

During the first half of 2005, the crude oil prices in the international market drastically rose by over 40% from those of the same period in the previous year. However, domestic petroleum products prices increased by merely approximately 21% when compared with those of the same period last year as a result of stringent control. In the face of this severe challenge, the Company calmly responded by going all-out to reduce costs and enhance efficiency in order to increase internal competitiveness. As a result, the Company realised net sales of RMB24,993 million, representing approximately 35% increase from that of the same period of the previous year; profit for the period amounted to RMB1,261 million, which was basically the same when compared with that of the same period last year. On the whole, the Company maintained a sustainable and stable profitability.

In the first half of the year, the Company increased its throughput further by taking full advantage of its large-scale production capacity as a whole, and the newly established facilities. Feedstock throughput during the first half of the year reached 8,468,200 tonnes (including third-party processing business), representing a 4.42% increase from that of the same period last year. Meanwhile, the Company fully leveraged the discrepancy in the prices of low and high sulphur crude oil and those of light and heavy crude oil to raise the proportion of purchased sour crude oil, acid crude oil and heavy crude oil, and to strengthen crude oil inventory management, with the aim of lowering the costs of crude oil. During the first half of the year, the amount of sour crude oil the Company processed was 6,413,600 tonnes and accounted for 77% of the total crude oil processing volume, which represented an increase of 16 percentage points from that of the same period last year. The processing cost of feedstock was RMB2,750.26 per tonne (about US$45.50 per barrel, "$/bbl"), which was lower than the average dated price of Brent crude oil during the same period by more than $4/bbl.

During the first half of the year, the Company, with a market-orientation, intensified adjustment to its product mix and increased the output of high value-added products with robust market demand. Net sales, when compared with that of the same period last year, realised a growth rate of 34.51%, which was higher than the growth rate of 21.22% in the average prices of gasoline, kerosene and diesel. First, the Company, since the ex-factory prices of its naphtha reached international market levels in January, adjusted production techniques and raised naphtha output. During the first half of the year, the Company produced 394,400 tonnes of commodity naphtha, representing a 20.10% increase from that of the same period last year. Second, the Company produced more high value-added products including LPG, propylene and PP. During the first half of the year, the Company produced 466,200 tonnes of LPG and 102,700 tonnes of PP, representing increases of 11.72% and 55.01% respectively from those of the same period last year. Third, the Company increased the output of aromatic products (including PX) to 393,900 tonnes during the first half of the year by 22.56% when compared with that of the same period last year.

Since 1 July, all gasoline and diesel for vehicle use in the PRC have to attain the Euro II emission standard. The Company has, since April, produced gasoline and diesel meeting Euro II standard. Meanwhile, the Company raised the output proportion of high-octane gasoline. The output of high-standard clean gasoline with above 93 octane amounted to 1,090,800 tonnes and accounted for 74.96% of the total gasoline output, which represented an increase of 2.82 percentage points from that of the same period last year. Output of 98 octane high-standard clean gasoline and car-use diesel meeting Euro II emission standard amounted to 5,003 tonnes and 483,900 tonnes, representing increases of 2.54 times and 2.56 times respectively from those of the same period of the last year. During the period under review, the Company also produced, for the first time, Beijing standard — B gasoline, which meets Euro III standard, and launched it in the Beijing market. In the first half of the year, the Company's three staple products, namely gasoline, kerosene and diesel, ranked first in the PRC in terms of output.

The efficient use of new facilities and new technical upgrade projects in the first half of the year played an important role in strengthening the Company's sustainable profitability. After the construction of the 1 million tpa delayed coking unit completed in April, the Company's comprehensive processing capacity reached 18.5 million tpa and the deep processing capacity of heavy oil was further enhanced. Meanwhile, the Company, through technical upgrade, raised the quality of gasoline and diesel from meeting Euro I standard to Euro II emission standard with relatively small investments and improved the production capacity of premium petroleum products. The technical upgrade projects, including the light hydrocarbon recovery unit and non-aromatics hydrofining unit, commenced operation in April and June respectively, enhancing naphtha production capacity. The 450,000 tpa benzene extraction unit, which commenced operation in June, operated at full capacity, augmenting the production capacity of high value-added BTX (benzene, toluene, xylene and PX) products.

In the first half of the year, the Company also implemented over 200 cost-efficiency enhancement projects through four rounds of activities, to further optimise the operation of the overall production facilities and supplementary systems, and results of such efforts had been reflected. During the first half of the year, the Company's composite commercial yield reached 93.95%, which increased by 0.39 percentage points; light oil yield stood at 75.42%, rising by 0.40 percentage points, while various technical and economic indicators and unit complete expense continued to remain at relatively satisfactory levels.

PROSPECTS FOR THE SECOND HALF OF 2005

During the second half of the year, the Company will face tremendous pressure on its production operation: given that international crude oil price may continue to rise in volatility, the cost of crude oil processing will be pushed up; the situation where the adjustments to the prices of domestic petroleum products lag relatively behind will, prolong putting pressure on the Company's refining margin; the decline in the prices of petrochemical products from their highest in the previous year, and their flagging ability to make a rebound will squeeze the Company's profits. As such, the Company will follow closely the changes in the prices of crude oil and petroleum products in the international market, and flexibly adjust its operating strategies to fine-tune its internal resources through further exploiting its internal advantages, in order to overcome severe challenges and pressure, and to further enhance its competitiveness and sustainable, stable profitability.

First, the Company will leverage on existing outfit and technical advantages of its facilities, particularly the newly established coking capabilities, to widen the scope of crude oil varieties so as to enhance the choices of crude oil. To control crude oil processing cost, the Company will increase the throughput of high sulphur crude oil, high acid oil and heavy crude oil. In the second half of the year, the Company plans to achieve a feedstock throughput of approximately 8.7 million tonnes. The feedstock throughput for the entire year is expected to exceed 17 million tonnes.

Second, the Company will continue to make adjustment plan for its product mix to strive for greater output of high value-added products. The Company will further exploit the potential of high quality gasoline and diesel, to produce more high-octane gasoline. The Company also takes full advantage of the capacity of its disproportionation unit and newly constructed benzene extraction unit to increase the output of aromatic products, and adopts new catalyst to produce more propylene, which will help increase the proportion of high value-added products by raising the utilisation rate of the PP facility. The Company capitalises on the temporary exemption of value-added tax on urea effective since 1 July and plans to produce 300,000 tonnes of urea in the second half of the year.

Third, the Company will intensify the optimisation of the 18.5 million tpa processing capacity, to further enhance the quality and efficiency of production operation. The Company will focus on achieving a balanced aromatic system and intensify the synchronisation of old and new facilities' upgrade. The Company will exploit the potential of public utility projects system to reduce resources consumption.

Fourth, the Company will push ahead with the work on exploiting potentials and increasing efficiency and lowering costs and expenses. The Company will intensify its efforts in execution, strengthen internal control and strive to improve various technical and economic indicators. The Company will also implement the budget management system, to allow it to serve as the guidance in production operation. It will strengthen its basic work, foundation building and fundamental skills training, to further enhance management quality.

Fifth, the Company will proceed with the 20 million tpa refining capacity upgrade project, in order to develop a large and strong core refining business. In the second half of the year, fixed assets investments in the refining expansion project is expected to amount to approximately RMB700 million, which is mainly used for upgrading berths 2# and 3# to expand the overall handling capacity of the Company's port from 30 million tpa to 45 million tpa at the end of the year; and for constructing a 1.5 million tpa hydrocracking unit, a 100,000 tpa sulphur recovery unit and a 120 tonnes per hour steaming unit for wastewater disposal. All this is aimed at achieving a comprehensive processing capacity of 20 million tpa by the end of 2006.

In March this year, the Board of Directors of Sinopec Corp approved the Company's feasibility report on a 1 million tpa ethylene project. In April, the Board of Directors of the Company considered and passed the resolution on the construction of the 1 million tpa ethylene project. In May, China International Engineering Consulting Corporation completed its on-site inspection, research and appraisal of the Company's large ethylene project. At present, various types of pre-development work are being carried out as scheduled. Upon obtaining approval of the "Project Application Report" by the National Development and Reform Commission at the earliest possible date, the Company will commence the construction of the ethylene project in a cost-efficient manner, so as to render it a relatively strong competitive edge internationally. With this project, the Company will further enhance its profitability and risk resistance, and continue to strive to maximise shareholders' returns.

TRUST DEPOSIT AND OVERDUE TIME DEPOSIT

The Company did not have any trust deposit or any overdue time deposit as at 30 June 2005.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 30 June 2005, 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 17 June 2005, the Board of Directors formally appointed KPMG as the Company's auditors for the year of 2005. The term is one year to the conclusion of the next annual general meeting.

REVIEW OF THE INTERIM FINANCIAL REPORT

KPMG conducted their review on the interim financial report and the review was conducted in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. The financial information contained in this interim financial report was unaudited.

CHANGES IN SENIOR MANAGEMENT

At the eighth meeting of the Fourth Board of Directors convened on 8 April 2005, the Board of Directors approved the resignation of Mr Zhao Jinxuan as the Deputy General Manager of the Company. At the annual general meeting convened on 17 June 2005, the shareholders approved the resignation of Mr Zhao as the Director of the Company. The Board of Directors expressed gratitude for his contributions made to the Company's development.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company complied with all the code provisions listed in the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and applicable to the Company during the period under review, except the provision involving the requirement for the roles of chairman and chief executive to be performed by different individuals.

Save as mentioned above, the Company did not have any matters that were not in compliance with the code provisions for the six months ended 30 June 2005.

OTHER DISCLOSURE ITEMS

There has been no material change to the information disclosed in accordance with the requirements under rule 46(3) of Appendix 16 to the Listing Rules from the information disclosed in the 2004 annual report.

By Order of the Board
Sun Weijun
Chairman

19 August 2005, Ningbo, the PRC

As at the date of this announcement, the Board of Directors comprises 11 Directors, including:
Executive Directors: Mr Sun Weijun (Chairman), Mr Zhan Juping (Deputy Chairman), Mr Xu Liqiao, Mr Sun Jianli and Mr Yu Renming;
Non-executive Directors: Ms Wang Lisheng and Mr Hu Weiqing;
Independent Non-executive Directors: Mr Sun Yongsen, Mr Cen Kefa, Mr Li Linghong and Ms Qiu Yun.

Please also refer to the published version of this announcement in ***(South China Morning Post)***