



上海棟華石油化工股份有限公司
SHANGHAI DONGHUA PETROCHEMICAL CO., LTD.*
(a joint stock limited company incorporated in the People's Republic of China)

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This report, for which the directors of Shanghai Donghua Petrochemical Co., Ltd (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board of Directors (the “Board”) of Shanghai Donghua Petrochemical Co., Ltd (the Company”) is pleased to present the unaudited consolidated results (the “Unaudited Consolidated Results”) of the Company and its subsidiaries (the “Group”) for the 3 and 6 months ended 30 June 2005 together with comparative unaudited figures for the corresponding periods in 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

	Note	3 months ended		6 months ended	
		30 June 2005	30 June 2004	30 June 2005	30 June 2004
		Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Turnover	2	129,460	108,654	225,175	194,915
Cost of sales		<u>(112,678)</u>	<u>(96,917)</u>	<u>(196,311)</u>	<u>(170,078)</u>
Gross profit		16,782	11,737	28,864	24,837
Other revenues	2	1,301	969	1,355	1,064
Distribution costs		(5,721)	(5,027)	(8,859)	(9,065)
General and administrative expenses		(1,857)	(1,662)	(3,032)	(3,908)
Other operating expenses		<u>(6)</u>	<u>(86)</u>	<u>(39)</u>	<u>(101)</u>
Operating profit	4	10,499	5,931	18,289	12,827
Finance costs	5	(209)	(141)	(452)	(248)
Share of loss of associated companies		<u>(162)</u>	<u>–</u>	<u>(162)</u>	<u>–</u>
Profit before taxation		10,128	5,790	17,675	12,579
Taxation	6	<u>(1,341)</u>	<u>(982)</u>	<u>(2,517)</u>	<u>(2,059)</u>
Profit for the year		<u>8,787</u>	<u>4,808</u>	<u>15,158</u>	<u>10,520</u>
Attributable to:					
Equity holders of the company		8,752	4,896	15,134	10,614
Minority interest		<u>35</u>	<u>(88)</u>	<u>24</u>	<u>(94)</u>
		<u>8,787</u>	<u>4,808</u>	<u>15,158</u>	<u>10,520</u>
Earnings per share for profit attributable to equity holders of the company during the period (Expressed in RMB per share)	7	<u>0.036</u>	<u>0.020</u>	<u>0.063</u>	<u>0.044</u>
Dividend	8	<u>2,263</u>	<u>–</u>	<u>2,263</u>	<u>–</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2005 Unaudited RMB'000	At 31 December 2004 Audited RMB'000
Non-current assets			
Fixed assets	9	12,733	8,948
Construction-in-progress		2,016	1,330
Investment in associated companies	10	4,722	1,699
Available-for-sale investments		2,122	2,122
		21,593	14,099
Current assets			
Inventories	11	22,360	10,443
Trade and other receivables	12	75,796	66,355
Cash and cash equivalents		25,326	7,617
		123,482	84,415
Current liabilities			
Trade and other payables	13	78,058	33,480
Taxation payable		1,301	1,300
Short-term bank loans	14	10,000	17,500
		89,359	52,280
Net current assets		34,123	32,135
Total assets less current liabilities		55,716	46,234
Financed by:			
Share capital – 240 million ordinary shares of RMB0.1 each		24,000	24,000
Proposed dividend	8	2,263	5,000
Other reserves		29,094	16,899
Shareholders' funds		55,357	45,899
Minority interests		359	335
Total equity		55,716	46,234

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Share capital	Share issuance costs	Statutory common reserve fund	Statutory common welfare fund	Retained earnings	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1/1/2004	24,000	-	1,517	758	4,988	118	31,381
Dividend declared in respect of the period from 1/8/2003 to 31/12/2003	-	-	-	-	(4,800)	-	(4,800)
Profit for the period	-	-	-	-	10,614	(94)	10,520
Direct costs attributable to new issuance of shares on the GEM	-	(3,249)	-	-	-	-	(3,249)
At 30/6/2004	<u>24,000</u>	<u>(3,249)</u>	<u>1,517</u>	<u>758</u>	<u>10,802</u>	<u>24</u>	<u>33,852</u>
At 1/1/2005	24,000	(4,578)	3,930	1,964	20,583	335	46,234
Profit for the period	-	-	-	-	15,134	24	15,158
Direct costs incurred for listing of shares on the GEM	-	(5,676)	-	-	-	-	(5,676)
At 30/6/2005	<u>24,000</u>	<u>(10,254)</u>	<u>3,930</u>	<u>1,964</u>	<u>35,717</u>	<u>359</u>	<u>55,716</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED

	6 months ended 30 June 2005 RMB'000	6 months ended 30 June 2004 RMB'000
Net cash inflow from operating activities	31,980	11,611
Net cash outflow from investing activities	(6,771)	(6,977)
Net cash (outflow)/inflow from financing	(7,500)	3,750
Increase in cash and cash equivalents	17,709	8,384
Cash and cash equivalents at beginning of the period	7,617	5,334
Cash and cash equivalents at end of the period	25,326	13,718
Analysis of balances of cash and cash equivalents		
Cash and bank balances	25,326	13,718

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (“interim financial statements”) of the Group have been prepared in accordance with Hong Kong Accounting Standard No. 34 - Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The interim financial statements have been prepared on the basis of historical cost convention, as modified by the revaluation of available-for-sale investments that at fair value through the income statement. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

In 2005, the Group has adopted the new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of these new HKFRS has no material impact on the operating results and financial position of the Group except for certain presentations and disclosures of the financial statements.

2. TURNOVER AND REVENUE

Turnover represents the sale of asphalt net of taxes, discounts, returns and allowances, where applicable.

	6 months ended 30 June	
	2005	2004
	RMB'000	RMB'000
Turnover		
Sales of asphalt	225,175	194,915
Other revenues		
Dividend income from unlisted investments	1,280	960
Subsidy income	42	–
Interest income	33	24
Others	–	80
	1,355	1,064
Total revenues	226,530	195,979

3. SEGMENT INFORMATION

The Group operates in one business segment, which is trading of asphalt in the PRC. All of the Group's assets are located in the PRC, and all sales are made to customers located in the PRC. Accordingly, no separate segment information is disclosed.

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	6 months ended 30 June	
	2005	2004
	RMB'000	<i>RMB'000</i>
Crediting		
Reversal of provision for impairment of receivables	(578)	–
Charging		
Depreciation of fixed assets	641	512
Staff costs	2,224	1,790
Cost of inventories	196,050	169,784
Provision for impairment of receivables	–	15
Operating lease rental expenses in respect of		
– Land and buildings	1,590	1,443
– Transportation facilities	180	–
Auditors' remuneration	250	150

5. FINANCE COSTS

	6 months ended 30 June	
	2005	2004
	RMB'000	<i>RMB'000</i>
Interest on bank loans	452	248

6. TAXATION

	6 months ended 30 June	
	2005	2004
	RMB'000	RMB'000
PRC enterprise income tax	2,517	2,059

The Company is subject to the Income Tax Law of the PRC. Being a company incorporated in Pudong New Area of Shanghai, the relevant PRC enterprise income tax rate is 15% on the assessable profit during the Relevant Periods.

Dong Tai Shi Suzhong Oil Shipping Company Limited ("Suzhong Shipping"), the subsidiary of the Company, is classified as a small-scale company for income tax purpose. According to a circular issued by Dong Tai city tax bureau in November 2003, the income tax of Suzhong Shipping was charged at 1% of its revenue. According to another circular issued by Jiangsu provincial tax bureau in December 2003, the income tax of Suzhong Shipping is charged at 3.3% of its revenue effective from February 2004.

No deferred taxation was recognized as at 30 June 2005.

7. EARNINGS PER SHARE

The calculation of the earnings per share for the 6 months ended 30 June 2005 and 2004 is based on the Group's profit attributable to equity holders of the Company of RMB15,134,000 and RMB10,614,000, respectively, and 240,000,000 domestic shares in issue during the 6 months ended 30 June 2005 and 2004, respectively.

Diluted earnings per share have not been calculated as there were no potential dilutive shares during the periods.

8. PROPOSED DIVIDEND

At a meeting held on 12 August 2005, the directors of the Company proposed a special dividend of RMB2,263,800. This proposed special dividend was not reflected as a dividend payable as at 30 June 2005, but will be reflected as an appropriation of retained earnings for 2005.

9. FIXED ASSETS

During the 4 months ended 30 June 2005, the Company acquired a vessel named 興通1 (Xing Tong 1) from an independent third party at a consideration of RMB4,100,000.

10. INVESTMENT IN ASSOCIATED COMPANIES

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Share of net assets	<u>4,722</u>	<u>1,699</u>
Unlisted equity investments, at cost	<u>4,935</u>	<u>1,750</u>

The following are the details of the associated companies at 30 June 2005:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Registered capital	Equity interests held
Jiangxi Huatong Highway Materials Company Limited	PRC, limited liability company	Asphalt trading in the PRC	RMB5,000,000	35%
Jiaying Huatong Asphalt Company Limited	PRC, limited liability company	Processing, sale, storage and delivery of asphalt and related products in the PRC	RMB13,000,000	24.5%

11. INVENTORIES

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Asphalt for resale	<u>22,360</u>	<u>10,443</u>

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Trade receivables	48,708	41,811
Commercial notes receivable	24,205	19,223
	72,913	61,034
Less: Provision for impairment of receivables	-	(578)
	72,913	60,456
Prepayments and deposits	162	3,463
Other receivables	2,721	2,436
	75,796	66,355

The ageing analysis of trade and notes receivables, arising mainly from sales of asphalt to customers and with credit terms of 30 days to 60 days, is as follow:

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
0 – 30 days	41,484	44,377
31 – 60 days	16,786	12,806
61 – 90 days	8,215	2,678
91 days – one year	6,428	595
Over three years	-	578
	72,913	61,034

13. TRADE AND OTHER PAYABLES

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Trade payables	62,302	24,842
Share issuance costs payable	5,514	1,260
Other payables	9,195	5,459
Accruals	1,047	1,919
	<u>78,058</u>	<u>33,480</u>

The ageing analysis of trade payables is as follow:

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
0 – 30 days	53,449	23,290
31 – 60 days	7,865	688
61 – 90 days	176	489
91 days – one year	729	263
One year – two years	–	60
Over three years	83	52
	<u>62,302</u>	<u>24,842</u>

14. SHORT-TERM BANK LOANS

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Short-term bank loans	<u>10,000</u>	<u>17,500</u>

The Group's short-term bank loans were denominated in RMB and bore interest at 5.859% per annum as at 30 June 2005, and at 5.5755% per annum as at 31 December 2004.

As at 30 June 2005, short-term bank loans of RMB10,000,000 are guaranteed by Shanghai Jianpu Imports & Exports Limited, an independent third party.

As at 31 December 2004, short-term bank loans comprised:

- (1) bank loans of RMB15,000,000 guaranteed by Shanghai Jianpu Imports & Exports Limited, an independent third party; and
- (2) bank loans of RMB2,500,000 secured by office premises of the Company with a net book value of RMB3,603,000 (original cost of RMB3,814,000).

15. RELATED PARTY TRANSACTIONS

The Company is controlled by Mr. Qian Wenhua and Mrs. Qian Liu Huiping, the major shareholders.

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions.

(a) Name and relationship with related parties

Name	Relationship
Shanghai Huashi	Controlled by Mrs. Qian Liu Huiping

(b) Transactions with related parties

In February 2004, the Company purchased an office premises from Shanghai Huashi at a cash consideration of RMB1,356,000.

16. SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to 30 June 2005, the Company issued a total number of 103,000,000 H Shares and was listed on the GEM Board of the Stock Exchange of Hong Kong Limited on 13 July 2005. Together with the existing 240,000,000 domestic shares of the Company in issue as of 30 June 2005, a total of 343,000,000 ordinary shares (including H Shares) are in issue subsequent to 30 June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE BUSINESS

For the 6 months ended 30 June 2005, the Group's turnover was approximately RMB225 million (6 months ended 30 June 2004: RMB195 million) and has achieved a growth of approximately 15% year-on-year. The profit attributable to the Company shareholders was approximately RMB15.1 million (6 months ended 30 June 2004: RMB10.6 million) and a year-on-year growth of approximately 42% was recorded. The substantial increase in the profits figure was mainly attributable to the increase in turnover, and better and effective control of administrative expenses and distribution costs resulting from a stronger and improving logistics and distribution network of the Company.

Sales of Asphalt

The Group is principally engaged in the trading of asphalt in the PRC. Asphalt is a product refined from petroleum normally used for road paving.

The Group operates asphalt delivery service by setting up asphalt storage hubs and delivering asphalt by vessels and vehicles. Asphalt require to be heated up to a sufficiently liquid state for transportation and application. Under the specific requirement, both the storage and transportation facilities have to be equipped with heating and insulation devices.

At present, the Group operates 4 asphalt storage hubs that comprise a total of 19 asphalt storage tanks and with a total storage capacity of 21,800 tons. The storage hubs are mainly located in the Yangtze River Delta area. The Group also operates 11 asphalt vessels with a total delivery capacity of approximately 5,900 dwt.

The Group has operated 3 more asphalt storage tanks with a total capacity of 6,000 tons in Wal Gao Qiao, Shanghai have strengthened the position of Shanghai as a hub for storage and transit. In addition, the Group has operated a storage hub with 5 storage tanks and a total capacity of 5,000 tons in Anqing, Anhui Province. The depot has secured the Group in exploring the market in the southern Anhui regions.

As a business strategy, the Group has further extended the logistics network beyond the Yangtze River Delta regions within the first half year of 2005.

Construction in progress

In the 3rd quarter of 2005, the 2 storage tanks with a total capacity of 2,000 tons in Hefei, Anhui Province are expected to commence operation.

The storage hub in Jiaxing, Zhejiang Province, with a capacity of 13,000 tons and that the Group has a 24.5% equity interest, is scheduled to commence operation as well in the 3rd quarter.

PROSPECTS

In general, the highway systems in China are relatively less developed when comparing to those of the developed countries. The rapid economic growth in China has created significant demand for highways which in turn generated growing demand for asphalt. For existing highway systems, demand of asphalt for maintenance is expected to increase steadily.

As the central government is actively improving the underdeveloped economies in the central-western and north-eastern regions of China and coupled with the coming Olympic Games in Beijing and the World Expo in Shanghai, the needs for new highways and their maintenance will create excellent business opportunities for the Group. Given such a backdrop, the Group will focus on expanding its logistics network and market development in the Yangtze River Delta and central regions and more marketing efforts will be placed on the asphalt market in the provinces of Jiangsu, Anhui, Hubei, Jiangxi and Zhejiang.

CAPITAL STRUCTURE

As at 30 June 2005, the Group had total assets less current liabilities of approximately RMB55.7 million (31.12.2004 RMB46.2 million), comprising non-current assets of about RMB21.6 million (31.12.2004: RMB14.1 million), net current assets of about RMB34.1 million (31.12.2004: RMB32.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and bank balances of approximately RMB25.3 million and RMB7.6 million as at 30 June 2005 and 31 December 2004 respectively; and short term bank loans of RMB10.0 million and RMB17.5 million as at 30 June 2005 and 31 December 2004 respectively. The debt to equity ratio as at 30 June 2005 and 31 December 2004 was 18% and 38% respectively. The Group regards that it has sufficient working capital to fund its operation.

FOREIGN EXCHANGE EXPOSURE

The Group's trade receivables are denominated in RMB and purchases are denominated in RMB. The Group does not have material risk in foreign currency. Therefore, no hedging or other alternatives have been implemented.

PLEDGE OF ASSETS

As at 30 June 2005, short-term bank loans of RMB10,000,000 are guaranteed by Shanghai Jianpu Imports & Exports Limited, an independent third party.

As at 31 December 2004, short-term bank loans comprised:

- (1) bank loans of RMB15,000,000 guaranteed by Shanghai Jianpu Imports & Exports Limited, an independent third party; and
- (2) bank loans of RMB2,500,000 secured by office premises of the Company with a net book value of RMB3,603,000 (original cost of RMB3,814,000).

CONTINGENT LIABILITIES

As at 30 June 2005, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 30 June 2005, the Group had 70 employees. The total of employee remuneration, including that of the Directors and mandatory provident funds contributions, for the period under review amounted to approximately RMB1.8 million.

Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

DISCLOSURE UNDER GEM LISTING RULES 17.15 TO 17.21

The Directors are not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules as at 30 June 2005.

DETAIL OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Company has been completed the initial public offering of its H shares (the "H Shares") and listed on GEM on 13 July 2005. The Directors do not have any future plans for material investment or capital assets other than those stated in the prospectus dated 30 June 2005.

COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

The H Shares of the Company were listed on the GEM Board of the Stock Exchange on 13 July 2005 shortly after the 6 months period ended 30 June 2005. The business objectives as listed in the prospectus of the Company dated on 30 June 2005 (the "Prospectus") were prepared to a latest practicable date at 22 June 2005. The Board confirms that between 22 June 2005 and 30 June 2005, there was no significant progress as to the business objectives prescribed in the Prospectus.

USE OF PROCEEDS FROM ISSUANCE OF H SHARES TO THE PERIOD ENDED 30 JUNE 2005

As the H Shares of the Company were issued and listed on GEM of the Stock Exchange subsequent to 30 June 2005, none of the proceed from issuance of H shares had been used during the period ended 30 June 2005.

PROPOSED DIVIDEND

The Board of Directors has recommended the payment of a special dividend of RMB0.0066 per share in respect of the 6 months ended 30 June 2005. Dividends payable to domestic shareholders will be paid in RMB, while dividends payable of holders of H Shares will be paid in Hong Kong dollars. Subject to the approval at the extraordinary general meeting to be held on 29 September 2005, the special dividend is expected to be payable on or before 27 October 2005.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Shareholders will be closed from 30 August 2005 to 28 September 2005, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed special dividend, all transfers accompanied with relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 29 August 2005 (Monday).

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

The H Shares of the Company were listed on GEM of the Stock Exchange on 13 July 2005. The interests or short position of the Directors, chief executives and supervisors of the Company (the "Supervisors") in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) was required, (a) to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register required to be kept therein, pursuant to section 352 of the SFO; or (c) to notify to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors referred to in Rule 5.46 of the GEM Listing Rules are as follows:

Long position in the shares, underlying shares and debentures of the Company:

Name of Directors	Capacity	Number of shares			As at 30 June 2005	As at the date of this report		
		Personal interest	Family Interest	Total interest	Approximate percentage of shareholding in such class of shares of the Company	Approximate Percentage of shareholding in the registered share capital of the Company	Approximate Percentage of shareholding in the registered share capital of the Company	Approximate Percentage of shareholding in the registered share capital of the Company
Qian Wenhua (Executive Director)	Beneficial owner	95,896,000 (domestic shares)	17,927,000 (Note 1) (domestic shares)	113,823,000	47.43	47.43	47.43	33.19
Lu Yong (Executive Director)	Beneficial owner	31,309,000 (domestic shares)	-	31,309,000	13.05	13.05	13.05	9.13
Yao Pei (Executive Director)	Beneficial owner	17,273,000 (domestic shares)	-	17,273,000	7.20	7.20	7.20	5.04
Li Hongyuan (Executive Director)	Beneficial owner	9,200,000 (domestic shares)	-	9,200,000	3.83	3.83	3.83	2.68
Zhang Jinhua (Executive Director)	Beneficial owner	7,576,000 (domestic shares)	-	7,576,000	3.16	3.16	3.16	2.21

- (1) The 17,927,000 shares are held by Liu Huiping, the wife of Qian Wenhua, and such shares are deemed to be family interests held by Qian Wenhua.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The H Shares of the Company were listed on GEM of the Stock Exchange on 13 July 2005. So far as the Directors are aware, the persons or company (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholders	Capacity	Number of shares			As at 30 June 2005	As at the date of this report			
		Personal interest	Family Interest	Total interest	Approximate Percentage of shareholding in such class of shares of the Company	Approximate Percentage of shareholding in the registered share capital of the Company	Approximate Percentage of shareholding in such class of shares of the Company	Approximate Percentage of shareholding in the registered share capital of the Company	
Liu Huiping (Note 1)	Beneficial owner	17,927,000 (domestic shares)	95,896,000 (Note 1) (domestic shares)	113,823,000	47.43	47.43	47.43	33.19	
Shenyin Wanguo Strategic Investments (H.K.) Ltd.	Beneficial owner	30,556,000 (H Shares)	-	30,556,000	N/A	N/A	29.67	8.91	
Shenyin Wanguo (H.K.) Limited (Note 2)	Interest of a controlled corporation	30,556,000 (H Shares)	-	30,556,000	N/A	N/A	29.67	8.91	
中塑油品股份有限公司	Beneficial owner	14,500,000 (H Shares)	-	14,500,000	N/A	N/A	14.08	4.23	
Lu Shuidi	Beneficial owner	5,840,000 (H Shares)	-	5,840,000	N/A	N/A	5.67	1.70	

Notes

1. Liu Huiping is the wife of Qian Wenhua.
2. The entire issued share capital of Shenyin Wanguo Strategic Investment (H.K.) Limited is legally and beneficially owned by Shenyin Wanguo (H.K.) Limited. Accordingly, Shenyin Wanguo (H.K.) Limited is deemed to be interested in the shares registered in the name of Shenyin Wanguo Strategic Investment (H.K.) Limited.

Directors' and Supervisors' right to acquire shares or debentures

None of the Directors and Supervisors or their respective associates was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 June 2005.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the 6 months ended 30 June 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

In compliance with Rules 5.28 to 5.29 of the GEM Listing Rules, the Company established an audit committee with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive directors, Ms. Ye Mingzhu, Mr. Zhu Shengfu and Mr. Lv Renzhi. Mr. Lv Renzhi is the chairman of the audit committee.

The audit committee has reviewed the Group's unaudited consolidated financial statements for the 6 months ended 30 June 2005, which was of an opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the 6 months ended 30 June 2005, neither the Company nor any of its subsidiary had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN A COMPLETING BUSINESS

None of the directors of the Company had an interest in a business which competes or may compete with the business of the Group.

COMPLIANCE ADVISOR'S INTEREST

Pursuant to the compliance advisor's agreement dated 12 July 2005, entered into between the Company and Shenyin Wanguo Capital (H.K.) Limited ("SW Capital"), SW Capital has been appointed as the compliance advisor of the Company as required under the GEM Listing Rules at a fee for the period from 13 July 2005 to 31 December 2005 or until the compliance advisor's agreement is terminated in accordance with the terms and conditions set out therein.

None of SW Capital, its directors, employees or associates had any interests in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 June 2005.

The Company has been notified by SW Capital that as at the date of this report, Shenyin Wanguo Strategic Investments (H.K.) Ltd., an affiliated company of SW Capital was interested in 30,556,000 H Shares of the Company. Save as disclosed above, none of SW Capital, its directors, employees or associates had any interests in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

CORPORATE GOVERNANCE

Throughout the period, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

By order of the Board

Qian Wenhua

Chairman

Shanghai, 12 August 2005

As at the date of this report, the Board of Directors of the Company comprises 5 Executive Directors: Qian Wenhua, Lu Yong, Yao Peie, Zhang Jinhua and Li Hongyuan; and 3 Non-Executive Directors: Zhu Shengfu, Lv Renzhi and Ye Mingzhu.