

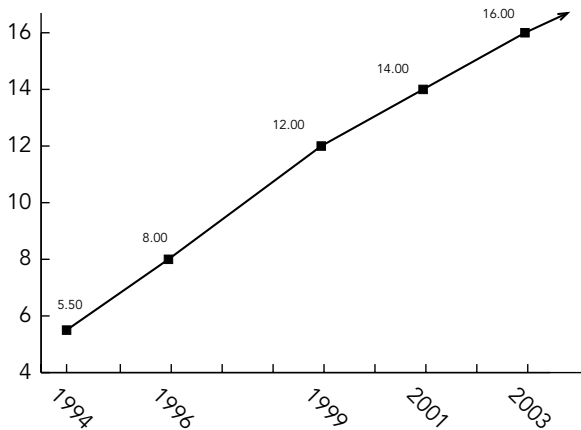
## DEVELOPMENT PROGRAM

### 1. Refining Capacity Expansion Project ("RCEP")

The Company plans to expand its comprehensive processing capacity to 16 million tpa by 2003 from the current capacity of 14 million tpa. Depending on the market condition, the Company also has a preliminary plan to progressively expand the comprehensive processing capacity to 20 million tpa in the years after 2003. By then, the Company will become the largest refinery base, a major sour oil processing base and a major product oil exporting base in the PRC.

#### Refining Capacity Expansion Project

Million tonnes



### 2. Polypropylene Project ("PP" project)

While constructing the PX project, the Company plans to invest RMB700 million to develop a 200,000 tpa-PP project to further extend its product range by utilizing the rich propylene resource generated from the expanded refining capacity.

According to a survey from an industry consulting organization, PP is a commonly-used resin with the fastest growth rate in domestic consumption in the PRC in recent years. The annual growth rate for domestic consumption for the past few years amounted to over 25 per cent. It is expected that there will be a significant imbalance in supply and demand for PP in the PRC, in particular the special-purpose PP, in the future. The demand for PP in Zhejiang province, where the Company is located, has been the highest in the PRC. And the consumption growth rate of the province is estimated to be around 8 per cent for the next decade.

The technology applied in the PP project is developed by the Company with the application of imported equipment. The products of the PP project are homopolymer PP with strong market demand, such as the biaxial-oriented polypropylene ("BOPP"), cast meter, and special-purpose fiber. Such products can be substituted for imported products and have relatively high added value. The PP project is expected to be completed in 2003 and will serve to further enhance the Company's efficiency.