

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 30 June 2003.

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PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.



CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 18 November 2002 and the approval of the Registrar of Companies of the Cayman Islands, the Company changed its name from "Sunlord Chemical Group Limited (東君化工集團有限公司*)" to "Daqing Petroleum and Chemical Group Limited 大慶石油化工集團有限公司".



RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2003 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 28 to 70.

The directors recommend the payment of a final dividend of HKO.11 cent per ordinary share for the year ended 30 June 2003 to the shareholders whose names will appear on the register of members on 20 November 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

^{*} For identification purpose only







SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate:

RESULTS





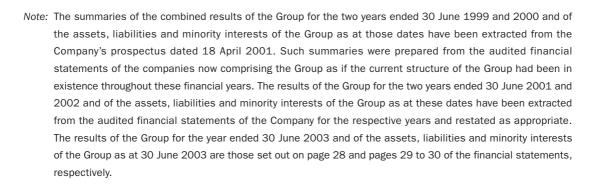
	Year ended 30 June					
	2003	2002	2001	2000	1999	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER	366,876	305,287	145,763	106,998	92,076	
PROFIT FROM OPERATING						
ACTIVITIES	102,442	96,468	49,492	33,561	27,318	
Finance costs	(197)	(225)	(7)			
PROFIT BEFORE TAX	102,245	96,243	49,485	33,561	27,318	
Tax	(7,991)	(16,500)	(7,871)	(4,064)	(3,215)	
PROFIT BEFORE MINORITY						
INTERESTS	94,254	79,743	41,614	29,497	24,103	
Minority interests	(9,825)	(3,575)	(1,926)	(1,537)	(1,268)	
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE						
TO SHAREHOLDERS	84,429	76,168	39,688	27,960	22,835	



SUMMARY FINANCIAL INFORMATION (Cont'd)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 30 June				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)		
NON-CURRENT ASSETS	131,073	70,473	59,733	41,365	32,486
CURRENT ASSETS	235,914	201,865	89,282	36,275	27,378
TOTAL ASSETS	366,987	272,338	149,015	77,640	59,864
CURRENT LIABILITIES	53,036	52,292	29,868	23,962	19,183
NON-CURRENT LIABILITIES	4,363	4,618	458		
TOTAL LIABILITIES	57,399	56,910	30,326	23,962	19,183
MINORITY INTERESTS	20,358	10,151	6,626	4,378	2,841
NET ASSETS	289,230	205,277	112,063	49,300	37,840



FIXED ASSETS AND INVESTMENT PROPERTY

Details of movements in the Group's fixed assets and investment property are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 25 and 26 to the financial statements, respectively.













PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Islands Companies Law"), being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.



RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 31 and note 27 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2003, the Company had reserves available for distribution, calculated in accordance with the provisions of the Cayman Islands Companies Law, amounting to HK\$29,965,000, of which HK\$977,000 has been proposed as a final dividend for the year. In addition, the share premium account of the Company of HK\$113,174,000 as at 30 June 2003 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales to the Group's five largest customers accounted for approximately 61% of the Group's total sales for the year and sales to the largest customer included therein amounted to approximately 34%.

Purchases from the Group's five largest suppliers accounted for approximately 61% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 13%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.



DIRECTORS

The directors of the Company during the year were as follows:

EXECUTIVE DIRECTORS:

Mr. Wang Dan Hui

Mr. Wang Hailou

Mr. Wu Chieho Joseph

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Feng Jianming

Mr. Ma Wing Yun Bryan

Mr. Meng Fanxi

In accordance with Articles 108(A) and 108(B) of the Company's articles of association, Mr. Feng Jianming and Mr. Ma Wing Yun Bryan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors was appointed for a term of two years commencing from 28 February 2001. The terms of appointment of the independent non-executive directors were renewed for a further two years commencing from 28 February 2003.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and senior management of the Group are set out on pages 15 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 8 April 2001, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.











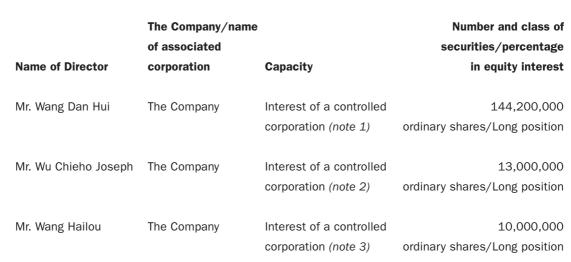


MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES





Notes:

- These shares are owned by Noble Resources Investments Limited ("Noble Resources"), a company incorporated
 in the British Virgin Islands (the "BVI"). The entire issued share capital of Noble Resources is beneficially
 owned by Mr. Wang Dan Hui.
- 2. These shares are owned by Success Faith International Limited ("Success Faith"), a company incorporated in the BVI. The entire issued share capital of Success Faith is beneficially owned by Mr. Wu Chieho Joseph.
- 3. These shares are owned by Clever China Management Limited ("Clever China"), a company incorporated in the BVI. The entire issued share capital of Clever China is beneficially owned by Mr. Wang Hailou.



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DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Cont'd)

Save as disclosed above, as at 30 June 2003, none of the Directors and the chief executive of the Company had any interest and short positions in the share, underlying shares or, as the case may be, the percentage in the equity interest and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.



Apart from as disclosed in the share option schemes disclosures in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Due to the adoption of Hong Kong Statement of Standard Accounting Practice 34 "Employee benefits" during the year, the related disclosures relating to the Company's share option schemes have been moved to note 26 to the financial statements.

INTERESTS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 June 2003, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of	Number of		Approximate
shareholder	ordinary shares	Nature of interest	percentage of interest
Noble Decourage	Long position 144 200 000	Beneficial owner	16.5%
Noble Resources	Long position 144,200,000	Beneficial owner	10.5%

Save as disclosed above, as at 30 June 2003, no person, other than a Director, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.







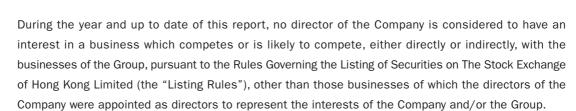
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DIRECTORS' INTERESTS IN A COMPETING BUSINESS



POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.



CODE OF BEST PRACTICE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code of Best Practice"), the Company set up an audit committee (the "Audit Committee") on 8 April 2001, with written terms of reference, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control systems. The Audit Committee comprises the three independent non-executive directors of the Company, namely, Messrs. Feng Jianming, Ma Wing Yun Bryan and Meng Fanxi. The Group's consolidated financial statements for the year have been reviewed by the Audit Committee, which is of the opinion that such financial statements comply with applicable accounting standards and requirements and that adequate disclosures have been made.

In the opinion of the directors, the Company has complied with the Code of Best Practice throughout the year.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Wang Dan Hui

Chairman and Executive Director

Hong Kong 16 October 2003