



DAQING PETROLEUM AND CHEMICAL GROUP LIMITED

大慶石油化工集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 362)

ANNOUNCEMENT – SETTLEMENT OF PROCEEDINGS

Pursuant to the Settlement Agreement dated 5 January 2005, Rich & Healthy, Chung Hok Sum, Lau Sau Wing, the Company, Earlsmead, Chan Yuk Foebe, Wang Dan Hui and Wang Hailou have agreed to settle all the actions involving the Company, including HCA No. 1642 of 2004, the Stay Application and HCA No. 830 of 2004, by withdrawing all of them upon the terms and subject to the conditions specified therein.

SETTLEMENT

Pursuant to the announcement dated 17 December 2004 in connection with the Action instituted by Rich & Healthy Company Limited (“**Rich & Healthy**”) against the Company, Earlsmead Enterprises Limited (“**Earlsmead**”), Chan Yuk Foebe, Wang Dan Hui, Ng Ming Wah, Wu Chieho (also known as Chieho Joseph Wu) and Wang Hailou on 13 July 2004 (“**HCA No. 1642 of 2004**”), and the Summons issued on 12th August 2004 by the Company, Earlsmead and Chan Yuk Foebe applying HCA No. 1642 of 2004 to be stayed (the “**Stay Application**”) or alternatively struck out, the hearing of the Stay Application was adjourned to 5 and 6 January 2005.

On 5 January 2005, Rich & Healthy and its directors, Chung Hok Sum and Lau Sau Wing on the one side and the Company, Earlsmead, Chan Yuk Foebe, Wang Dan Hui and Wang Hailou on the other side entered into a settlement agreement (the “**Settlement Agreement**”) whereby the parties agreed to settle all the proceedings involving the Company, including, HCA No. 1642 of 2004, the Stay Application and the action brought by the Company and Earlsmead against Rich & Healthy Company Limited and Chung Hok Sum by way of an amended Writ of Summons on 6 May 2004 (“**HCA No. 830 of 2004**”).

Taking into account the number of litigation, and the estimated time and legal cost involved, the Directors consider that it is in the interest of the Company and the shareholders as a whole to enter into the Settlement Agreement.

Pursuant to the Settlement Agreement:

- (1) Rich & Healthy and its directors, Chung Hok Sum and Lau Sau Wing acknowledge that Earlsmead holds 90% interest in 大慶黑鳥有限公司 (Daqing Black Bird Co., Ltd.) (“**Daqing Black Bird**”);
- (2) Rich & Healthy, Chung Hok Sum and Lau Sau Wing agree that all the allegations which Rich & Healthy has in relation to Earlsmead’s interest in Daqing Black Bird and Earlsmead’s acquisition of its interest in Daqing Black Bird are withdrawn forever; and
- (3) The parties enter into the Settlement Agreement in full and final settlement of all the disputes in relation to Daqing Black Bird and none of them will revive any claims against the other party.

The Directors confirm that the Company does not have to pay any consideration with respect to the Settlement. As far as the Directors are aware, there is no outstanding legal proceeding concerning the Company’s 90% interest in Daqing Black Bird.

GENERAL

So far as the directors of the Company are aware, save as disclosed herein, there is no other information that warrants disclosure pursuant to Rule 13.09 of the Listing Rules.

By order of the Board of
Daqing Petroleum and Chemical Group Limited
Chan Yuk Foebe
Executive Director

Hong Kong, 6 January 2005

As at the date of this announcement, the board of the Company comprises of Ms. Chan Yuk Foebe, Mr. Wang Hailou, Mr. Chu Ki and Mr. Peng Zhanrong, all being executive directors and Mr. Ma Wing Yun Bryan and Mr. Meng Fanxi, both being independent non-executive directors.