



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)

BONUS ISSUE OF WARRANTS

Reference is made to the announcement of the Company dated 21 March 2007. The Board is pleased to announce that the Company proposes to issue bonus warrants to the Qualifying Shareholders whose names appear on the Register of Members on the Record Date on the basis of one Warrant for every five Shares of the Company then held by them. The Register of Members will be closed from 10 April 2007 to 12 April 2007, both days inclusive, in order to determine entitlements of the Qualifying Shareholders to the Warrants.

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The Warrants may be exercised at any time commencing on the day of issue of the Warrants (currently expected to be on or about 16 April 2007) and up to 15 April 2008 (if that day is not a business day, the business day immediately preceding such day), both days inclusive.

Each Warrant will entitle its holder to subscribe for one new Share at the price of HK\$0.430 per Share in cash (subject to adjustments). Such subscription price represents a premium of approximately 10.26% to the closing price of HK\$0.390 per Share as quoted on the Stock Exchange on the date of this announcement and a premium of approximately 8.59% over the average closing price of HK\$0.396 per Share as quoted on the Stock Exchange for the past five trading days up to and including the date of this announcement.

It is proposed that the board lot for trading in the Warrants is 10,000 units, entitling the holder thereof to subscribe for 10,000 new Shares at HK\$4,300.

NUMBER OF WARRANTS AND SHARES TO BE ISSUED

On the basis of 3,152,310,000 Shares in issue as at the date of this announcement, and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, 630,462,000 Warrants are proposed to be issued pursuant to the Bonus Warrant Issue, entitling the holders thereof to subscribe for 630,462,000 Shares, representing approximately 20% of the issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital, as enlarged by the Shares to be issued upon the full exercise of 630,462,000 Warrants. Save for the Bonus Warrant Issue and the share option scheme adopted by the Company on 18 November 2002, there are no other outstanding options, warrants and similar rights to subscribe or purchase equity securities of the Company as at the date of the Announcement.

Fractional entitlements to the Warrants (if any) will not be issued but will be aggregated and sold for the benefit of the Company.

OVERSEAS SHAREHOLDERS

The Warrants will not be registered under the securities legislation of any jurisdiction. The Company will exclude from the Bonus Warrant Issue shareholders whose addresses on the Register of Members on the Record Date are outside Hong Kong and who the Board is of the view that their exclusion from the Bonus Warrant Issue is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. However, arrangements will be made for the Warrants which would otherwise be issued to such Overseas Shareholders to be sold in the market as soon as practicable after dealings commence, if a premium can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Overseas Shareholders at their own risks pro rata to their respective holdings of Shares, unless the amount falling to be distributed to any such person is less than HK\$100 in which case it will be retained for the benefit of the Company.

The Company will make appropriate enquiries pursuant to Rule 13.36(2) of the Listing Rules to determine whether Overseas Shareholders should be entitled to the Bonus Warrant Issue.

APPLICATION FOR LISTING AND CERTIFICATE FOR THE BONUS WARRANTS

An application will be made to the Listing Committee for the listing of and permission to deal in the Warrants and any Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

Subject to the conditions of the Bonus Warrant Issue mentioned in this announcement being satisfied, certificates for the Warrants are expected to be despatched to the Qualifying Shareholders by ordinary post at the risks of the Qualifying Shareholders on or before 16 April 2007.

REASONS FOR THE BONUS WARRANT ISSUE

The Board believes that the Bonus Warrant Issue is a return to the Shareholders for their long-term support and care for the Company, and will provide the Shareholders with an opportunity to participate in the growth of the Company.

Assuming the subscription rights under the Warrants are exercised at the initial subscription price of HK\$0.430 per Share in full, the Company will be able to raise approximately HK\$271,098,660 in total. The Company intends to apply any subscription moneys received as and when the subscription rights attaching to the Warrants are exercised towards the general working capital of the Company depending on its requirements at the relevant time.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 10 April 2007 to 12 April 2007, both days inclusive, in order to determine entitlements of the Qualifying Shareholders to the Warrants. No transfer of Shares will be registered during this period. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars, Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 4 April 2007 in order to qualify for the Bonus Warrant Issue.

EXPECTED TIMETABLE

2007

Last day of dealings in Shares cum entitlements to the Bonus Warrant Issue	Monday, 2 April
First day of dealings in Shares ex-entitlements to the Bonus Warrant Issue	Tuesday, 3 April
Latest time for lodging transfers of Shares for entitlements to the Bonus Warrant Issue	4:00 p.m. Wednesday, 4 April
Closure of the Register of Members (both days inclusive)	
from	Tuesday, 10 April
to	Thursday, 12 April
Record Date	Thursday, 12 April
Despatch of the Warrant certificates on or before	Monday, 16 April
Commencement of dealings in the Warrants	Wednesday, 18 April

GENERAL

The Warrants will be issued subject to and with the benefit of the instrument by way of deed poll to be executed by the Company. The Warrants will be issued in registered form and will form one class and rank pari passu in all respects with each other. The principal terms and conditions of the Warrants will be set out in the certificates for the Warrants to be despatched to the Qualifying Shareholders by ordinary post at the risks of the Qualifying Shareholders on or before 16 April 2007.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Bonus Warrant Issue”	the conditional bonus issue of Warrants by the Company to the Qualifying Shareholders as described in this announcement
“Company”	Daqing Petroleum and Chemical Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholders”	the Shareholders whose addresses, as shown in the Register of Members at the close of business on the Record date, are outside Hong Kong
“Qualifying Shareholders”	the Shareholders, other than those Overseas Shareholders whom the Directors consider their exclusion from the Bonus Warrant Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, whose names appear on the Register of Members as at the close of business on the Record Date
“Record Date”	12 April 2007, being the date for determination of entitlements to the Bonus Warrant Issue
“Register of Members”	the register of members of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s)”	warrant(s) to be constituted by an instrument by way of deed poll to be executed by the Company and to be issued by the Company under the Bonus Warrant Issue entitling the holders to subscribe up to an aggregate of 630,462,000 Shares at an initial subscription price of HK\$0.430 per Share (subject to adjustments)
“%”	per cent.

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

Hong Kong, 22 March 2007

As at the date of this announcement, Ms. Chan Yuk Foebe, Mr. Peng Zhanrong, Mr. Chiau Che Kong are the executive Directors and Mr. Ma Wing Yun Bryan, Mr. Meng Fanxi and Mr. Yau Chung Hong are the independent non-executive Directors.