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 OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

The Board of Directors ("Board" or "Directors") of Daqing Petroleum and Chemical Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements ("Interim Financial Statements") of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2006 ("Period"). The results had been reviewed by the Company's audit committee ("Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited six months ended 31 December 2006 HK$'000	2005 HK$'000
TURNOVER	3	**505,751**	343,953
Cost of sales		**(389,116)**	(266,684)
Gross profit		**116,635**	77,269
Other income		**8,097**	2,614
Selling and distribution costs		**(9,303)**	(5,642)
Administrative expenses		**(23,330)**	(16,277)
Other operating expenses		**(83,402)**	(291)
OPERATING PROFIT		**8,697**	57,673
Finance costs		**(852)**	(205)
PROFIT BEFORE TAX		**7,845**	57,468
Tax	5	**–**	(3,898)
PROFIT FOR THE PERIOD	6	**7,845**	53,570
ATTRIBUTABLE TO:			
Equity holders of the Company		**2,006**	40,700
Minority interests		**5,839**	12,870
		7,845	53,570
EARNINGS PER SHARE	7		
– Basic		**HK0.1 cents**	HK2.5 cents
– Diluted		**HK0.1 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 31 December 2006 HK$'000	Audited 30 June 2006 HK$'000
ASSETS			
Non-current assets			
Fixed assets		**842,265**	313,787
Land use rights		**101,331**	78,673
Intangible assets		**9,390**	9,699
Deposits paid for the establishment of a proposed joint venture		**5,258**	5,206
Deposits paid for the acquisition of a subsidiary		**20,000**	–
Deferred tax assets		**2,915**	2,831
Goodwill	9	**74,612**	–
		1,055,771	410,196
Current assets			
Inventories		**167,529**	85,161
Trade receivables	10	**133,582**	124,736
Prepayments, deposits and other receivables		**174,809**	78,815
Cash and cash equivalents		**252,835**	501,666
		728,755	790,378
TOTAL ASSETS		**1,784,526**	1,200,574
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued capital		**21,015**	21,015
Retained profits		**474,206**	472,200
Other reserves		**535,113**	521,125
		1,030,334	1,014,340
Minority interests		**260,857**	113,673
Total equity		**1,291,191**	1,128,013
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**122,303**	1,643
Current liabilities			
Short term bank loan	12	**25,000**	–
Trade payables	11	**63,953**	17,831
Other payables and accruals		**251,223**	20,612
Tax payable		**30,856**	32,475
		371,032	70,918
Total liabilities		**493,335**	72,561
Total equity and liabilities		**1,784,526**	1,200,574
Net current assets		**357,723**	719,460
Total assets less current liabilities		**1,413,494**	1,129,656

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction in with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2006 annual financial statements.

2. Changes in Accounting Policies

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods commencing on or after 1 January 2006. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

At 31 December 2006, certain new or revised standards or interpretations of HKFRSs were in issue but not yet effective. The Group has started considering the potential impact of these HKFRSs. Based on the preliminary assessment, the Group expects that the adoption of these HKFRSs, if applicable, will not result in substantial changes to the Group's accounting policies.

3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-Group transactions during the Period.

4. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

(i) Business segments

The following tables present revenue and results information for the Group's business segments:

	Manufacture and sale of													
	Vinyl acetate		Polyvinyl chloride		Glucose and starch		Lubricants		Anti-corrosive coatings		Additives		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment revenue	**141,231**	91,280	**245,190**	51,719	**18,556**	–	**60,943**	122,263	**39,831**	77,472	**–**	1,219	**505,751**	343,953
Segment results	**46,418**	28,502	**66,988**	5,785	**(2,753)**	–	**(62,296)**	13,509	**(40,714)**	12,544	**–**	169	**7,643**	60,509
Unallocated income													**8,097**	1,611
Unallocated expenses													**(7,043)**	(4,447)
Operating profit													**8,697**	57,673
Finance costs													**(852)**	(205)
Profit before tax													**7,845**	57,468
Tax													**–**	(3,898)
Profit for the period													**7,845**	53,570

There are no sales or other transactions between the business segments. Unallocated expenses represent corporate expenses.

(ii) Geographical segments

All of the Group's revenue and results are derived from and its assets and liabilities are located in the People's Republic of China (the "PRC" or "China") and accordingly, no further detailed analysis of the Group's geographical segments is presented.

5. Tax

	Six months ended 31 December 2006 HK$'000	2005 HK$'000
Current Period provision:		
Hong Kong	**–**	–
Elsewhere in the PRC	**–**	3,898
Tax charge for the Period	**–**	3,898

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. Profit for the Period

The Group's profit for the period is arrived at after charging/(crediting):

	Six months ended 31 December 2006 HK$'000	2005 HK$'000
Cost of inventories sold	**389,116**	266,684
Depreciation	**5,134**	2,520
Amortisation of intangible assets	**600**	–
Interest income	**(3,305)**	(863)
Allowance for receivables*	**18,978**	–
Allowance for inventories*	**2,481**	–
Write-off of fixed assets*	**47,624**	–
Write-off of land use rights*	**13,420**	–

* *Specific allowances for the disposal of Earlsmead Enterprises Limited ("Earlsmead")*

7. **Earnings Per Share**

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the Period of approximately HK$2,006,000 (2005: HK$40,700,000), and the weighted average of 2,101,540,000 (2005: 1,659,740,217) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the Group's profit attributable to equity holders of the Company for the Period of approximately HK$2,006,000. The weighted average number of ordinary shares used in the calculation represents the weighted average of 2,101,540,000 ordinary shares in issue during the Period, as used in the basic earnings per share calculation; and the weighted average of 1,231,766 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the Period.

No diluted earnings per share was presented for the six months ended 31 December 2005 as there were no potential ordinary shares in existence during the six months ended 31 December 2005.

8. **Capital Expenditure**

During the Period, the additions to fixed assets including the construction in progress in the PRC were approximately HK$147.2 million (2005: HK$120.0 million).

9. **Business Combination and Goodwill**

On 16 August 2006, the Group completed the acquisition of the entire issued share capital of Better Day Bio-Chem Technology Ltd. ("Better Day Bio-Chem"), an investment holding company incorporated in the British Virgin Islands. Better Day Bio-Chem has a 60% equity interest in Mudanjiang Gaoke Bio-Chem Co, Ltd. ("Mudanjiang Gaoke"), a Sino-foreign equity joint venture established in the PRC. Mudanjiang Gaoke is engaged in the production and sale of glucose and starch and owns certain assets and equipment located in the PRC. The acquired business contributed revenues of approximately HK$18,556,000 and loss before allocation of approximately HK$2,801,000 to the Group for the period from 16 August 2006 to 31 December 2006. If the acquisition had occurred on 1 July 2006, the Group's revenue would have been approximately HK$506,268,000 and profit before allocations would have been approximately HK$6,334,000.

Details of net assets acquired and goodwill are as follows:

	Fair value *HK$'000*	**Acquiree's carrying amount** *HK$'000*
Fixed assets	424,663	58,969
Land use rights	35,027	32,654
Inventories	8,723	8,723
Trade receivables	542	542
Prepayments, deposits and other receivables	23,832	23,832
Tax recoverable	1,420	1,420
Cash and bank balances	37,678	37,678
Trade payables	(5,435)	(5,435)
Other payables and accruals	(62,632)	(62,632)
Amount due to a director	(46)	(46)
Deferred tax liabilities	(121,462)	–
Minority interests	(136,922)	(38,280)
Net assets acquired	205,388	57,425
Cash consideration paid	280,000	
Fair value of net assets acquired	(205,388)	
Goodwill	74,612	

The goodwill is attributable to the existing strong demand in glucose and starch in the north-eastern region of the PRC which is expected to provide a favourable return to the Group.

There were no acquisitions during the year ended 30 June 2006.

10. **Trade Receivables**

The Group normally allows credit terms to established customers ranging from 30 to 150 days.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	31 December 2006 *HK$'000*	30 June 2006 *HK$'000*
Within 30 days	**83,674**	51,527
31–60 days	**31,711**	37,201
61–90 days	**17,534**	19,369
91–120 days	**200**	11,030
121–365 days	**463**	5,609
	133,582	124,736

11. **Trade Payables**

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers.

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	31 December 2006 *HK$'000*	30 June 2006 *HK$'000*
Within 30 days	**30,672**	12,771
31–60 days	**7,835**	458
61–90 days	**7,657**	3,279
Over 90 days	**17,789**	1,323
	63,953	17,831

12. **Short Term Bank Loan**

Bank loan is interest bearing at 6.435% per annum and repayable on 3 August 2007. Bank loan is secured by charges over the Group's certain fixed assets and land use rights.

INTERIM DIVIDEND

The Directors are pleased to announce that the Company has resolved to issue bonus warrants to the shareholders of the Company on the basis of one warrant for every five shares of the Company. Further announcement regarding the bonus warrant issue will be made by the Company in due course. Save for the bonus warrants, the Directors have resolved that no interim dividend will be declared in respect of the Period (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Period, the enormous growth of operation of coal related chemical products division (the vinyl acetate business and polyvinyl chloride business) has proven that moving towards coal related chemical sector is the right direction of the Group. However, the dissatisfactory results from the operation of the petroleum refined products division (the lubricant and anti-corrosive coating business) has off set the fruitful return contributed by the coal related chemical products division.

As a result, the turnover of the Group reached record level of HK$505.8 million for the Period, representing an increase of 47.0% over the corresponding period of the previous year. A gentle profit for the Period of HK$7.8 million was recorded while there was a profit of HK$53.6 million in the corresponding period of the previous year. Owing to the disposal of the petroleum refined product division of the Company (or the disposal of Earlsmead which was approved by the extraordinary general meeting of the Company held on 27 February 2007), specific allowances amounting to HK$82.5 million were made for fixed assets and land use rights, inventories and receivables. Despite the effect of these allowances charged to income statement in the current period, the growth of profit for the Period is 68.5% over the corresponding period of the previous year.

Despite the effect of the petroleum refined products division by subtracting the results of the petroleum refined products segment (2006: loss of HK$103.0 million; 2005: profit of HK$26.2 million) from the results of the Group in the current Period (2006: profit of HK$7.8 million; 2005: profit of HK$53.6 million), the growth of profit for the Period is 304.4% over the corresponding period of the previous year.

Coal related chemical products division

Over the past year, the Group has devoted more resources and efforts in the development of the coal related chemical products division. Due to the continuous high pricing of crude oils, coal related chemical products manufactured from our production lines are able to maintain its cost competitiveness.

Vinyl acetate business

After operating for over two years, the production and sales of vinyl acetate has stabilised and generated remarkable profits for the Group. During the Period, turnover was HK$141.2 million, representing a significant increase of 54.7% over the corresponding period of the previous year. Operating profit was HK$46.4 million, representing a significant increase of 62.8% over the corresponding period of the previous year.

Polyvinyl-chloride ("PVC") business

In September 2005, the Group formally took over the assets and related operations of Mudanjiang PVC Factory. After operating for almost eighteen months, the PVC production and sales segment has contributed considerable profits to the Group. During the Period, the PVC segment recorded a turnover of HK$245.2 million, representing a significant increase of 137.1% (based on monthly proportional adjustments: three months in last year and six months in this year) over the corresponding period of the previous year. Operating profit was HK$67.0 million, representing a significant increase of 477.6% (based on monthly proportional adjustments: three months in last year and six months in this year) over the corresponding period of the previous year. Within a short period of operation, the Group managed to increase the effectiveness of this production line by reducing the consumption proportion of raw materials.

Bio-chemical products division

The Group successfully acquired Better Day Bio-Chem, which is the owner of 60% of the equity interest in the Mudanjiang Gaoke by entering into a share purchase agreement on 18 May 2006. The business scope of Mudanjiang Gaoke is the production and sales of glucose and starch. On 16 August 2006, the Group formally took over the assets and related operations of Mudanjiang Gaoke. The refurbishment of glucose and starch production lines was successfully completed in August 2006 and November 2006, respectively. The production of glucose and starch is at trial-run stage. During the Period, the glucose and starch segment recorded a turnover of HK$18.6 million and an operating loss of HK$2.8 million, respectively. The Group has formulated plans to increase the effectiveness of this production line by streamlining the operation of the manufacturing facilities.

Petroleum refined products division

During the Period, lubricants and anti-corrosive coating segment achieved turnover of a total of HK$100.8 million, representing a decrease of 49.5% over the corresponding period of the previous year. Operating loss was HK$103.0 million during the Period, while there was a profit of HK$26.0 million in the corresponding period of the previous year.

Reason for the disposal of petroleum refined products division

The Group's petroleum refined products division has been operating in an extremely high operating cost environment. The price of crude oil attained at successive record highs, this in turn caused the price of most petrochemical downstream materials to rise. Some of them even encountered occasional shortage in supply. The petroleum refined products division hardly passed the cost increment to its customers and thus adversely affecting the profits margins. Other than the fluctuation in crude oil prices and shortage in raw materials supply, intense competition in the petroleum refined industry also contributed to the deteriorated performance of the petroleum refined products division. The Directors also considered that the business environment would be tougher in year 2007. Moreover, the disposal will provide additional resources to the Group's other core businesses including coal related chemical products division and bio-chemical products division, which the Directors believed to have a higher growth potential.

Capital structure, liquidity and financial resources

Capital structure

The Group maintained a strong financial position throughout the Period. The Group financed its operations and business development with internally generated resources and equity funding.

Equity funding

The net proceeds raised by the placement of existing shares and subscription of new shares of the Company by a substantial shareholder announced on 6 April 2006 was approximately HK$118 million. At the date of this announcement, a total of HK$110 million was utilized by the Group, approximately HK$72 million was utilized to acquire the glucose and starch business; approximately HK$20 million was utilized to acquire the heat and power business and approximately HK$18 million was utilized as working capital of the Group. At the date of this announcement, approximately HK$8 million for the potential acquisition was not yet utilized.

The net proceeds raised by the placement of existing shares and subscription of new shares of the Company by a substantial shareholder announced on 3 May 2006 was about HK$43 million, the whole amount was utilized by the Group as working capital at the date of this announcement.

The net proceeds raised by the open offer by issuing 1,050,770,000 offer shares announced on 23 November 2006 was approximately HK$308 million. At the date of the announcement, a total of HK$78 million was utilized by the Group, approximately HK$20 million was injected into Mudanjiang Dongbei Gaoxin Chemical Company Limited for the expansion of the production facilities of the PVC business; and approximately HK$58 million was used as working capital of the Group. As at the date of this announcement, approximately HK$200 million for the intended establishment of a calcium carbide production facilities and HK$30 million for the intended PVC expansion was not yet utilized.

Internally generated resources

Subsequent to the balance sheet date, the disposal of Earlsmead, a wholly-owned subsidiary of the Company, was announced by the Company on 17 January 2007 and properly approved by its extraordinary general meeting held on 27 February 2007. The estimated net proceeds from the disposal was approximately HK$350 million.

Liquidity and Financial Ratios

As at 31 December 2006, the Group had total assets of approximately HK$1,784.5 million (30 June 2006: HK$1,200.6 million) which were financed by current liabilities of approximately HK$371.0 million (30 June 2006: HK$70.9 million), non-current liabilities of approximately HK$122.3 million (30 June 2006: HK$1.6 million), minority interests of approximately HK$260.9 million (30 June 2006: HK$113.7 million) and shareholders' equity of approximately HK$1,030.3 million (30 June 2006: HK$1,014.3 million).

As at 31 December 2006, the current assets of the Group amounted to approximately HK$728.8 million (30 June 2006: HK$790.4 million) comprising inventories of approximately HK$167.5 million (30 June 2006: HK$85.2 million), trade receivables of approximately HK$133.6 million (30 June 2006: HK$124.7 million), prepayments, deposits and other receivables of approximately HK$174.8 million (30 June 2006: HK$78.8 million), cash and cash equivalents of approximately HK$252.8 million (30 June 2006: HK$501.7 million).

As at 31 December 2006, the Group's current ratio (current assets/ current liabilities), quick ratio ((current assets – inventories)/(current liabilities)), gearing ratio (total debts/total assets) and debts to equity ratio (total debts/shareholders' equity) of the Group were approximately 2.0 (30 June 2006: 11.1), 1.5 (30 June 2006: 9.9), 27.6% (30 June 2006: 6.0%) and 47.9% (30 June 2006: 7.2%), respectively.

The financial health of the Group attains at good level throughout the Period as indicated by the above figures.

As at 31 December 2006, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

Although most of the operations of the Company were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the RMB in recent years. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2006.

Number and Remuneration of Employees

As at 31 December 2006, the Group had 1,945 full time employees in the PRC and Hong Kong. The Group recognizes the importance of human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commissions.

During the Period, no share options were granted to any staff of the Company. As at 31 December 2006, a total of 67,770,000 share options are outstanding. Out of which 13,770,000 with exercisable period up to 9 January 2009 with exercise price of HK$0.363 per share; and 54,000,000 with exercisable period up to 3 May 2009 with exercise price of HK$0.552 per share.

On 9 January 2007, with effect from the completion of the open offer, the number of share options outstanding and the exercise prices have been adjusted as follows. A total of 72,610,714 share options are outstanding. Out of which 14,753,571 with exercisable period up to 9 January 2009 with exercise price of HK$0.339 per share; and 57,857,143 with exercisable period up to 3 May 2009 with exercise price of HK$0.515 per share.

Prospects

Coal related chemical products division

The Directors believe that the move from petroleum refined chemical production to coal related chemical production is the right direction of the Group to achieve the goal of fast development and sustainable growth. The rapid growth in revenue from sales of both vinyl acetate and PVC, which adopts calcium carbide methodology (電石法化工工藝方法), has proven that our improved production technology in coal related chemical products division has cost advantage over our competitors which adopt acetylene methodology (乙烯法化工工藝方法) during prolonged high crude oil price period.

Owing to the excellent performance of the coal related chemical products, the Group will dedicate more resources to develop the coal related chemical products division.

PVC business

The crude oil price will remain at high level for years until another perfect substituted form of energy source can be located. Therefore, the Directors believe that the cost advantage over the competitors of the Company will last for quite a long period of time. Moreover, since there is an excess demand for the PVC and PVC's by-products produced by the Company, the Company considers that it is the suitable time to increase the production capacity of its PVC raw material business to a large scale and capture the fruitful contribution from PVC raw material business.

The Group has formulated plans to dynamically expand capacity of production of PVC raw materials pursuing a better economy scale of production. The PVC division has submitted the application for the whole expansion project to the relevant provincial government bodies to obtain approval concerning the production safety and environmental protection. Nevertheless, the local government has approved the first phase of the expansion project.

At the same time, the construction of newly built production plant and equipment of PVC aiming to produce emulsion polyvinyl chloride ("EPVC", 乳液樹脂), a kind of high grade PVC raw materials, is running on schedule. The profit margin of EPVC raw material is much greater than that of the existing suspension PVC raw material. The Group is confident that the overall profit margin of PVC division will rise substantially in the near future.

Vinyl acetate business

In order to capture larger market share of vinyl acetate, the second phase expansion of vinyl acetate production facilities has been started in September 2006. Subsequent to the completion of expanded phase, the Directors believe that the expansion of vinyl acetate will enhance the profit contribution to the Group.

Calcium carbide business

The production of vinyl acetate and PVC consumes large amount of calcium carbide as major raw material. The Group has planned to build its own calcium carbide production facilities for internal consumption. It is the target of the Group that at least 50% of calcium carbide consumption for the production of vinyl acetate and PVC will be fulfilled. This will secure the key raw material and lower the cost for the coal related chemical products division.

Bio-chemical products division

The Group has successfully acquired the entire share capital of Better Day Bio-Chem on 16 August 2006. The substance of the acquisition is the purchase of assets and equipment which include glucose and starch production facilities. The purchased corn-processing plant is the largest facilities in the Heilongjiang Province in the PRC. With suitable economy scale of the production and abundant inexpensive supply of corn, the starch and glucose products will certainly have market competitiveness. The refurbishments of the glucose and starch production facilities were completed in August 2006 and November 2006, respectively. The trial productions of glucose and starch have been launched in September 2006 and December 2006, respectively. The glucose and starch production facilities are expected to provide contributions to the Group in the near future. Furthermore, feasibilities studies have been conducted to explore other opportunities to make use of the other production facilities being purchased to produce other downstream bio-chemical products.

Heat and Power division

Subsequent to the end of the Period, the Group completed the acquisition of Mudanjiang Better Day Power Ltd. ("Mudanjiang BD Power"). Mudanjiang BD Power is engaged in the generation and supply of power and steam in Mudanjiang, Heilongjiang Province, the PRC. The strategic objective of the acquisition is to secure a supply of the key input to the production process of coal related chemical products division and bio-chemical products division of the Group. This will enable the Group to lower the cost of production and in turn guarantee its competitive advantage in the region.

In the year ahead, the coal related chemical products division and the bio-chemical products division will remain as the strategic focus of the Group. The Group will continue to seek both upstream and downstream potential merger and acquisitions opportunities. The Group is well prepared to increase its investments to develop a high value added production chain for producing coal related chemical products in the northeastern region of the PRC.

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 Period.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

In the opinion of the Directors, the Company has during the Period complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the following aspects:

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, both roles are being performed by Ms. Chan Yuk Foebe, the chairman of the Company. In the opinion of Directors, given the scale of operation and the size of the Group, the present arrangement is beneficial to the Company and the shareholders as a whole.

AUDIT COMMITTEE

The Company set up the Audit Committee on 8 April 2001, with written terms of reference, for the purposes of reviewing and providing supervision on the Group's financial reporting process and internal control systems. The Audit Committee comprises the three independent non-executive Directors of the Company, namely, Mr. Ma Wing Yun Bryan, Mr. Meng Fanxi and Mr. Yau Chung Hong. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the auditing, internal control and financial reporting aspects of the Company including the review of the unaudited interim results of the Company for the six months ended 31 December 2006.

REMUNERATION COMMITTEE

A remuneration committee (the "Remuneration Committee") was established by the Company on 1 July 2005 with specific written terms of reference which set out clearly its authority and duties. The Remuneration Committee, currently comprises Ms. Chan Yuk Foebe (chairman of the Board), Mr. Ma Wing Yun Bryan and Mr. Yau Chung Hong (both are independent non-executive Directors), is responsible for advising the Board on the remuneration policy and framework for all remuneration of the Directors and senior management of the Company, as well as reviewing and determining the remuneration packages of Directors and senior management with reference to the Company's objectives from time to time.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Interim Financial Statements for the Period required by paragraphs 46 of Appendix 16 to the Listing Rules will also be published on the website of the Stock Exchange.

By order of the Board
Chan Yuk Foebe
Chairman

Hong Kong, 21 March 2007

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