



**SINOPEC BEIJING YANHUA PETROCHEMICAL COMPANY LIMITED
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001**

Dear shareholders,

I am pleased to present the unaudited results of Sinopec Beijing Yanhua Petrochemical Company Limited (the “Company”) for the six months ended 30th June 2001.

During the reporting period, the Gross Domestic Product of the People’s Republic of China (the “PRC”) increased at an annual rate of 7.9% because the PRC government adhered to its policies of expanding the infrastructure, developing the western regions and stimulating domestic demand, among other things. However, the slowdown of the global economic development triggered by the plummeting of the United States economy and the dwindling of consumption demand have led to a sharp increase in the import of petrochemical products to the PRC in the first half of 2001, putting great pressure on the pricing of local petrochemical products. The average prices of the eight principal products of the Company have decreased by 3.2% compared with the same period in 2000. On the other hand, the prices of crude oil lingered at a higher level and, as a result, the price of cracking feedstock which is an essential raw material of the Company has increased by 12.0% in comparison with the same period in 2000. Downturn of product prices and upturn of raw material prices have imposed great difficulty on the operation of the Company. In contrast to the same period in last year, the operational results of the Company have fallen by a great margin.

In the first half of 2001, the Company achieved total sales of RMB4,045.6 million, which is comparable to the same period in 2000. Profit before taxation and net profit were RMB101.0 million and RMB67.7 million, respectively, representing a decrease of 72.2% as compared with the same period of last year.

The followings are the unaudited interim results of the Company for the six months ended 30th June, 2001, (the “Period”), prepared in accordance with International Accounting Standards (“IAS”), together with the corresponding figures for 2000:

CONDENSED BALANCE SHEET (Unaudited)

30TH JUNE, 2001

(Amounts expressed in thousands of Renminbi (“RMB”))

	Note	30th June, 2001	31st December, 2000
ASSETS			
Non-current assets			
Property, plant and equipment, net	11(a)	7,044,355	6,204,983
Land use rights		747,019	755,282
Investment in a joint venture		26,205	26,205
		<u>7,817,579</u>	<u>6,986,470</u>
Current assets			
Inventories	3	976,046	1,021,507
Trade receivables, net	4	655,098	512,874
Prepayments and other current assets		226,201	149,437
Due from related companies		263,942	203,498
Cash		364,835	286,137
		<u>2,486,122</u>	<u>2,173,453</u>
Total assets		<u><u>10,303,701</u></u>	<u><u>9,159,923</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		3,374,000	3,374,000
Reserves		2,289,068	2,356,372
		<u>5,663,068</u>	<u>5,730,372</u>
Non-current liabilities			
Long-term bank loans, net of current portion	11(c)	2,118,021	1,388,063
Other long-term liabilities		43,253	31,853
Deferred tax liabilities	5	230,258	223,074
		<u>2,391,532</u>	<u>1,642,990</u>
Current liabilities			
Accounts payable	6	125,377	135,344
Accruals and other payables	14	363,503	188,710
Due to related companies		428,790	126,366
Short-term bank loans	11(c)	1,020,000	980,000
Current portion of long-term bank loans	11(c)	230,474	230,474
Taxes payable		80,957	125,667
		<u>2,249,101</u>	<u>1,786,561</u>
Total liabilities		<u><u>4,640,633</u></u>	<u><u>3,429,551</u></u>
Total equity and liabilities		<u><u>10,303,701</u></u>	<u><u>9,159,923</u></u>

CONDENSED PROFIT AND LOSS ACCOUNT (Unaudited)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001
(Amounts expressed in thousands of RMB, except per share data)

	<u>Note(s)</u>	For the six months ended 30th June,	
		<u>2001</u>	<u>2000</u>
Sales	7,10	4,045,629	4,003,417
Cost of goods sold	10	<u>(3,572,067)</u>	<u>(3,308,523)</u>
Gross profit	7	473,562	694,894
Selling, general and administrative expenses		<u>(307,872)</u>	<u>(258,137)</u>
Operating profit		165,690	436,757
Financial expenses, net		(50,529)	(53,426)
Other expenses, net	14	<u>(14,182)</u>	<u>(19,699)</u>
Profit before taxation	11(b)	100,979	363,632
Taxation	5	<u>(33,323)</u>	<u>(119,999)</u>
Net profit		<u>67,656</u>	<u>243,633</u>
Earnings per share, basic (RMB)	8	<u>0.020</u>	<u>0.072</u>

STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001
(Amounts expressed in thousands of RMB)

	For the six months ended 30th June, 2001					
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Revaluation Surplus</u>	<u>Statutory Reserves</u>	<u>Retained Earnings</u>	<u>Total</u>
Beginning of period	3,374,000	391,568	830,249	223,817	910,738	5,730,372
Net profit	-	-	-	-	67,656	67,656
Dividends declared (Note 9)	-	-	-	-	(134,960)	(134,960)
End of period	<u>3,374,000</u>	<u>391,568</u>	<u>830,249</u>	<u>223,817</u>	<u>843,434</u>	<u>5,663,068</u>

	For the six months ended 30th June, 2000					
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Revaluation Surplus</u>	<u>Statutory Reserves</u>	<u>Retained Earnings</u>	<u>Total</u>
Beginning of period	3,374,000	391,568	863,425	141,583	814,477	5,585,053
Net profit	-	-	-	-	243,633	243,633
Dividends declared (Note 9)	-	-	-	-	(202,440)	(202,440)
End of period	<u>3,374,000</u>	<u>391,568</u>	<u>863,425</u>	<u>141,583</u>	<u>855,670</u>	<u>5,626,246</u>

CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001
(Amounts expressed in thousands of RMB)

	For the six months ended 30th June,	
	<u>2001</u>	<u>2000</u>
Net cash from operating activities	125,625	679,030
Net cash used in investing activities	(800,818)	(463,284)
Net cash from (used in) financing activities	<u>753,891</u>	<u>(444,019)</u>
Net increase (decrease) in cash	78,698	(228,273)
Cash, beginning of period	<u>286,137</u>	<u>578,776</u>
Cash, end of period	<u>364,835</u>	<u>350,503</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Unaudited)
30TH JUNE, 2001
(Amounts expressed in RMB unless otherwise stated)**

1. Company organisation and principal activities

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 23rd April, 1997.

On 25th February, 2000, China Petrochemical Corporation ("Sinopec Group" or the "Ultimate Parent Company"), formerly known as China National Petrochemical Group Corporation, underwent a reorganisation, and formed a subsidiary, China Petroleum & Chemical Corporation ("Sinopec"). In accordance with the reorganisation agreement, Beijing Yanshan Petrochemical Group Company of China Petrochemical Corporation, previously the Company's parent company, transferred all its 70% equity interest in the Company to Sinopec, which therefore became the Company's parent company.

The Company is principally engaged in manufacturing and sales of petrochemical products.

2. Principal accounting policies

The accompanying condensed financial statements are prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Committee and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted for the preparation of the condensed financial statements as at and for the six months ended 30th June, 2001 (the "Period") are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31st December, 2000, except for IAS 39, "Financial Instruments - Recognition and Measurement" and IAS 40, "Investment Property", which were effective from 1st January, 2001.

The financial effects of adopting IAS 39 and IAS 40 did not have a significant impact on the preparation of the condensed financial statements as the Company did not engage in the dealing of financial instruments and investment property during the six months ended 30th June, 2001.

3. Inventories

Finished goods of approximately RMB69,130,000 and RMB57,646,000 were stated at net realisable value as of 30th June, 2001 and 31st December, 2000 respectively. The amount of inventories written down to net realisable value for six months ended 30th June, 2001 and 2000, which were recognised as an expense during the periods, were approximately RMB12,012,000 and RMB19,644,000 respectively.

4. Trade receivables, net

Aging analysis of trade receivables is as follows:

	30th June, 2001	31st December, 2000
	RMB'000	RMB'000
Within one year	530,693	391,430
Between one and two years	100,134	47,992
Between two and three years	67,781	98,100
Over three years	131,570	124,922
Less : provision for doubtful debts	<u>(175,080)</u>	<u>(149,570)</u>
	<u><u>655,098</u></u>	<u><u>512,874</u></u>

The Company normally grants three months credit period to both its external customers and related companies.

5. Taxation

	For the six months ended 30th June,	
	2001	2000
	RMB'000	RMB'000
Current taxation	26,139	148,627
Deferred taxation	<u>7,184</u>	<u>(28,628)</u>
	<u><u>33,323</u></u>	<u><u>119,999</u></u>

The PRC income tax for the six months ended 30th June, 2001 was calculated at the rate of 33% (2000: 33%) on the estimated assessable profits of the Period determined in accordance with the relevant income tax rules and regulations.

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences arising from differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

6. Accounts payable

Aging analysis of accounts payable is as follows:

	30th June, 2001	31st December, 2000
	RMB'000	RMB'000
Within three months	91,239	98,492
Between three and six months	34,039	36,745
Over six months	99	107
	<u>125,377</u>	<u>135,344</u>

7. Segment information

	For the six months ended 30th June,			
	2001		2000	
	Net sales	Gross profit	Net sales	Gross profit
	RMB'000	RMB'000	RMB'000	RMB'000
Operating segments				
Resins and plastics	2,241,602	195,371	2,384,927	406,327
Synthetic rubber	511,060	85,005	397,243	38,168
Basic organic				
chemical products	865,043	117,798	987,743	218,847
Other	427,924	75,388	233,504	31,552
	<u>4,045,629</u>	<u>473,562</u>	<u>4,003,417</u>	<u>694,894</u>

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30th June, 2001 is based on the net profit for the period of approximately RMB67,656,000 (2000: RMB243,633,000) and the issued number of shares of 3,374,000,000 (2000: 3,374,000,000) which is calculated on the basis of 2,362,000,000 (2000: 2,362,000,000) domestic shares and 1,012,000,000 (2000: 1,012,000,000) H shares of the Company.

No dilutive earnings per share was presented, as there were no potential dilutive ordinary shares outstanding for the six months ended 30th June, 2001 and 2000.

9. Profit appropriation

On 12th April, 2001, the board of directors proposed a final dividend of RMB0.04 per share for all outstanding shares of 3,374,000,000 shares, totaling RMB134,960,000 for the year ended 31st December, 2000. The proposed dividend distribution was approved by the shareholders in the annual general meeting dated 18th June, 2001.

On 11th April, 2000, the board of directors proposed a final dividend of RMB0.06 per share for all outstanding shares of 3,374,000,000 shares, totaling RMB202,440,000 for the year ended 31st December, 1999. The proposed dividend distribution was approved by the shareholders in the general meeting dated 5th June, 2000.

In accordance with the PRC Company Law and the articles of association of the Company, when distributing net profit of each year, the Company shall appropriate 10% of its net profit determined in accordance with PRC GAAP (after offsetting prior years' losses) to the statutory surplus reserve and appropriate 5% to 10% of its net profit to the public welfare fund.

There has been no profit appropriation for the six months ended 30th June, 2001. Such appropriation will be made at the year end in accordance with the prevailing regulations in the PRC and the articles of association of the Company.

10. Related party transactions

A significant portion of the transactions undertaken by the Company are with, and on terms determined by Ultimate Parent Company, Parent Company and its affiliates and other related companies.

The following is a summary of significant related party transactions:

	For the six months ended 30th June,	
	2001	2000
	RMB'000	RMB'000
Sales of petrochemical products to Parent Company and its affiliates	83,568	103,625
Sales of petrochemical products to related companies	597,108	283,386
Sales to a related company's national sales network	517,872	543,122
Purchases of materials and supplies from Parent Company and its affiliates	1,952,438	2,065,651
Purchases of materials and supplies from related companies	66,403	107,846
Utilities provided by a related company	523,900	415,064
Provision of transportation and storage services by a related company	4,376	635
Social services (environmental protection, employee housing, health care, education, public security and other ancillary services) provided by a related company	64,096	77,964
Construction and repair services and materials provided by related companies	187,425	212,420
Interest-free loan provided by a related company	198,000	-
Interest income received from a related company	171	75
Technological subsidies received from Parent Company	16,572	879
Insurance premium paid to the Ultimate Parent Company	23,127	16,107
Insurance premium refunded from the Ultimate Parent Company	7,842	2,312
Leasing income received from related companies	8,126	-

11. Supplemental financial information

(a) Balance sheet

	30th June, 2001	31st December, 2000
	RMB'000	RMB'000
Net current assets	237,021	386,892
Total assets less current liabilities	8,054,600	7,373,362
Net assets	5,663,068	5,730,372
Acquisition of property, plant and equipment	1,124,626	1,454,975
Net book value of property, plant and equipment disposed	7	42,113

(b) Profit and loss account

	For the six months ended 30th June,	
	2001	2000
	RMB'000	RMB'000
Interest expense on borrowings	97,543	72,682
Less: amount capitalised in property, plant and equipment	(49,361)	(22,499)
Total interest expense	48,182	50,183
Interest income	(1,226)	(2,341)
Interest expenses, net	46,956	47,842
Amortisation of deferred expenses	18,828	34,533
Depreciation of property, plant and equipment	213,034	230,834
Loss on disposals of property, plant and equipment	7	5,434
Amortisation of land use rights	8,264	8,188

(c) Statement of cash flows

Cash flows (used in)/provided by investing and financing activities included the following:

	For the six months ended 30th June,	
	2001	2000
	RMB'000	RMB'000
Investing activities		
Capital expenditures for acquisition of property, plant and equipment	(802,043)	(22,499)
Financing activities		
Drawdown of short-term bank loans	770,000	650,000
Repayment of short-term bank loans	(730,000)	(854,000)
Drawdown of long-term bank loans	739,155	89,981
Repayment of long-term bank loans	(9,197)	(330,000)

12. Capital commitments

	<u>30th June, 2001</u>	<u>31st December, 2000</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Authorised and contracted for		
-- Short-term portion	776,575	748,500
-- Long-term portion	44,965	-
	<u>821,540</u>	<u>748,500</u>
Authorised but not contracted for		
-- Short-term portion	421,945	737,340
-- Long-term portion	50,585	473,711
	<u>472,530</u>	<u>1,211,051</u>

13. One-time housing subsidy

According to the housing reform policies of the PRC government promulgated in September, 2000, the Company may be required to pay an additional one-time subsidy to employees who joined the Company on or before 31st December, 1998, and who have not been able to buy housing at preferential prices under previous scheme or have bought housing at preferential prices but with living areas less than the standards set by the municipal government. However, as of 30th June, 2001, the Company had not completed its plan or submitted it to the municipal government for approval. Therefore, the amount of the one-time housing subsidy cannot be determined and no provision has been made in the condensed financial statements. Furthermore, as described in the Company's prospectus dated 17th June, 1997, the former parent company has undertaken to bear the cost of housing subsidies for the Company's employees through the end of 1998. Therefore, the directors believe the implementation of the new government housing reform policy will not have material effect on the Company's financial position.

14. Staff reduction program

In accordance with Sinopec's policy, the Company planned to lay-off 173 employees this year. The estimated expenses to be incurred are approximately RMB18,378,000. As at 30th June, 2001, the Company accrued RMB18,378,000 as the severance compensation to be made to those employees. This has been included in "other expenses" in the profit and loss account.

15. Subsequent event

In addition to the staff reduction program discussed in note 14, the Company is considering a voluntary staff redundancy plan to achieve further cost reduction. As at the date of the report, the staff to be involved and the compensation plan have not yet been decided. The plan has to be approved by the board of directors and Sinopec before implementation.

16. US GAAP Information

Effects on the net profit and shareholders' equity of significant differences between IAS and generally accepted accounting principles in the United States of America ("US GAAP") are summarised below. The US GAAP adjustments shown below have been prepared by management and are unaudited.

- (a) Effects on the net profit of significant differences between IAS and US GAAP are summarised below:

	For the six months ended 30th June,		
	2001	2001	2000
	RMB'000	US\$'000	RMB'000
		(Note i)	
Net profit under IAS	67,656	8,174	243,633
Estimated US GAAP adjustments:			
- Reversal of additional depreciation charges arising from the revaluation surplus on property, plant and equipment	19,977	2,413	59,731
- Employee housing expenses	(1,832)	(221)	(1,832)
- Interest expense borne by Ultimate Parent Company	(675)	(82)	-
Estimated net income under US GAAP	<u>85,126</u>	<u>10,284</u>	<u>301,532</u>
Estimated earnings per share under US GAAP (Note ii)	<u>RMB0.025</u>	<u>US\$0.003</u>	<u>RMB0.089</u>
Estimated earnings per ADS under US GAAP (Note ii)	<u>RMB1.261</u>	<u>US\$0.152</u>	<u>RMB4.468</u>

16. US GAAP Information (Cont'd)

- (b) Effects on the shareholders' equity of significant differences between IAS and US GAAP are summarised below:

	30th	30th	30th
	June, 2001	June, 2001	June, 2000
	RMB'000	US\$'000	RMB'000
Shareholders' equity under IAS	5,663,068	684,193	5,626,246
Estimated US GAAP adjustments:		(Note i)	
- Reversal of the revaluation surplus on property, plant and equipment	(863,425)	(104,316)	(505,550)
- Reversal of additional depreciation charges arising from the revaluation surplus on property, plant and equipment	401,675	48,529	51,474
- Employee housing expenses	<u>10,992</u>	<u>1,328</u>	<u>(1,832)</u>
Estimated shareholders' equity under US GAAP	<u>5,212,310</u>	<u>629,734</u>	<u>5,170,338</u>

Notes:

- (i) United States dollar equivalents

Translation of amounts from RMB into United States dollars ("US\$") for the convenience of the reader has been made at the rate of US\$1.00 = RMB8.2770 being the average of the buying and selling rates quoted by the People's Bank of China on 30th June, 2001. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on 30th June, 2001 or on any other date.

- (ii) Calculation of earnings per share and per ADS

The calculation of earnings per share and per ADS for the six months ended 30th June, 2001 is based on net income for the period of approximately RMB85,126,000 (2000: RMB301,532,000) under US GAAP and the number of outstanding and issued shares of 3,374,000,000 shares and the equivalent ADSs of 67,480,000 ADSs.

REVIEW OF OPERATIONS

For the first six months of 2001, the total sales amounted to RMB4,045.6 million, or an increase of 1.1% as compared with the same period of last year. Despite the growth of the PRC economy at a great momentum in the first half of 2001, prices of domestic petrochemical products were soft due to the great increase of imported products. The sustained high crude oil prices have pushed the cracking feedstock costs of the Company to a level which is much higher than the same period last year. This had the effect of inflating the sales costs of the Company by 8.0% as compared with the same period last year. These factors have exerted a substantial adverse impact on the profitability of the Company for the first half of 2001.

During the first half of 2001, the Company continued its efforts to develop and manufacture specialised products to improve product mix so as to maintain the competitiveness of the products of the Company in the intensely competitive market. In the first half of 2001, the percentage of sales of specialised products, which generally command higher margins than generic products, to total sales was 51.5%. The Company intends to continue its marketing efforts to increase the sales of these specialised products.

The following table sets out the comparative figures for the sales of the Company's principal products for the six months ended 30th June, 2001 and 2000, respectively:

	For the six months ended 30th June,			
	2001	Percentage of	2000	Percentage of
Principal Products	Net sales	Company's	Net sales	Company's
	(RMB'000)	net sales	(RMB'000)	net sales
		(%)		(%)
Resins and Plastics	2,241,602	55.4	2,384,927	59.6
Synthetic Rubber	511,060	12.6	397,243	9.9
Basic Organic	865,043	21.4	987,743	24.7
Chemical Products				
Other	427,924	10.6	233,504	5.8
Total	4,045,629	100.0	4,003,417	100.0

The following table shows the percentage of the main business-related operating expenses in relation to the total sales of the Company:

	For the six months ended 30th June,	
	2001	2000
	(%)	(%)
Sales	100.0	100.0
Less expenses:		
Raw materials	65.7	57.3
Utility expenses	13.2	11.5
Depreciation	5.2	7.9
Repairs and maintenance	1.3	1.4
Salary and bonus	2.3	2.5
Other overheads	0.6	2.1
Selling, general and administrative expenses	7.6	6.4
Operating margin	4.1	10.9

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of goods sold for the first half of 2001 increased by 8.0% to RMB3,572.1 million from RMB3,308.5 million for the same period last year. This was mainly due to the increase in the costs of raw material and utility expenses, of which raw material represents the biggest portion of the operational costs. Costs of cracking feedstock accounted for 51.3% and 50.8% of the costs of sales for the first six months of 2001 and 2000 respectively. In the first half of 2001 and 2000 the costs for cracking feedstock purchased amounted to RMB1,831.8 million, representing an increase of RMB152.1 million from RMB1,679.7 million in 2000, or 9.1%, thus exerting a significant pressure on the profitability of the Company. This is attributable to higher crude oil prices and consequently higher cracking feedstock prices in the first half of 2001. The average price of cracking feedstock increased by 12.0% in the first half of 2001 as compared with the same period last year. As part of its continued efforts to improve operating efficiency, the Company also increased the use of alternative cracking feedstock in the first half of 2001, such as VGO, cracking wax oil, and hydrogenated raffinate oil. These materials accounted for 48.9% of the total cracking feedstock used by the Company for the Period, representing a 63.9% increase over the same period last year. To further lower its production cost, the Company also purchased certain raw materials, such as PTA in the market, as market prices were lower than the Company's production costs of such raw materials.

For the first half of 2001, selling, general and administrative expenses increased to RMB307.9 million from RMB258.1 million for the same period of 2000, representing an increase of 19.3%. This mainly reflects certain increase in bad debt provision and inventory losses resulting from intense market competition. Operating profit of the Company decreased to RMB165.7 million from RMB436.8 million for the same period of 2000, mainly due to the higher material costs and selling, general and administrative expenses. Operating profit margin for the Period was 4.1%, as compared with 10.9% for the same period of 2000.

During the Period, financial expenses were RMB50.5 million, which was basically kept at the same level with that of the same period last year, i.e. RMB53.4 million. Profit before taxation decreased by 72.2% to RMB101.0 million for the Period, from RMB363.6 million for the same period of 2000. Provision for taxation decreased from RMB120.0 million to RMB33.3 million, which was mainly due to the decrease in profit before taxation. Net profit was RMB67.7 million for the first six months of 2001, representing a net margin of 1.7%, compared to net profit of RMB243.6 million, with a net margin of 6.1%, in the same period of 2000.

SOURCES OF WORKING CAPITAL AND OTHER CAPITALS

The Company has principally relied on funds from its operations, bank loans and equity capital to finance its capital expenditures and working capital.

During the first half of 2001, the net cashflow from the operation of the Company amounted to RMB125.6 million, including (i) profit before taxation of RMB101.0 million, (ii) total depreciation and amortisation costs of RMB240.1 million, and (iii) net increase in net operational assets of RMB137.5 million. The cashflow from operation of the Company decreased as a result of interest payments of RMB48.2 million and tax payable of RMB114.3 million.

The Company has been obtaining short and long-term loans mainly from financial institutions in the PRC. As at 30th June, 2001, the Company has bank loans outstanding amounted to RMB3,368 million, of which RMB1,020 million was short-term loans, representing an increase of 64.3% over RMB2,050 million, of which RMB930 million was short-term loans, as at 30th June, 2000. This is because the Company needed substantial amount of capital to pay for equipment that was delivered last year for completion of its ethylene production unit expansion project. The Company will incur capital expenditures of RMB1,900 million and RMB500 million respectively this year and next year for expansion of the ethylene facilities, as well as the supportive projects thereof. As at the end of the first half of 2001, all capital expenditure projects have been proceeding on schedule.

OUTLOOK FOR THE SECOND HALF OF 2001

Over the first six months of 2001, the PRC's GDP increased by 7.9%. It is expected that the macroeconomic environment in the PRC will further improve in the second half of 2001, which should be beneficial for maintaining the demand for petrochemical products in the PRC.

Work for the expansion of the ethylene facilities of the Company to increase its production capacity to 710,000 tonnes per annum is in progress. By the end of October this year when the expansion of the Company's ethylene facilities are completed and commercial operation commences, the efficiency, capacity and economy of the Company's ethylene facilities will be improved, to partially make up for the losses resulting from the reduction in effective production time due to the shutdown for renovation. By continuing with the Company's development strategies, the Company believes it can achieve a satisfactory return to the shareholders.

INTERIM DIVIDEND

The Company's board of directors has decided not to declare any interim dividend for the six months ended 30th June, 2001.

CAPITAL STRUCTURE

The Company's capital structure as of 30th June, 2001 was as follows:

Class of shares	<u>Number of shares</u>	<u>Percentage of total issued share capital</u>
Domestic shares held by China Petroleum & Chemical Corporation (the "Parent Company")	2,362,000,000	70.0%
Foreign shares (in the form of H shares)	1,012,000,000	30.0%
Total	<u>3,374,000,000</u>	<u>100.0%</u>

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, shareholders that held more than 10% of the share capital of the Company were as follows:

	<u>Number of shares</u>	<u>Percentage of total issued share capital</u>
Parent Company	2,362,000,000	70.0%
HKSCC Nominees Limited	972,195,999	28.8%

Notes:

1. Shares held by the Parent Company were not pledged or charged during the six months ended 30th June, 2001. Mr. Li Yizhong is the legal representative of the Parent Company.
2. HKSCC Nominees Limited acts as a nominee and each of its participants held less than 10 percent of the total issued share capital of the Company as of 30th June, 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not purchased, sold or redeemed any of its listed securities during the period of this report.

DIRECTORS' AND SUPERVISORS' INTERESTS

None of the directors, supervisors or chief executives of the Company, or their spouses or children under 18 years of age, had a beneficial interest in the issued shares, or any right to subscribe for shares in the Company as at 30th June, 2001.

UNIFORM INCOME TAX AND LOCAL TAXATION BENEFIT

The Company has been subject to the PRC income tax at a rate of 33%. The Company is not aware of any government policy change so far that may affect the Company's tax rate.

TRUST DEPOSIT

As at 30th June, 2001, the Company did not have any trust deposits with any financial institutions in the PRC. The Company has not encountered any withdrawal difficulty

EMPLOYEE HOUSING SCHEME

In accordance with the relevant laws and regulations of the PRC, the policy as to the allocation of housing as welfare benefit has ceased to apply. The Company is considering the detailed measures for payment of housing subsidies, through increase of wages or a lump sum payment to qualified employees. These measures, once determined, will be reflected in the accounts of the relevant year. As disclosed in the initial public offering prospectus of the Company, Sinopec Group Yanshan Petrochemical Company Limited, the predecessor of the Company has agreed to pay all costs for the prospective implementation of the lump-sum housing subsidy schemes. Hence, the Company does not expect any material cash outflow in this regard.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the Period, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Code of Best Practice”).

AUDIT COMMITTEE

During the Period, the board of directors of the Company has formed an audit committee (the “Audit Committee”) comprising two independent directors of the Company, Mr. Rui Xingwen and Mr. Zhang Yanning, and one supervisor of the Company, Ms. Wang Shulan, for reviewing and supervising the Company’s financial reporting process and internal controls pursuant to the Code of Best Practice.

The Audit Committee and management of the Company have reviewed the accounting principles, accounting standards and methods and discussed matters relating to auditing, internal controls and financial reporting, including the unaudited interim report for the six months ended 30th June, 2001.

On behalf of the Board of Directors

Du Guosheng
Chairman

Beijing, The PRC
24th August, 2001

DOCUMENTS AVAILABLE FOR INSPECTION

The full text of the Interim Report and Financial Statements signed by the Chairman is available for inspection at the Company Secretary Office, No. 1 Beice, Yingfeng Erli, Yanshan, Fangshan District, Beijing, PRC.

Sinopec Beijing Yanhua Petrochemical Company Limited
No. 1 Beice, Yingfeng Erli, Yanshan, Fangshan District, Beijing, PRC
Postal Code: 102500
Tel: (86) 10 69345924
Fax: (86) 10 69345448