

**SINOPEC BEIJING YANHUA PETROCHEMICAL COMPANY LIMITED
INTERIM RESULTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2002**

Dear shareholders,

I am pleased to present the unaudited results of Sinopec Beijing Yanhua Petrochemical Company Limited (the “Company”) for the six-month period ended 30 June 2002.

During the reporting period, the economy of People’s Republic of China (the “ PRC ”) grew at great momentum with its Gross Domestic Product (“GDP”) increasing at an annual rate of 7.8%. However, due to weak global economic development, dwindling of consumption demand and continual increase of export of petrochemical or products to the PRC, much pressure has been put on the pricing of local petrochemical products. The average prices of the eight main lines of products of the Company have decreased by 17.4% as compared to those of the same products in the same period in 2001. By increasing production efficiency, improving product structure and controlling production costs, the Company partially offset the adverse effects caused by the decrease in prices. The Company achieved a net profit of RMB33.1 million in the first half of 2002.

In the first half of 2002, the Company achieved total sales of RMB4,207.4 million, representing an increase of 4.0% as compared to those of the same period in 2001. Profit before taxation and net profit were RMB65.2 million and RMB33.1 million, respectively, representing a decrease of 40.3% and 54.8% as compared to those of the same period in 2001.

**INTERIM FINANCIAL REPORT (UNAUDITED) PREPARED IN
ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARD
("IAS") 34 "INTERIM FINANCIAL REPORTING" (see note 1)**

Profit and loss account (unaudited)

(Amounts in thousands of Renminbi ("RMB"), except per share data)

	<i>Note</i>	Six-month periods ended 30 June	
		2002	2001
		RMB	RMB (restated)
Turnover		4,207,354	4,045,629
Cost of sales		<u>(3,821,165)</u>	<u>(3,572,067)</u>
Gross profit		386,189	473,562
Selling, general and administrative expenses		(212,992)	(299,608)
Other operating income		9,375	14,291
Other operating expenses		<u>(4,172)</u>	<u>(10,095)</u>
Profit from operations		178,400	178,150
Net financing costs		(113,207)	(50,529)
Employee reduction expenses	5	<u>-</u>	<u>(18,378)</u>
Profit before tax	4	65,193	109,243
Income tax expense	6	<u>(32,119)</u>	<u>(36,050)</u>
Net profit		<u>33,074</u>	<u>73,193</u>
Basic earnings per share (RMB)	8	<u>0.010</u>	<u>0.022</u>

The notes on pages 6 to 13 form part of this interim financial report.

Balance sheet (unaudited)

(Amounts in thousands of RMB)

		<u>At 30 June 2002</u>	<u>At 31 December 2001</u>
	Note	RMB	RMB (restated)
Non-current assets			
Property, plant and equipment		7,931,152	8,362,192
Deferred tax assets		444,380	486,018
Total non-current assets		<u>8,375,532</u>	<u>8,848,210</u>
Current assets			
Inventories		1,009,983	737,778
Trade receivables	9	506,136	331,288
Bills receivable	9	163,644	82,921
Prepaid income tax		37,088	37,088
Prepayments and other current assets		477,499	335,659
Cash at bank and in hand		231,190	276,140
Total current assets		<u>2,425,540</u>	<u>1,800,874</u>
Current liabilities			
Accounts payable	10	497,118	326,910
Bills payable	10	35,660	37,359
Accruals and other payables		744,604	733,668
Bank loans		3,301,386	3,150,000
Loans from related companies		380,000	380,000
Total current liabilities		<u>4,958,768</u>	<u>4,627,937</u>
Net current liabilities		<u>(2,533,228)</u>	<u>(2,827,063)</u>
Total assets less current liabilities		<u>5,842,304</u>	<u>6,021,147</u>

Balance sheet (unaudited) (Continued)

(Amounts in thousands of RMB)

	<u>At 30 June 2002</u>	<u>At 31 December 2001</u>
	RMB	RMB
		(restated)
Non-current liabilities		
Bank loans	685,804	888,202
Deferred tax liabilities	310,576	320,095
Total Non-current liabilities	<u>996,380</u>	<u>1,208,297</u>
Net assets	<u>4,845,924</u>	<u>4,812,850</u>
Shareholders' equity		
Share capital	3,374,000	3,374,000
Reserves	<u>1,471,924</u>	<u>1,438,850</u>
Total shareholders' equity	<u>4,845,924</u>	<u>4,812,850</u>

Approved and authorised for issue by the Board of Directors on 13 August 2002

Du Guosheng
Chairman

Mo Zhenglin
Director

The notes on pages 6 to 13 form part of this interim financial report.

Condensed cash flow statement (unaudited)

(Amounts in thousands of RMB)

	Six-month periods ended 30 June	
	2002	2001
	RMB	RMB
Net cash generated from operating activities	397,981	125,624
Net cash used in investing activities	(391,918)	(800,818)
Net cash (used in) / generated from financing activities	(51,013)	753,892
Net (decrease) / increase in cash and cash equivalents	(44,950)	78,698
Cash and cash equivalents at the beginning of the period	276,140	286,137
Cash and cash equivalents at the end of the period	<u>231,190</u>	<u>364,835</u>

Statement of changes in equity (unaudited)

(Amounts in thousands of RMB)

	Share capital	Share premium	Reserves	Retained earnings	Total
	RMB	RMB	RMB	RMB	RMB
		(restated)	(restated)	(restated)	(restated)
At 1 January 2002	3,374,000	774,630	18,835	645,385	4,812,850
Net profit	-	-	-	33,074	33,074
At 30 June 2002	<u>3,374,000</u>	<u>774,630</u>	<u>18,835</u>	<u>678,459</u>	<u>4,845,924</u>
At 1 January 2001	3,374,000	774,630	122,414	949,232	5,220,276
Net profit	-	-	-	73,193	73,193
Dividend	-	-	-	(134,960)	(134,960)
At 30 June 2001	<u>3,374,000</u>	<u>774,630</u>	<u>122,414</u>	<u>887,465</u>	<u>5,158,509</u>

Notes on the Unaudited Interim Financial Report

1. Principal activities and basis of preparation

The Company was incorporated as a joint stock company with limited liability in the PRC on 23 April 1997. The Company is a subsidiary of China Petroleum & Chemical Corporation (“Sinopec Corp”) and is principally engaged in manufacturing and sales of petrochemical products.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants. KPMG’s independent review report to the Board of Directors is included on page 14.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited, including compliance with IAS 34 “Interim Financial Reporting” adopted by the International Accounting Standards Board.

The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2001 are available from the Company’s registered office. The Company’s former independent auditors, Arthur Andersen & Co, have expressed an unqualified opinion on those accounts in their report dated 28 March 2002.

The accounting policies have been consistently applied by the Company and are consistent with those adopted in the 2001 annual accounts, except for as described in note 2, land use rights are carried at cost effective 1 January 2002. The effect of this change resulted in a decrease in the revaluation reserve and an increase in other reserves relating to the deferred tax assets, which were recognised upon establishment of the Company and dealt with directly in the reserves.

2. Prior year adjustments

Effective 1 January 2002, the Company restated the land use rights at historical cost less accumulated amortisation and reversed the entire revaluation surplus on land use rights. In previous years, land use rights were recognised in the balance sheet at the revalued amount and amortised on a straight line basis over the period of the rights of 50 years. This change has been accounted for retrospectively by restating comparatives and adjusting the opening balances of respective reserves at 1 January 2001.

The change had the following impacts to the retained earnings and shareholders' equity at 1 January 2002 and 2001:

	<u>2002</u>	<u>2001</u>
	RMB'000	RMB'000
Retained earnings at 1 January as previously reported	595,998	910,738
Reversal of accumulated amortisation of land use rights	73,711	57,453
Deferred tax effect on reversal of accumulated amortisation of land use rights	<u>(24,324)</u>	<u>(18,959)</u>
Retained earnings at 1 January as restated	<u><u>645,385</u></u>	<u><u>949,232</u></u>
Shareholders' equity at 1 January as previously reported	5,312,053	5,730,372
Reversal of revaluation surplus on land use rights	(745,079)	(761,337)
Deferred tax effect on reversal of revaluation surplus on land use rights	<u>245,876</u>	<u>251,241</u>
Shareholders' equity at 1 January as restated	<u><u>4,812,850</u></u>	<u><u>5,220,276</u></u>

3. Segment information

	Six-month periods ended 30 June	
	2002	2001
	RMB'000	RMB'000
External sales		
Resins and Plastics	2,499,175	2,241,602
Synthetic Rubber	585,555	511,060
Basic Organic Chemical Products	880,698	865,043
Others	241,926	427,924
Total external sales	<u>4,207,354</u>	<u>4,045,629</u>
Cost of sales		
Resins and Plastics	2,218,128	2,046,231
Synthetic Rubber	508,101	426,055
Basic Organic Chemical Products	845,641	747,245
Others	249,295	352,536
Total cost of sales	<u>3,821,165</u>	<u>3,572,067</u>
Segment results		
Resins and Plastics	281,047	195,371
Synthetic Rubber	77,454	85,005
Basic Organic Chemical Products	35,057	117,798
Others	(7,369)	75,388
Total segment results	<u>386,189</u>	<u>473,562</u>
Selling, general and administrative expenses	212,992	299,608
Net financing costs	113,207	50,529
Other operating (income)/expenses, net	(5,203)	14,182
Profit before tax	<u>65,193</u>	<u>109,243</u>

In view of the fact that Company operates mainly in the PRC, no geographical segmental information is presented.

4. Profit before tax

Profit before tax is arrived at after charging/(crediting):

	<u>Six-month periods ended 30 June</u>	
	<u>2002</u>	<u>2001</u>
	<u>RMB'000</u>	<u>RMB'000</u>
		(restated)
Interest expense on borrowings	115,106	97,543
Less: amount capitalised in property, plant and equipment	<u>(13,546)</u>	<u>(49,361)</u>
Interest expense, net	101,560	48,182
Cost of inventories	3,821,165	3,572,067
Depreciation	405,279	213,034
Loss on disposal of property, plant and equipment	<u>(3)</u>	<u>(7)</u>

5. Employee reduction expenses

There were no employee reduction expenses incurred during the six-month period ended 30 June 2002. In accordance with Sinopec Corp's employee reduction plan, the Company recorded employees reduction expenses of RMB 18,378,000 during the six-month period ended 30 June 2001.

6. Income tax expense

Income tax expense in the profit and loss account represents:

	<u>Six-month periods ended 30 June</u>	
	<u>2002</u>	<u>2001</u>
	<u>RMB'000</u>	<u>RMB'000</u>
		(restated)
Provision for PRC income tax	-	26,139
Deferred taxation	<u>32,119</u>	<u>9,911</u>
	<u>32,119</u>	<u>36,050</u>

The provision for PRC income tax is calculated at the rate of 33% (2001: 33%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations. The Company did not carry on business overseas and in Hong Kong and therefore did not incur overseas and Hong Kong income taxes.

7. Dividends

	<u>Six-month periods ended 30 June</u>	
	<u>2002</u>	<u>2001</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Dividend	-	134,960

The dividend recognised during the period ended 30 June 2001 represented a final dividend in respect of the year ended 31 December 2000 of RMB 0.04 per share totalling RMB 134,960,000. The Directors do not recommend the payment of an interim dividend for the period (2001: Nil).

8. Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the period of RMB 33,074,000 (2001(restated): RMB 73,193,000) and 3,374,000,000 (2001: 3,374,000,000) shares in issue during the period.

9. Trade receivables and bills receivable

	<u>At 30 June 2002</u>	<u>At 31 December 2001</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Trade receivables		
— unrelated companies	503,600	388,602
— Sinopec Corp and other related companies	179,321	130,757
Less: Allowance for doubtful debts	(176,785)	(188,071)
Trade receivable, net	506,136	331,288
Bills receivable	163,644	82,921
Total	<u>669,780</u>	<u>414,209</u>

9. Trade receivables and bills receivable (Continued)

The ageing analysis of trade receivables and bills receivable is as follow:

	<u>At 30 June 2002</u>	<u>At 31 December 2001</u>
	RMB'000	RMB'000
Within one year	523,175	308,183
Between one and two years	62,530	90,481
Between two and three years	66,815	85,748
Over three years	194,045	117,867
Less : Allowance for doubtful accounts	<u>(176,785)</u>	<u>(188,070)</u>
	<u>669,780</u>	<u>414,209</u>

Sales are generally on a cash basis. Subject to negotiation, credit is generally only available for major customers with well-established trading records.

10. Accounts payable and bills payable

	<u>At 30 June 2002</u>	<u>At 31 December 2001</u>
	RMB'000	RMB'000
Accounts payable		
— unrelated companies	137,091	86,885
— Sinopec Corp and other related companies	<u>360,027</u>	<u>240,025</u>
	497,118	326,910
Bills payable	<u>35,660</u>	<u>37,359</u>
	<u>532,778</u>	<u>364,269</u>

The ageing analysis of accounts payable and bills payable is as follow:

	<u>At 30 June 2002</u>	<u>At 31 December 2001</u>
	RMB'000	RMB'000
Due within three months or on demand	74,750	105,568
Due after three months and within six months	<u>458,028</u>	<u>258,701</u>
	<u>532,778</u>	<u>364,269</u>

11. Reserve movement

No transfers have been made to the statutory surplus reserve, the statutory public welfare fund nor the discretionary surplus reserve from the profit and loss account for the period (2001: Nil).

12. Related party transactions

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

The following is a summary of significant related party transactions:

	Six-month periods ended 30 June	
	2002	2001
	RMB'000	RMB'000
Sales of petrochemical products to Sinopec Corp and its affiliates	166,326	83,568
Sales of petrochemical products to related companies	361,894	597,108
Sales to a related company's national sales network	548,547	517,872
Purchases of materials and supplies from Sinopec Corp and its affiliates	1,723,383	1,952,438
Purchases of materials and supplies from related companies	89,471	66,403
Utilities provided by a related company	492,045	523,900
Provision of transportation and storage services by a related company	12,520	4,376
Social services (environmental protection, employee housing, health care, education, public security and other ancillary services) provided by a related company	31,920	64,096
Construction and repair services and materials provided by related companies	7,110	187,425
Loans provided by a related company	400,000	198,000
Interest income received from a related company	78	171
Technological subsidies received from Sinopec Corp	22,300	16,572
Insurance premium paid to Sinopec Corp	22,119	23,127
Insurance premium refunded from Sinopec Corp	10,052	7,842
Leasing income received from related companies	1,242	8,126

13. Capital commitments

Capital commitments primarily relate to the purchase or construction of production facilities. Capital commitments outstanding at 30 June 2002 not provided for in the accounts were as follow:

	<u>At 30 June 2002</u>	<u>At 31 December 2001</u>
	RMB'000	RMB'000
Authorised and contracted for	103,010	525,130
Authorised but not contracted for	<u>120,000</u>	<u>530,523</u>
	<u><u>223,010</u></u>	<u><u>1,055,653</u></u>

14. Comparative figures

Certain comparative figures in the interim financial report have been adjusted as a result of the prior year adjustment as set out in note 2. Certain other comparative figures have been reclassified to conform with the current period's presentation.



INDEPENDENT REVIEW REPORT

To the Board of Directors of Sinopec Beijing Yanhua Petrochemical Company Limited

Introduction

We have been instructed by the company to review the interim financial report set out on pages 2 to 13.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" adopted by the International Accounting Standards Board. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards ("SAS") 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

The scope of our review was limited because the company's interim financial report for the six months ended 30 June 2001 was neither reviewed in accordance with SAS 700 nor audited and consequently we were unable to perform a review of the comparatives in accordance with SAS 700.

Modified review conclusion arising from limitation of review scope

On the basis of our review which does not constitute an audit, with the exception of the possible adjustments to the information for the comparative period ended 30 June 2001 that might have been determined to be necessary had the above limitation not existed, we are not aware of any material modifications that should be made to the interim financial report for the six-month period ended 30 June 2002.

KPMG
Certified Public Accountants
China, Hong Kong, 13 August 2002

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

For the first six months of 2002, the total sales of the Company amounted to RMB4,207.4 million, or an increase of 4.0%, as compared to that of the same period in last year. The sales income of the eight principal products of the Company has increased by 11.0% as compared to that of the same period in last year. Despite the PRC economy's tremendous growth in the first half of 2002, prices of domestic petrochemical products dropped due to the huge increase in the volume of imported products. The average prices of the eight main lines of products of the Company have decreased by 17.4% as compared to those of the same period in 2001. The completion of the Company's ethylene production unit expansion project improved the efficiency and capacity of such unit significantly. The sales volume of the Company's eight principal products has increased by 34.4% as compared to that of the same period in 2001.

During the first half of 2002, the Company continued to develop and manufacture specialised products to improve its product mix so as to maintain the competitiveness of the Company's products. For the six-month period ended 30 June 2002, the percentage sales of specialised products, which in general command higher margins than generic products, to total sales of resins and plastics was 55.5%.

The following table sets out the comparative figures for the sales of the Company's principal products for the first half of 2002 and 2001:

Principal Products	Six-month periods ended 30 June			
	2002	Percentage of	2001	Percentage of
	Net Sales (RMB'000)	Company's Net Sales (%)	Net Sales (RMB'000)	Company's Net Sales (%)
Resins and Plastics	2,499,175	59.4	2,241,602	55.4
Synthetic Rubber	880,698	20.9	865,043	21.4
Basic Organic				
Chemical Products	585,555	13.9	511,060	12.6
Others	241,926	5.8	427,924	10.6
Total	4,207,354	100.0	4,045,629	100.0

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

	Six-month periods ended 30 June	
	2002	2001
	(%)	(%)
Sales	100.0	100.0
Less expenses:		
Raw materials	62.8	65.7
Fuel and power	13.2	13.2
Depreciation	9.1	5.2
Maintenance and service	3.3	1.3
Salary and bonus	1.6	2.3
Other production expenses	0.8	0.6
Selling, general and administrative expenses	5.1	7.4
Other operating income, net	(0.1)	(0.1)
Operating profit ratio	4.2	4.4

The cost of goods sold of the Company for the first half of 2002 increased from RMB3,572.1 million to RMB3,821.2 million, representing a 7.0% increase as compared to that of the same period in 2001. This was mainly due to an increase in the sales volume, resulting increase in the costs of fuel and power, and increased depreciation caused by the completion of the ethylene production unit expansion project. Costs of cracking feedstock represents the largest portion of operational costs and accounted for 47.2% and 51.3% of the cost of sales for the first six months of 2002 and 2001, respectively. In the first half of 2002, the costs for cracking feedstock amounted to RMB1,802.1 million, representing a decrease of RMB29.6 million from RMB1,831.8 million in the first half of 2001, or 1.6%. The average price of cracking feedstock in the first half of 2002 decreased by 19.1% as compared to that of the same period in last year.

For the first half of 2002, the Company's selling, general and administrative expenses decreased from RMB299.6 million to RMB213.0 million as compared to the same period in 2001, representing a decrease of 28.9%. This mainly illustrates that the Company has reduced its salary costs due to the reduction of staff and decreased bad debt provisions.

During the six-month period ended 30 June 2002, net financing costs increased from RMB50.5 million to RMB113.2 million as compared to that of the same period in 2001, representing an increase of 124.0%. The increase was due to the fact that all interest expenses were charged to the profit and loss account upon completion of the ethylene expansion project, while interest expenses related to the ethylene expansion project were capitalised last year. Profit before taxation amount to RMB65.2 million, representing a decrease of 40.3% from RMB109.2 million for the same reporting period in 2001. The Company's net profit for the first six months of 2002 was RMB33.1 million, representing a net margin of 0.8%, as compared to the net profit of RMB73.2 million, with a net margin of 1.8%, in the same period in 2001.

Sources of Working Capital and Other Capitals

The capital of the Company is sourced from the cashflow of its operation, bank loans and equity capital, which were used mainly to cover its capital expenditure and working capital.

During the first half of 2002, the net cashflow from the Company's operations amounted to RMB398.0 million, which includes (1) RMB65.2 million as profit before taxation, (2) RMB405.3 million as total depreciation and amortisation costs, and (3) RMB65.7 million as increase of net operational assets.

The Company has been obtaining short and long term loans mainly from financial institutions in the PRC. As of 30 June 2002, the Company's outstanding bank and related companies loans amounted to RMB4,367.2 million (RMB3,681.0 million of which is attributable to short term loans), a decrease of RMB51 million as compared to RMB4,418.2 million as of 31 December 2001 (RMB3,530.0 million of which is attributable to short term loans).

Outlook for the Second Half of 2002

Over the first six months of 2002, the PRC's GDP increased by 7.8%. The macroeconomic environment in the PRC is expected to improve further in the second half of 2002, which will be beneficial in maintaining the demand for petrochemical products in the PRC.

The Company will adopt marketing strategies such as adjusting product structure and taking advantage of its high production efficiency to expand its market in order to improve the Company's economic efficiency. This will also produce satisfactory return to the shareholders.

Interim Dividends

The Company's board of directors has decided not to declare any interim dividends.

Gearing Ratio

In the first half of 2002, the Company's gearing ratio was 90.1% (in the same period of 2001: 91.8%). The decrease in the gearing ratio was mainly due to repayment of certain long term bank loans. The gearing ratio is calculated by dividing the total of long term and short term debts by the total of shareholders' equity.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Company is exposed to foreign currency risk as a result of its foreign currency denominated long term debt and, to a limited extent, cash and cash equivalents denominated in foreign currencies. The Company had no foreign currency hedging activity in the six-month period ended 30 June 2002.

CAPITAL STRUCTURE

The Company's capital structure as of 30 June 2002 was as follows:

Class of shares	Number of shares	Percentage of total issued share capital
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	3,374,000,000	100.0%

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2002, shareholders holding over 10% of the share capital of the Company were as follows:

	Number of shares	Percentage of total issued share capital
Parent Company	2,362,000,000	70.0%
HKSCC Nominees Limited	978,541,999	29.0%

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not purchase, sell or redeem any of its listed securities during the six-month period ended 30 June 2002.

DIRECTORS' AND SUPERVISORS' INTERESTS

As of 30 June 2002, none of the Company's directors, supervisors or chief executives, including their spouses and/or children under 18 years of age, received any beneficial interest in the issued shares or any other rights to subscribe for shares in the Company.

UNIFORM INCOME TAX RATE AND LOCAL TAXATION BENEFITS

The Company is subject to the PRC's income tax rate of 33%. The Company is not aware of any governmental policy changes that will thus far affect the Company's tax rate.

TRUST DEPOSITS

As of 30 June 2002, the Company did not have any trust deposits with any financial institutions in the PRC. The Company has not encountered any withdrawal difficulties with respect to its deposits.

EMPLOYEE HOUSING SCHEME

In accordance with the relevant laws and regulations of the PRC, the policy for the allocation of housing as welfare benefits has ceased to apply. The Company is considering detailed measures for payment of housing subsidies through increasing wages or making lump sum payments to qualified employees. Once determined, these measures will be reflected in the accounts of the Company of the next relevant year. As disclosed in the Company's prospectus dated 17 June 1997, the predecessor of the Company is willing to pay such a lump sum payment. For this purpose, the Company is not expecting any cash outflows.

CODE OF BEST PRACTICE

None of the Company's directors is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the six-month period ended 30 June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On behalf of the Board of Directors
Du Guosheng
Chairman
Beijing, PRC
13 August 2002

DOCUMENTS AVAILABLE FOR INSPECTION

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

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