Mr. Shi Jianxun
Executive Director, General Manager

On behalf of the Group's management team, I am pleased to provide the following discussion and analysis of the Group's 2000 financial results. Please note that the information set out in this section does not form part of the accounts audited by Ernst & Young, the international auditors, as set forth in this annual report and should be read in conjunction with the information contained in the Consolidated Accounts and Notes thereto (the "Accounts") presented in this annual report. The information presented below analyses the Group's accounts as prepared in accordance with IAS. For an analysis of the Group's accounts as prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"), please refer to the Company's annual report on Form 20-F to be filed with the Securities and Exchange Commission of the United States of America, which will be provided to any shareholder upon written request.

The following table sets out the Company's sales volume, net sales volume and proportions of total net sales for the periods indicated.

	2000			1999		
	Sales Volume ('000 tons)	**Net Sales (RMB Millions)**	**% of Net Sales**	Sales Volume ('000 tons)	Net Sales (RMB Millions)	% of Net Sales
Petrochemical and organic chemical products	**1,294.6**	**5,297.3**	**39.5**	1,283.5	4,390.2	41.6
Petroleum products	**2,633.3**	**5,410.3**	**40.4**	2,478.1	3,413.3	32.3
Dyestuff and dye intermediates	**65.6**	**533.5**	**4.0**	63.5	554.4	5.3
Synthetic rubber products	**114.6**	**878.5**	**6.6**	111.1	687.3	6.5
Chemical fertilizers and inorganic chemical products	**521.8**	**458.2**	**3.4**	727.2	626.9	5.9
Other	**N/A(1)**	**818.4**	**6.1**	N/A(1)	882.8	8.4
Total	**4,629.9(2)**	**13,396.2**	**100.0**	4,663.4(2)	10,554.9	100.0

(1) Sales volume includes certain products, the measurement of which in tons does not provide a meaningful comparison vis-a-vis products in other product categories.

(2) Excluding sales volume of "Other." See note 1.

The following table sets out the financial information of the Group for the years indicated:

	Year ended 31st December, 2000		Year ended 31st December, 1999	
	RMB millions	**% of Net sales**	RMB millions	% of Net sales
Net sales	**13,396.2**	**100.0**	10,554.9	100.0
Cost of sales	**(12,164.2)**	**(90.8)**	(8,993.2)	(85.2)
Distribution costs administrative expenses, and other operating expense	**(1,567.9)**	**(11.7)**	(739.2)	(7.0)
Profit/(loss) from operating activities	**(273.6)**	**(2.0)**	831.6	7.9
Finance costs	**(641.1)**	**(4.8)**	(599.1)	(5.7)
Tax	**58.5**	**0.4**	(76.7)	(0.7)
Net profit/(loss) attributable to shareholders	**(836.0)**	**(6.2)**	148.8	1.4

OPERATING RESULTS

Year ended 31st December, 2000 compared with year ended 31st December, 1999

Aggregate net sales increased by 27.0% to RMB13,396 million in 2000 compared to RMB10,555 million in 1999.

Net sales of petrochemical and organic chemical products increased by 20.7% to RMB5,297 million in 2000 from RMB4,390 million in 1999, accounting for 39.5% of aggregate net sales in 2000, down from 41.6% in 1999. This increase in sales was primarily due to increased product pricing attributable to the continuing recovery of the PRC domestic petrochemical products market, reflecting the strengthening of the international petrochemical market in general. In 2000, the weighted average price for products in this group increased by 34.4% from 1999. Sales volume for petrochemical and organic chemical products in 2000 increased by 1.0% from 1999.

Net sales of petroleum products increased by 58.5% to RMB5,410 million in 2000 from RMB3,413 million in 1999, accounting for 40.4% of aggregate net sales in 2000, up from 32.3% in 1999. The increase in net sales is attributable primarily to a 49.2% increase in the weighted average price of petroleum products, and a 6.0% increase in sales volume over 1999.

Net sales of dyestuff and dye intermediates decreased by 3.8% to RMB533 million in 2000 from RMB554 million in 1999, accounting for 4.0% of aggregate net sales in 2000, down from 5.3% in 1999. The decrease in the net sales of such products in 2000 compared with 1999 reflected decreasing domestic demand, which resulted in a continuing decline in product price. A decrease of 6.9% in the weighted average price for products in this group as compared to 1999 was partially offset by a sales volume increase of 3%.

Net sales of synthetic rubber increased by 27.8% to RMB878 million in 2000 from RMB687 million in 1999, accounting for 6.6% of aggregate net sales in 2000, up marginally from 6.5% in 1999. The sales volume of synthetic rubber products increased by 3.2% compared with 1999 and the weighted average price of such products increased by 23.9% from 1999. The increase in the percentage of aggregate net sales was primarily due to increases in the percentage of net sales of petroleum products and petrochemical and organic chemical products in aggregate net sales.

Net sales of chemical fertilizers and inorganic chemical products decreased by 26.9% to RMB458 million in 2000 from RMB627 million in 1999, accounting for 3.4% of aggregate net sales in 2000, down from 5.9% in 1999. In 2000, an increase of 1.9% in the weighted average price for these products as compared with 1999 was offset by a decrease in sales volume by 28.3% from 1999.

Revenue from other products and services decreased by 26.5% to RMB818 million in 2000 from RMB883 million in 1999 due to a decrease in sales volume of certain products and the termination of production of certain products.

Cost of sales increased 35.3% to RMB12,164 million in 2000 from RMB8,993 million in 1999, representing 90.8% and 85.2% of aggregate net sales for 2000 and 1999, respectively. The increase in cost of sales was due primarily to increases in the cost of raw materials in 2000. Raw materials costs as a percentage of aggregate net sales increased from 60.6% in 1999 to 70.0% in 2000 and was due primarily to continuing increases in crude oil prices in 2000. In 2000, the Company processed 4.50 million tons of crude oil, which was approximately the same volume as compared with 1999. Over the same period, the weighted average price of crude oil purchased by the Company rose 62.5% from RMB1,278 per tonne in 1999 to RMB2,077 per tonne in 2000, reflecting increases in international crude oil price.

Selling expenses, administrative expenses and other operating expense increased by 112% from RMB739.2 million in 1999 to RMB1,567.9 million in 2000, primarily due to the expenses attributable to the Company's write-off of certain loss-making equipment in 2000 and the severance payment to employees made redundant because of the write-off. The Company also increased its reserve for bad debts from RMB173 million in 1999 to RMB241 million in 2000 resulting from an increase in receivables.

Based on the above factors, the Company recorded an operating loss of RMB274 million in 2000 as compared to an operating profit of RMB832 million in 1999.

Financial expenses increased by 7% from RMB599 million in 1999 to RMB641 million in 2000, primarily due to an increase of interest expenses resulting from an increase in loans.

The Company recognised a tax credit of RMB59 million in 2000 (tax expense of RMB77 million in 1999) which was primarily attributable to the recognition of deferred tax asset in connection with the tax loss incurred during the year.

Net loss in 2000 was RMB836 million, a decrease of RMB985 million from net profit in 1999 of RMB149 million. This was due primarily to write-off of fixed assets and an increase in the Company's cost of sales.

LIQUIDITY AND CAPITAL RESOURCES

The Company depends upon cash flows from operations, bank loans and equity financing to satisfy its ongoing liquidity and capital needs. During the year ended 31st December, 2000, the Company's cash position decreased by RMB17.8 million compared to a increase of RMB17 million in 1999. This decrease was primarily due to an increase of cash outflow for investment activities related to increased capital expenditure on construction in progress and intangible assets.

During 2000, net cash inflow from operating activities decreased by RMB452 million when compared with 1999. Net cash inflow from operating activities was RMB137 million in 2000, as compared with RMB589 million in 1999. This decrease was mainly due to increase in receivables from PetroChina Company Limited and the loss before taxation of RMB915 million.

Net cash outflow from investing activities increased to RMB1,397 million in 2000 compared with RMB491 million in 1999. The increase was primarily due to higher capital expenditures in 2000 associated with the completion of construction of the butanol and 2-ethylhexanol facility and the commencement of construction of the synthetic ammonia facility compared with the construction of the butanol and 2-ethylhexanol facility only in 1999.

Net cash inflow from financing activities was RMB1,242 million in 2000, compared with a net cash outflow of RMB81 million in 1999, which primarily reflects an increase in net borrowings of RMB1,453 million in 2000 compared with an increase in net borrowings of RMB167 million in 1999. In 2000, the Company borrowed approximately RMB790 million in unsecured bank loans to finance technological upgrades of its synthetic ammonia facility and other facilities. The Company also issued 150,000,000 A shares in a public offering in January 2000 at the issue price of RMB3.3 per share, receiving proceeds of RMB485 million after deduction of the relevant expenses.

As of 31st December, 2000, the Company's current assets were RMB5,672 million and current liabilities were RMB4,462 million. The gearing ratio of the Company was 56% as at 31st December, 2000, and 50% as at 31st December, 1999 (gearing ratio is calculated at the ratio between long term debt and the sum of equity and long term debt). In 2000, the Company's working capital position was RMB1,210 million, an improvement over a working capital of RMB12 million in 1999. The Company reviews its working capital and liquidity position on a regular basis and has always been able to satisfy its short term obligations through the refinancing of indebtedness and other measures. As a result, the Company has not been required to generate or obtain significant additional amounts of cash or equivalent assets. Although no assurance can be given, the Company believes that it should be able to continue to utilize such methods to supplement its ability to meet its short term obligations. Subsequent to the restructuring of the Company's new ultimate holding company, each of CNPC and PetroChina Company Limited has undertaken to the Company that it will treat the Company no less favourable than any of the other companies directly or indirectly under its control. As a result, the Company believes that it has more than sufficient resources to meet its foreseeable working capital needs.

The terms and conditions of existing bank loans of the Company do not restrict the Company's ability to pay dividends on the shares of the Company.

On 20th April, 1999, the Company obtained initial PRC government approval to issue and sell up to 300,000,000 additional A shares. Pursuant to the approval from China Securities Regulatory Commission, the Company issued 150,000,000 A shares, among which 22,500,000 shares were allotted to investment funds. The remaining 127,500,000 shares were allotted to existing holders of A shares at a ratio of 1:2.55. The Company completed the A share issue at the end of January 2000. The issuing price per share was RMB3.3 which was determined when the market price was RMB6.4 on 21st January 2000, the date on which the terms of the issue were also fixed. Total gross proceeds were RMB495 million and the net proceeds were RMB485 million after deducting certain issue costs. The net proceeds have been used to repay bank loans in respect of the Ethylene Project and as working capital.

The Company anticipates capital expenditure of approximately RMB850 million in 2001 primarily for the completion of technological upgrades of its 300,000 t/a ethylene, styrene, aromatic abstraction, catalytic cracking and synthetic ammonia facilities.

As of 31st December, 2000, the Company had only RMB560 million of foreign currency-denominated loans that were unrelated to financing for the Ethylene Project. The Company had foreign currency-denominated loans related to the Ethylene Project of RMB1,768 million. Further to an agreement between the Company and Jilin Group Chemical Company, effective 30th September, 1998, all outstanding foreign currency loans related to the Ethylene Project shall be repaid by the Company, through Jilin Chemical Group Company, in Renminbi at the exchange rate determined as of 30th September, 1998. As a result of CNPC's restructuring, commencing 1st January 2000, such foreign exchange loans including principal and interest shall be repaid by the Company directly to the lenders. In addition, dividends for H Shares are payable in foreign currency. The Company believes fluctuations in foreign currency exchange rates will have a significant impact on the Company.

While the Company has no plans to exercise the Ethylene Project Option in 2001, the Company will from time to time evaluate if the Ethylene Project Option should be exercised in whole or in part. In deciding whether or not to exercise the Ethylene Project Option, the Company will consider a number of factors, including the availability of capital and other financing options, profitability and production efficiency of the Seven Additional Facilities and market conditions for the products produced by the Ethylene Project Facilities. Any exercise of the Ethylene Project Option could require additional capital expenditure or capital financing by the Company. The Company believes that it will be in a position to meet these and other foreseeable capital expenditure and dividend and debt repayment requirements through a combination of the resources currently available to it, including internally generated funds and the proceeds from the previous equity offerings and additional debt or equity financing which it believes should be obtainable when required in connection with its capital expenditure program for projects other than the Ethylene Project, although there can be no assurance that such financing will, in fact, be available or, if available, will be available on terms favorable to the Company.

Executive Director,
General Manager
Shi Jianxun

Jilin, PRC
29th March, 2001