Interim Report

The Directors of Sinopec Shanghai Petrochemical Company Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001.

The Directors jointly and severally accept full responsibility for the truth, accuracy and completeness of the information contained in this report and confirm that there are no material omissions or false or misleading statements in this report.

Report of the Directors

To: all shareholders

We hereby present the operating results of the Group for the six months ended 30 June 2001. For the period ended 30 June 2001, the Group realised net sales of RMB9.478 billion (HK$8.931 billion), an increase of 1.24% compared to the corresponding period last year. Profit before tax amounted to RMB202 million (HK$191 million), a decrease of 59.16% compared to the corresponding period last year. Profit after tax and minority interests amounted to RMB160 million (HK$151 million), a decrease of 61.43% compared to the corresponding period last year.

Business Review

The first half of 2001 saw the worldwide demand for petrochemical products dropping as a result of the global economic slowdown. In China, despite a 7.9% GDP growth, the petrochemical sector was significantly affected by the decelerated growth of the country's light textile exports due to the downturn of the Japanese and U.S. economies. Prices of most petrochemical products continued to decline in the domestic market while the Company's crude oil costs continued to rise compared to the corresponding period last year, resulting in negative impact on the operating results of the Company.

Safe and stable operations of production facilities with high utilisation rates

In the first half of 2001, operations at the Company's major production facilities were basically stable with high utilisation rates and sound safety standards. Unscheduled stoppage time was reduced by 10.05% compared to the corresponding period last year. During the first half of the year, the operating hours of the Company's production facilities were less compared to the corresponding period last year, to allow for the overhaul and technological upgrade programs for 11 major production units. Through scientific and rational scheduling of the overhaul process, however, the Company was able to shorten the duration of interruption while satisfactorily completing the overhaul and technological upgrade, laying solid foundations for stable, high-volume and quality production in the second half of the year.

For the six months ended 30 June 2001, the Company processed 3.387 million tons of crude oil, representing an increase of 9.87% compared to the corresponding period last year (of which 2,560,500 tons were imported, accounting for 75.60% of the total volume and increasing by 130.15% compared to the corresponding period last year). Diesel output increased by 36.77% to 1.05 million tons, while gasoline output was slightly reduced by 0.36% to 442,100 tons, compared to the corresponding period last year. The output of ethylene increased by 2.40% to 310,400 tons compared to the corresponding period last year, while the output of propylene decreased by 3.6% to 160,200 tons compared to the corresponding period last year. The output of synthetic fibre monomers, synthetic fibre polymers and synthetic fibres amounted to 171,800 tons, 196,300 tons and 114,000 tons, respectively, representing reductions of 7.98%, 5.9% and 20.67%, respectively, compared to the corresponding period last year. A total of 215,500 tons of synthetic resins and plastics were produced, 3.62% less than the corresponding period last year. The quality of the Company's products remained steady.

Impact of crude oil costs

The volatility of crude oil costs had a direct impact on the Company's operating results. In the first half of 2001, the Company's crude oil costs increased substantially compared to the corresponding period last year as international crude oil prices fluctuated at high levels. As at 30 June 2001, the Company had processed 3.387 million tons of crude oil at a total cost of RMB5.869 billion, accounting for 65.41% of cost of sales. The average cost of crude oil processing was RMB 1,729 / ton, an increase of RMB 92/ ton compared to the corresponding period last year. Price hikes of crude oil and the expansion of processing volume resulted in increases of the Company's costs by RMB312 million and RMB498 million, respectively, over the corresponding period last year. Amid such challenging conditions, the Company succeeded in mitigating the negative effect of inflated crude oil costs by implementing effective operational strategies such as flexible production schedules and optimal allocation of raw materials.

Sluggish petrochemical market with prices of most petrochemicals on the fall

The domestic market for petrochemical products experienced a temporary imbalance in supply and demand in the first half of 2001 with prices of most products falling continuously since the beginning of this year amid tight financing and under-capacity operation, as China's domestic market was flooded with foreign imports of petrochemical products while export growth for domestic manufacturers of downstream products slowed down. As a result, prices of the Company's synthetic fibres and synthetic resins and plastics dropped significantly compared to the corresponding period last year. As at 30 June 2001, the consolidated average prices of the Company's synthetic fibres and synthetic resins and plastics fell 7.17% and 4.51%, respectively, though the consolidated average price of intermediate petrochemical products was basically level with those in the corresponding period last year. The consolidated average price of petroleum products rose 8.71% compared to the corresponding period last year following the convergence of domestic market prices of finished petroleum products with international levels since June last year.

Challenges in marketing and sales

During the first half of 2001, the Company faced intense competition in the market for petrochemical products without signs of any genuine turnaround in sales, while high crude oil prices did not result in corresponding price hikes for petrochemical products. Despite this, the Company's marketing and sales department continued to enhance the customer-oriented approach in the first half of the year, adjusting and expanding its target market segments proactively to increase sales and striving to raise its overall sales and marketing standards. The sales to output ratio for the period was 99.56%, while the receivable collection ratio was satisfactory.

The Company secured satisfactory social as well as economic benefits by proactively adjusting its target market segments in response to the critical challenge of disruption in its traditional market segments and reduced market share amid general sluggishness in the petrochemical products market.

Rewarding initiatives in technological innovation and new product development

During the first half of 2001, the Company enhanced its efforts in the development of complete sets of technologies with the aim of securing technological support from core operations. The Company also increased its efforts in the development and marketing of new products, with a view to lifting product quality and improving product mix. More researches were conducted on extended downstream processing and the production of fine chemicals in a bid to strengthen extended downstream processing, increase the utilisation rate of resources and enhance the added value of its products. The Company produced a total of 691,500 tons of new products. The new product output value ratio during the period was 16.21%, while the sales to output ratio for new products was 96.80%. The ratio of differentiated synthetic fibres was 32.32% and the ratio of special synthetic resins and plastics was 72.09%.

During the first half of 2001, the Company made significant progress in the development of a complete set of technologies for the 30,000-ton acrylic fibre plant, while the 66,000-ton acrylic fibre plant upgrade project on the basis of its process package had already been put into operation with the first pack of acrylic staple fibre produced achieving Grade I quality standard. The reseach and development of the domestic complete set of technology for the 200,000-ton polypropylene plant was progressing smoothly. Preliminary results were in place for the development of new product grades. The domestic process package for the three stages 120,000-ton polyester plant has been developed and has passed the assessment by the Sinopec Group. The process package for the study on technologies relating to selective hydrodesulphurisation of catalytic cracking gasoline was also completed. The successful application of CTV-4 catalyst at the vinyl acetate unit and the industrial production of the new generation of CTP-III palladium/carbon catalyst both brought impressive economic efficiency for the Company.

Further strengthening in internal management

Given the immense pressure of price declines of most petrochemical products and price hikes of crude oil, the Company saw management improvements as a key area for efficiency enhancement. The Company enhanced its overall operational efficiency and management standards by improving its management systems, strengthening effective controls and reinforcing the management of details.

During the first half of 2001, activities for targeting details management commenced for each of the lines of expertise of production operation, technological development, human resources and marketing. General objectives as well as details for appraisals were set out, and improvements in work standards and efficiency were sought through solid and effective measures in details management. Fees and expenditure were lowered as the Company strengthened its cost control efforts. Finance costs were reduced by 26.79% compared to the corresponding period last year.

Smooth progress of capital expenditure plans

The Company's "Phase IV" projects and other capital expenditure plans progressed smoothly in the first half of 2001. Equipment for the upgrade project of the 66,000-ton acrylic fibre plant was delivered for installation on 20 January. Mechanical completion was achieved on 18 June and full-scale operation commenced on 26 July, with output of acrylic staple fibre complying with Grade I quality standards. Civil construction for the major units of the 700,000-ton ethylene expansion project was 90% completed and on-site assembly and erection of certain equipment had begun. Civil construction for the 250,000-ton high-pressure polyethylene unit and the 200,000- ton polypropylene unit was 95% completed and on-site erection of major equipment had begun. Civil construction for the expansion project of the main thermal power plant was 75% completed, with 30% of the equipment installed. The upgrade project of the high sulphur-content crude oil processing unit was also progressing as scheduled.

Financial situation of the Group

Prepared under PRC Accounting Rules and Regulations*(unaudited)*

Item	At 30 June **2001** **RMB'000**	At 31 December 2000 RMB'000	Changes	Reason
Total assets	**24,260,211**	22,099,657	increased	Increase in construction in progress, cash at bank and in hand, and trade and other debtors
Trade and other debtors(net)	**1,972,729**	1,500,122	increased	Increase in sales
Inventories(net)	**3,291,847**	3,307,759	decreased	Decrease in work in progress and spare parts
Long-term investments(net)	**1,340,726**	1,146,155	increased	Increase in investments in joint ventures
Fixed assets(net)	**10,851,025**	10,973,476	decreased	Depreciation and transfer of construction in progress
Long-term liabilities	**3,085,092**	1,628,252	increased	Increase in borrowings in respect of construction in progress
Shareholders' equity	**13,641,486**	13,817,038	decreased	Realised net profits transferred and declaration of dividend for the previous year

	Six-month periods ended			
Item	**30 June 2001** **RMB'000**	30 June 2000 RMB'000	Changes	Reason
Profit from principal operations	**1,006,140**	1,403,157	decreased	Decrease in selling prices of synthetic fibres and resins and plastics
Net profit	**140,595**	414,303	decreased	Decrease in realised profits

Outlook for the second half of the year

China's economic growth is expected to experience a slowdown in the second half of the year as the aftermath effect of the global economic slowdown is being felt. Meanwhile, international oil prices are expected to remain on the upside. Nonetheless, domestic demands are expected to grow and make up for the weakness in export demands following increased domestic investments and gradual implementation of measures aimed at stimulating domestic demands. The domestic market should also see some improvements as the government continues to crack down on illegal imports and steps up efforts in streamlining the market order. Beijing's successful bid for hosting the 2008 Olympic Games is set to provide a driving force for domestic economic growth and stimulate demands for petrochemical products, while foreign investment in China will remain robust in anticipation of China's WTO accession. The consumer market is expected to see more vigorous growth as rural as well as urban residents enjoy rising income. All in all, domestic economic developments promise a favourable environment for substantial growth of the petrochemical market.

In the second half of the year, the Company is expected to see significant improvements in the operation of its units as the operations of 11 major units resume after the completion of their overhaul programs and as the upgrade project of 66,000-ton acrylic fibre plant is completed and commissioned. This will further optimise the Company's production and further reduce product costs, coupled with stronger production capacity and better product quality as compared to the first half of the year. Meanwhile, adjustments in the Company's target market segments and enhancements in sales services will also generate new opportunities for its sales and marketing efforts.

The Company expects that crude oil prices will continue to be subject to uncertainties in the second half of the year. Meanwhile, the market for petrochemical products is unlikely to see significant improvements due to the sluggish conditions for the export of downstream light textile products. The Company's production operations are expected to face immense pressure in the second half of the year, as subdued prices are likely to prevail for most petrochemical products.

Operations and management tasks in the second half of the year

The Company will focus on the following tasks:

1. **Production:**

   The Company will seek to optimise the allocation of resources and realign its product mix to manufacture marketable products. It will also seek to optimise the operation of production units, save energy and reduce consumption of raw materials by fully utilising the capacity of these units, striving to mitigate the pressure of increased crude oil costs and ensuring safe, efficient and full-load operation with increased physical output of products. Furthermore, it will also seek to optimise the overhaul program for the three major units scheduled for the second half of the year, ensuring that the task will be completed with proven safety, efficiency and quality, and that the units will be able to resume normal operation immediately after the overhaul.

2. **Sales and Marketing:**

   The Company will strengthen its efforts in market forecast and survey and ensure its major products are supplied with the right volume and at the right pricing. While further improving its sales and technical support services, the Company will also actively develop its marketing networks and further increase exports. It will continue to expand and optimise its distribution channels and realign the market coverage of its products. The annual output to sales ratio and the receivable collection ratio will remain to be the focus, and targets are being set to achieve 100% in the output to sales ratio and over 100% in the receivable collection ratio. Continuous improvements will also be made in the areas of raw material sourcing and logistics.

3. **Management:**

   Internal controls will be enhanced and further efforts will be made in identifying potential areas for increasing efficiency. Budget controls and management will be stringently enforced and the control of cost and expenses will be exercised with a view to improve cost-savings. Governance will be strengthened through the internal supervision system underpinned by a three-fold focus on finance, audit and discipline. Management procedures and process flows as well as corporate business conduct will be regulated. Management standards will be enhanced generally with the help of advanced information management devices.

4. **Capital expansion plans:**

The Company will strive to increase the progress of its construction works and ensure that mechanical completion for the major items of the "Phase IV" projects occured during the year. It will also ensure that the "Phase IV" projects are completed according to schedule in a safe manner, with premium quality and marked efficiency and at economical costs, striking balances among security, quality and progress. It will gear up with the preparatory work of the 900,000-ton ethylene joint venture, as well as capitalise on opportunities to explore new businesses by proactively participating in the development of the Shanghai Chemical Industrial Park.

5. **Technological innovation and product development:**

The Company will focus on the development and marketing of key projects and strive to increase the output of new "punch" products that promises hi-tech features and distinctive added value. It will also seek to further improve its system and mechanism for technological innovation and step up the construction of a scientific research and laboratory base.

6. **Human resources development:**

The Company will devote focused efforts in the nurturing, training, employment and recruitment of talents. Quality education and training will be provided to employees at all levels. The Company will also ensure optimal use of existing human resources and continue with its staff reduction and efficiency enhancement plans.

Share Capital Structure

For the six-months ended 30 June 2001, there is no change to the Company's share capital structure:

	At 30 June 2001 Shares('000)	Percentage (%)	At 1 January 2001 Shares('000)	Percentage (%)
1. Shares not in circulation				
Shares owned by China Petroleum & Chemical Corporation	4,000,000	55.56	4,000,000	55.56
Shares owned by legal persons	150,000	2.08	150,000	2.08
Sub-total	4,150,000	57.64	4,150,000	57.64
2. Shares in circulation				
Domestic listed RMB ordinary shares (A shares)	720,000	10.00	720,000	10.00
Overseas listed foreign shares (H Shares)	2,330,000	32.36	2,330,000	32.36
Sub-total	3,050,000	42.36	3,050,000	42.36
3. Shares in total	7,200,000	100.00	7,200,000	100.00

Major Shareholders

As at 30 June 2001, the top ten shareholders of the Company were as follows:

Rank	Name	Number of Shares Held at End of the Period	Percentage of Total Share Capital %	Types of Shares
1.	China Petroleum & Chemical Corporation	4,000,000,000	55.56	Promoter legal person share
2.	HKSCC Nominees Ltd.	1,844,501,401	25.62	H share
3.	Hongkong & Shanghai Banking Corporation (Nominees) Limited(A/C-6)	354,402,000	4.92	H share
4.	Shanghai Kangli Gong Mao Company	16,730,000	0.23	Legal person share
5.	Zhejiang Province Economic Construction and Investment Company	12,000,000	0.17	Legal person share
6.	Taihe Fund	7,991,173	0.11	A Share
7.	Hongkong & Shanghai Banking Corporation (Nominees) Limited(A/C-8)	7,986,000	0.11	H share
8.	Shanghai Textile Material Trading Company	5,500,000	0.08	Legal person share
9.	Hali Fund	5,483,592	0.08	A Share
10.	Shanghai Guangfa Company	5,060,000	0.07	Legal person share

Legal Person Shareholders with Shareholdings of More than 10%

China Petroleum & Chemical Corporation held 4 billion shares of the Company, representing 55.56% of the total share capital of the Company.

Legal representative:	Li Yizhong
Scope of operation:	Oil and gas operations consisting of exploring, developing and producing crude oil and natural gas; transporting crude oil, natural gas and products by pipelines; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products, chemical operations including the manufacturing and marketing of a wide range of chemicals for industrial uses.
Security:	The shares held are not subject to any security.

At the end of the reporting period, HKSCC (Nominees) Limited held 1,844,501,401 H Shares of the Company, representing 25.62% of the total share capital of the Company.

Directors, Supervisors and Senior Management and their Interests in Shares

As at 30 June 2001, the interests held by Directors, Supervisors and senior management in the Company were as follows:

Name	Position	Number of A Shares Held(Unit: 1 Share)
Lu Yiping	Chairman and President	3,600
Xu Kaicheng	Vice Chairman	3,600
Rong Guangdao	Director and Vice President	3,600
Feng Jianping	Director and Vice President	3,600
Zhang Zhiliang	Director and Vice President	3,600
Jiang Baoxing	Director	3,600
Li Weichang	Director	1,000
Liu Wenlong	Director	Nil
Zhang Baojian	Director	Nil
Zhang Honglin	Director	Nil
Huang Jian	Director	Nil
Wang Yongshou	Director	3,600
Gu Chuanxun	Independent Director	Nil
Wang Xingyu	Independent Director	Nil
He Fei	Independent Director	Nil
Du Chongjun	Chairman of Supervisory Committee	1,000
Jin Weicheng	Supervisor	1,000
Xia Jianying	Supervisor	1,000
Zhang Jianjun	Supervisor	Nil
Liu Xinghan	Supervisor	Nil
Chen Xinyuan	Supervisor	Nil
Liu Xiangdong	Supervisor	Nil
Liu Xunfeng	Vice President	1,500
Wu Haijun	Vice President	1,500
Han Zhihao	Chief Financial Officer	Nil
Zhang Jingming	Company Secretary	Nil

The above shares held by the above people are A shares of the Company and represent their personal interests. Save as disclosed above, none of the Directors, Supervisors or senior management and their associates had any beneficial interest in or right to subscribe for any equity or debt securities of the Company or its associated corporations as at 30 June 2001.

Management Discussion and Analysis

According to paragraph 40 of Appendix 16 and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save as disclosed herein, the Company confirms that the current Company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2000 annual report.

Purchase, Sale and Redemption of Shares

During the reporting period, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

The Code of Best Practice

During the six months ended 30 June 2001, the Company was in compliance with the " Code of Best Practice" set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Major Events

(1) 2000 Profits Appropriation Plan

Net profit of the Company for the year ended 31 December 2000 amounted to RMB 903,932,000 under PRC Accounting Rules and Regulations and RMB 856,510,000 under International Accounting Standards ("IAS"). After two transfers, each amounting to 10% of the profit after tax, or RMB90,393,000, were made to the statutory surplus reserve and the statutory public welfare fund respectively, profit available for distribution to shareholders amounted to 723,146,000 (or RMB 675,724,000 under IAS). Together with RMB 540,998,000 (or RMB 632,273,000 under IAS) brought forward from retained profits, profit available for distribution to shareholders was RMB 1,264,144,000 (or RMB1,307,997,000 under IAS). The Directors recommended the payment to all shareholders of a final dividend of RMB0.60 per 10 shares (tax inclusive), totaling RMB 432,000,000. The relevant announcement was published in Shanghai Securities Journal, Chinese Securities Journal and South China Morning Post and Wen Wei Po of Hong Kong on 17 April 2001.

As recommended by the Board of Directors of the Company and approved at the 2000 Annual General Meeting, the Company distributed to all of its shareholders a final dividend for 2000 of RMB0.60 per 10 shares (tax inclusive) in June 2001. The relevant announcement was published in Shanghai Securities Journal, Chinese Securities Journal and South China Morning Post and Wen Wei Po of Hong Kong on 16 June 2001.

(2) Material Litigation and Arbitration

The Company was not involved in any material litigation or arbitration during the reporting period.

(3) Acquisition and Sale

There was no significant acquisition and sale made by the Company during the reporting period.

(4) Trust financial management

During the reporting period, no trust financial management was made by the Company.

(5) Major Connected Transactions

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has confirmed the conditional waivers (the "Waivers") granted to the Company exempting it from compliance with certain ongoing disclosure and shareholders' approval requirements under the Listing Rules in relation to connected transactions as described in the prospectus of the Company dated 6 July 1993, would remain valid upon the reorganisation of China Petrochemical Corporation ("Sinopec"), the former substantial shareholder of the Company.

Following completion of the reorganisation of Sinopec, the connected transactions which were previously carried out between the Company and Sinopec and their respective associates under the Waivers will be carried out between the Company and China Petroleum & Chemical Corporation ("Sinopec Corp"), and their respective associates. The Stock Exchange has confirmed that these connected transactions will be covered by the Waivers on the basis that there is no change in the ultimate controlling shareholder of the Company.

(6) The "Three Separations"

a. In respect of the work force, the Company is independent in terms of labour force, personnel and wage management. The manager, deputy manager and other senior management members are on the Company's payroll. They do not hold any important positions with Sinopec Corp, the controlling shareholder of the Company.

b. In respect of the assets, the Company possesses an independent production system, an auxiliary production system, a marketing and supply system and utilities system, and also independently possesses the Company's intangible assets.

c. In respect of the finance and accounting functions, the Company has set up an independent finance department with an independent accounting system, a set of rules and regulations for financial management, as well as independently opened accounts at relevant banks.

(7) Trust, Hire and Lease Arrangements

During the reporting period, the Company did not enter into any trust, hire or lease arrangements relating to its own assets or the assets of any other company.

(8) Auditors

KPMG Huazhen and KPMG were re-appointed as the Company's domestic and international auditors respectively for the year 2001, as approved at the 2000 Annual General Meeting.

(9) Material Contracts

During the reporting period, the Company had no material contracts or the performance of such material contracts.

(10) Tax Rates

The charge for PRC income tax is currently calculated at the rate of 15% (2000: 15%). The Company has not received any notice from the Ministry of Finance to the effect that the 15% tax rate will not continue to be applicable to the Company in 2001.

(11) Housing subsidy scheme

In accordance with relevant regulations of PRC, the policy of distributing houses as a physical benefit has been terminated. The Company is currently considering the details of a housing subsidy scheme, including the award to qualified employees an increase in wages and a lump-sum compensatory payment. The scheme will be reflected in the accounts of relevant future periods as appropriate after the details of the subsidy scheme have been determined.

(12) Employee reduction plan

During the six months ended 30 June 2001, approximately 900 employees of the Company resigned on a voluntary basis pursuant to the employee reduction plan of Sinopec Corp, the controlling shareholder of the Company. Expenses relating to staff reduction amounted to RMB77,302,000.

(13) Deposits

The Company did not have any designated deposit during the reporting period. As at 30 June 2001, the Company did not have any time deposit which could not be collected upon maturity.

(14) Extraordinary General Meeting

The Company did not hold any extraordinary general meeting during the reporting period.

(15) Disclosure

Save as disclosed above, in relation to major events, or discloseable matter referred to in Article 62 of the Securities Law of the PRC, Article of 60 of the Provisional Regulations on the Administration of the Issue and Trading of Shares of the PRC and Article 17 of Implementing Rules on the Disclosure of Information by Publicity Listed Companies (Trial Implementation), there was no major event or discloseable matter affecting the Group during the period under review.

(16) Commitments of the Company or any shareholder with a shareholding above 5% of the total shares in issue

Neither the Company nor any shareholder with a shareholding above 5% of the total shares in issue has disclosed in the designated newspapers on websites any commitments with any parties.

(17) Interim dividend for 2001

The Board of the Company does not propose to distribute any interim dividend for the year or to increase its share capital by transferring any amount from reserve funds.

By order of the Board

Lu Yiping

Chairman

Shanghai, 24 August 2001

Documents for inspection

The Company's documents are in good order and ready for inspection, including:

1. Interim report with the signature of the Chairman;
2. The financial statements with signatures and chops of legal representative, chief financial officer and accounting supervisor;
3. Originals of all the documents and relevant announcements that have been disclosed in the newspapers designated by the China Securities Regulatory Commission during the period under review;
4. The Company's Articles of Association.

The above-mentioned documents are available from the Secretary Office to the Board of Directors at the Company's headquarters.

Address:
The Secretary Office to the Board of Directors, No. 48 Jinyi Road, Jinshan District, Shanghai,PRC
Telephone: (8621)57943143
Fax: (8621)57940050
Web Site: http://www.spc.com.cn
E-mail: spc@spc.com.cn