

## COMPANY PROFILE

Sinopec Beijing Yanhua Petrochemical Company Limited (the “Company”), formerly known as Beijing Yanhua Petrochemical Company Limited, was incorporated as a joint stock limited company in accordance with the Company Law of the People’s Republic of China (the “PRC”) on 23rd April, 1997 pursuant to the reorganisation of Beijing Yanshan Petrochemical Corporation (the “Predecessor”), which has since been renamed Beijing Yanshan Petrochemical Company of China National Petrochemical Group Corporation (“Yanshan Company”). The Predecessor was under the control of the former China National Petrochemical Group Corporation (“Sinopec”). On 27th July, 1998, Sinopec was reorganised into China Petrochemical Group Corporation (the “Sinopec Group”). On 25th February, 2000, China Petroleum & Chemical Corporation (“New Sinopec”) was incorporated as a wholly-owned subsidiary of the Sinopec Group and the domestic shares in the Company representing 70% of the outstanding share capital of Company held by the Yanshan Company were transferred to New Sinopec (therefore, “Parent Company” as set forth in this report refers to the Yanshan Company prior to 25th February, 2000 and to New Sinopec thereafter). The Company’s overseas listed shares (accounting for 30% of the issued share capital of the Company) include H Shares (“H Shares”) listed on The Stock Exchange of Hong Kong Limited (“SEHK”) and American Depositary Shares (“ADSs”) (one ADS represents fifty H Shares) listed on the New York Stock Exchange (“NYSE”).

The principal business of the Company is the production and sale of three principal petrochemical product groups, namely: (i) resins and plastics, (ii) synthetic rubber, and (iii) basic organic chemical products. The Company’s principal production facilities include a 450,000 ton ethylene production unit (annual rated capacity), a LDPE production unit, three polypropylene production units, a HDPE production unit, a cis-polybutadiene rubber production unit and a butyl rubber production unit. In 2000, the Company derived essentially all its revenues from domestic sales in the PRC.



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The Company is a subsidiary of New Sinopec which specialises in the production of petrochemicals. In 2000, the Company was one of the largest ethylene producers in the PRC, accounting for approximately 10.4% of total ethylene production in the PRC. Sales volumes of the Company's plastics and resins ranked the highest among all enterprises in the same industry in the PRC in 2000. The Company also had the highest market share (as to sales) in the PRC markets for LDPE, polypropylene, cis-polybutadiene rubber, phenol and acetone. Based on comparative production statistics on raw material conversion and energy utilisation compiled by the Sinopec Group, the Company is one of the most efficient petrochemical companies in the PRC in terms of material conversion and energy utilisation.

Since the Company's global public offering and placing of shares ("Global Public Offering") in June 1997, the Company has implemented effective strategies to reduce costs and enhance profitability. The Company has been using its self-developed cracking feedstock substitute, such as vacuum gas oil ("VGO"), cracking wax oil and hydrogenated raffinate oil, which are less expensive and similar to light industrial oil, without compromising production efficiency. In 1998, 1999 and 2000, the amount of less expensive cracking feedstock substitutes used by the Company accounted for approximately 28.0%, 29.0% and 30.0%, respectively, of the Company's total cracking feedstock consumed. The Company's ethylene expansion project (which includes the ethylene facility, the LDPE facility, the acetonitrile extraction facility and the benzene production facility, collectively known as the "Ethylene Project") has been approved by the State Council of the PRC in March 1999. With the expected completion of the Ethylene Project, in the second half of 2001, the annual rate of ethylene production capacity of the Company is expected to increase from 450,000 tons to 660,000 tons. The Company believes that greater economies of scale will enable the Company to maintain its position as a leading petrochemical company in the PRC.