

COMPANY PROFILE

Sinopec Beijing Yanhua Petrochemical Company Limited (the "Company"), was incorporated as a joint stock limited company in accordance with the Company Law of the People's Republic of China (the "PRC") on 23 April 1997 pursuant to the reorganisation of Beijing Yanshan Petrochemical Corporation (the "Predecessor"), which has since been renamed SINOPEC Group Beijing Yanshan Petrochemical Company Limited ("Yanshan Company"). The Predecessor was under the control of the former China National Petrochemical Corporation ("Sinopec"). On 27 July 1998, Sinopec was reorganised into China Petrochemical Corporation ("Sinopec Group"). On 25 February 2000, China Petroleum & Chemical Corporation ("New Sinopec") was incorporated as a controlling subsidiary of the Sinopec Group and the State-owned shares in the Company representing 70% of the outstanding share capital of the Company held by the Predecessor were transferred to New Sinopec (therefore, "Parent Company" as set forth in this report refers to the Yanshan Company prior to 25 February 2000 and to New Sinopec thereafter.) The Company's foreign shares (accounting for 30% of the issued share capital) 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 710,000 ton ethylene production unit (annual rated capacity), Low Density Polyethylene ("LDPE") production units, polypropylene production units, a High Density Polyethylene ("HDPE") production unit, a phenol-acetone unit, a cis-polybutadiene rubber production unit and a butyl rubber production unit. In 2002, the Company derived essentially all of 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 2002, the Company was the largest ethylene producer in the PRC, accounting for approximately 13.6% of total ethylene production in the PRC. The sales volume of the Company's plastics and resins ranked the first among all enterprises in the same industry in the PRC in 2002. The Company also ranked the first or the second in the PRC market share (in terms of sales) 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 the profitability of its business. The Company has been using, and gradually increasing the use of, self-developed cracking feedstock substitutes, such as vacuum gas oil ("VGO"), cracking wax oil and hydrogenated raffinate oil, which are less expensive and similar to light industrial oil, without affecting the efficiency of the Company's production. In 2001 and 2002, the amount of less expensive substitute cracking feedstock used by the Company accounted for approximately 45.0% and 43.8%, respectively, of the Company's total consumption of cracking feedstock. 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") was completed at the end of 2001 and, thus, the Company's annual capacity of ethylene production has increased from 450,000 tons to 710,000 tons. The Company believes that improved economies of scale will enable the Company to maintain its position as a leading petrochemical company in the PRC.