

## DISCLOSURE OF SIGNIFICANT EVENTS

### 1. PROPOSED ISSUE OF A SHARES

Sinopec Corp. intends to apply to China Securities Regulatory Commission for the issue of A Shares to natural persons and institutional investors in the PRC and to the Shanghai Stock Exchange for the listing of such A Shares on the Shanghai Stock Exchange. It is proposed that the number of A Shares to be issued will not be more than 3 billion A Shares. The net proceeds of the issue of A Shares are presently intended to be used for funding the acquisition of Sinopec National Star and other projects and the remaining balance as additional general working capital of Sinopec Corp.. The annual general meeting of Sinopec Corp. has been convened to be held at 9:00 a.m. on Tuesday, 5th June, 2001 at which a resolution will be put forward for the shareholders to approve the proposed issue of A Shares. Details of the proposed issue of A Shares are set out in Sinopec Corp.'s notice of AGM published and despatched on Tuesday, 17th April 2001.

A circular containing information regarding, inter alia, the A Share Issue and brief information regarding the Proposed Acquisition will be despatched to shareholders as soon as practicable.

### 2. PROPOSED ACQUISITION OF SINOPEC NATIONAL STAR

Sinopec Corp. is considering to exercise the option granted to it by Sinopec Group Company, under a non-competition agreement of effective date 1st January 2000, to acquire certain assets owned by Sinopec National Star and/or interests in Sinopec National Star owned by Sinopec Group Company (the "Proposed Acquisition"). If it proceeds, the consideration for the Proposed Acquisition will

be funded by the proceeds or a portion of the proceeds arising from the A Share Issue or by internal resources of Sinopec Corp..

In accordance with the request of the relevant PRC authorities, the Board proposes to put forward at the Annual General Meeting resolutions relating to the proposed A Share Issue, the use of the proceeds from the A Share Issue mainly for the Proposed Acquisition, authorising the Directors:

- (i) to negotiate the terms of the Proposed Acquisition with Sinopec Group Company and to sign the acquisition agreement thereafter;
- (ii) to determine the preliminary purchase price for the Proposed Acquisition which shall not be lower than the appraised value of Sinopec National Star as confirmed by the PRC government and determined in accordance with PRC laws, the requirements under the Articles of Association, the requirements of foreign regulatory authorities and market practice. The final acquisition method, purchase price and acquisition agreement will be presented for approval at an extraordinary general meeting of Sinopec Corp., which will be convened at such time when appropriate having regard to the progress of the Proposed Acquisition. At the request of the PRC government, the purchase price shall not be lower than the appraised value of Sinopec National Star as confirmed by the PRC government.

The Proposed Acquisition may or may not proceed. If the Proposed Acquisition proceeds, it will constitute a connected transaction for Sinopec Corp. under the Listing Rules. Sinopec National Star is a wholly-owned

subsidiary of Sinopec Group Company which is the controlling shareholder of Sinopec Corp..

A formal announcement and a circular containing detailed information regarding the Proposed Acquisition, the necessary information as required under the Listing Rules (including the advice from the independent financial adviser and the recommendation of an independent board committee of Sinopec Corp. regarding the Proposed Acquisition) will be published as soon as possible. The final acquisition agreement will be put forward at a separate extraordinary general meeting of Sinopec Corp. to be convened for formal approval by the Shareholders and Sinopec Group Company and its associates shall abstain from voting at the extraordinary general meeting.

### 3. EMPLOYEE REDUCTION PLAN

In order to improve its efficiency and profitability, Sinopec Corp. preliminarily plans to reduce the number of employees by 100,000 by way of retirement, voluntary resignation and/or redundancy under Sinopec Corp.'s employee reduction plan in the years 2001 to 2005 (the "Plan").

Sinopec Corp. plans to reduce the number of its employees by 27,000 in the year 2001 by way of retirement, voluntary resignation and redundancy. The Board estimated that the cost of compensation in the year 2001 will be RMB1.02 billion. The Board believes that, after the reduction in staff numbers in 2001, Sinopec Corp. will save labour costs of approximately RMB350 million annually.

If the Plan is put into full effect as preliminarily planned in the following four years (2002-2005), the total cost of

compensation payable to employees over these five years (2001-2005) is estimated to be approximately RMB4.5 billion (subject to adjustment in accordance with any change in the economic condition of the PRC) and the saving of labour costs over that period is expected to be approximately RMB5.4 billion.

The Board will continue to evaluate the Plan and the business operations and development of Sinopec Corp. and will, if it considers necessary and appropriate, improve or adjust the Plan.

#### **4. HOUSING SUBSIDY PLAN**

In accordance with the relevant PRC regulations, the allocation of welfare staff quarters under housing reform policy already ceased. The PRC Ministry of Finance and certain provincial governmental authorities is gradually formulating cash-form housing subsidy plans.

Sinopec Corp. is aware that the provision of housing subsidies is an important competitive factor in the labour market. In order to ensure that the level of employment benefits it provides can maintain its attractiveness, Sinopec Corp. is looking into the methods of providing housing subsidies, including wages increment and one-off compensation to eligible employees. In the following years, after the method of housing subsidies is clearly formulated, it will be reflected as appropriate in the accounts for the relevant year. In order to support Sinopec Corp., Sinopec Corp.'s parent company, Sinopec Group Company, is willing to bear the costs of one-off housing subsidy plan in the future.

#### **5. PROGRESS OF JOINT INVESTMENT SCHEMES WITH FOREIGN PARTICIPATION**

Sinopec Corp.'s subsidiary Sinopec Yangzi Petrochemical Company Limited is partnered with BASF to develop a 600,000 tonnes per annum ethylene plant. The joint venture company was established in December 2000. The foreign investors of this project are BASF AG, BASF China Ltd and BASF Investments Company and the PRC investors are Sinopec Yangzi Petrochemical Corp., Sinopec Yangzi Petrochemical Co., Ltd. and Sinopec Corp.. The foreign investors and the PRC investors, respectively, hold 50% of the total investment. Of this, Sinopec Corp. holds 30% of the investment. It is expected that the joint venture company will complete construction and commence production in 2004.

Sinopec Corp., Sinopec Shanghai Petrochemical Company Limited and bp Chemicals East China Investments Ltd. jointly invested in a 900,000 tonnes per annum ethylene plant in Shanghai. The foreign investors and the PRC investors, respectively, hold 50% of the total investment. Of this, Sinopec Corp. holds 30% of the investment. The feasibility study report for the project was approved by the respective board of Sinopec Corp. and the foreign investors in March 2001 and has been submitted to the PRC State Development and Planning Commission. It is expected that the joint venture company will complete construction and commence production in 2005.

In the year 2000, Sinopec Corp. has established strategic alliance and co-operation relationship with international companies such as ExxonMobil, Shell, bp and ABB Lummus.