

REPORT OF THE BOARD OF DIRECTORS

The Board has pleasure in presenting their report and the audited accounts of Sinopec Corp. and its subsidiaries (the "Company") for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The Company comprises integrated petroleum and petrochemical companies with upstream, midstream and downstream operations. The businesses of the Company include:

- exploring and developing, producing and trading crude oil and natural gas
- processing crude oil into refined products, producing refined products and trading, transporting, distributing and marketing refined products
- producing, distributing and trading petrochemical products

The analysis of the principal activities of the Company during the financial year is set out in note 34 on the accounts.

RESULTS AND PROFIT DISTRIBUTION

The results of the Company for the year ended 31st December 2000 and its financial position as at that date are set out on pages 58 to 89 of the annual report.

DIVIDENDS

Upon the legal establishment of Sinopec Corp. in February 2000, dividends amounting to RMB579 million were paid.

The Board recommends the payment of a final dividend of RMB0.08 per share totalling RMB6,712 million for the year ended 31st December 2000. The dividend has not been provided for in the accounts for the year ended 31st December 2000. The profit appropriation plan will be put forward for the shareholders to consider at the Annual General Meeting of Sinopec Corp. for the year 2000 to be held on Tuesday, 5th June 2001. Subject to shareholders' approval at the Annual General Meeting of Sinopec Corp. to be held on Tuesday, 5th June 2001, the proposed final dividend will be paid on or before Friday, 27th July 2001 to those shareholders whose names appear on the register of members of Sinopec Corp. at the close of business on Sunday, 6th May 2001.

In order to qualify for the final dividend for H Shares, all share certificates, accompanied by the

completed transfer forms, must be lodged with Sinopec Corp.'s share registrar, Hong Kong Registrars Limited, 2/F., Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, by 4:00 p.m. on Friday, 4th May 2001.

Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi and dividends on foreign shares will be paid in Hong Kong dollars. The exchange rate for dividends to be paid in Hong Kong dollars is the mean of the average rate of Hong Kong dollars to Renminbi announced by the People's Bank of China during the week prior to the date of declaration of dividends.

An individual H Shareholder or holder of ADSs who is resident and domiciled in the UK will, in general, be liable to UK income tax on dividends received from Sinopec Corp.. Where such an H Shareholder receives dividends from Sinopec Corp. without deduction of tax the amount included as income for the purposes of computing his or her UK tax liability is the gross amount of the dividend and this is taxed at the appropriate marginal rate (currently 10 per cent in the case of a basic rate of lower rate taxpayer and 32.5 per cent in the case of a higher rate taxpayer). Where tax is withheld from the dividend, credit will be given against UK income tax for any tax withheld from the dividend up to the amount of the UK income tax liability. Sinopec Corp. would assume responsibility for withholding tax at source within the PRC if such a withholding is required. The current UK-Chinese Double Taxation Agreement provides that the maximum withholding tax on dividends from Chinese resident companies paid to UK residents is 10 per cent of the gross dividend.

UK resident H Shareholders or holder of ADSs who are individuals not domiciled within the UK will only be liable to income tax on a dividend from Sinopec Corp. to the extent that it is remitted to the UK.

An H Shareholder or holder of ADSs which is a UK tax resident company will, in general, be liable to UK corporation tax on dividends received from Sinopec Corp., with double tax relief available for withholding tax suffered. In certain cases (not discussed here), an H Shareholder or holder of ADSs which is a UK tax resident company may be entitled to relief for "underlying" tax paid by Sinopec Corp. or its subsidiaries.

FINANCIAL HIGHLIGHTS

A summary of the results of the Company for each of the four years ended 31st December 2000 and of the assets, liabilities and shareholders' funds of the Company as at 31st December 2000, 1999 and 1998 is set out on pages 2 to 3.

BANK LOANS AND OTHER BORROWINGS

The bank loans and other borrowings as at 31st December 2000 are detailed in note 26 on the accounts.

FIXED ASSETS

The movements of fixed assets during the year are summarised in note 17 on the accounts.

PRINCIPAL SUBSIDIARIES

As at 31st December 2000, details of the principal subsidiaries of Sinopec Corp. are set out in note 35 on the accounts.

RESERVES

Details of the movements in reserves are set out in note 30 on the accounts.

DONATIONS

During the year, donations for charitable purposes amounting to approximately RMB120 million were made.

EMPLOYEES

As at 31st December 2000, the Company had approximately 508,168 employees.

The breakdown of the employees by business divisions is set out below:

	Number of employees	Percentage of the total number of employees
Exploration and Production	164,359	32.3%
Refining	88,577	17.4%
Marketing and Distribution	113,135	22.3%
Chemicals	136,674	26.9%
Company and others	5,423	1.1%
Total	508,168	100.0%

The breakdown of the employees by job nature is set out below:

	Number of employees	Percentage of the total number of employees
Management staff	78,329	15.4%
Engineering and technology staff	60,453	11.9%
Manual workers	312,171	61.4%
Other staff	57,215	11.3%
Total	508,168	100.0%

The breakdown of employees by qualification is set out below:

	Number of employees	Percentage of the total number of employees
Master's Degree or above	2,089	0.4%
University	39,921	7.9%
Junior College	65,449	12.9%
Technical Secondary School	60,207	11.8%
Secondary, Technical School and below	340,502	67.0%
Total	508,168	100.0%

RETIREMENT PLAN

Details of the Company's employee retirement plan are set out in note 33 on the accounts.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association of Sinopec Corp. and the laws of the PRC, Sinopec Corp. is not subject to any pre-emptive rights requiring it to offer new issue to its existing shareholders in proportion to their shareholdings.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31st December 2000, all of the five largest suppliers of the Company were crude oil suppliers. Among them, the largest supplier provided 15.3% of the total crude oil requirements of the Company and these five main suppliers provided 45.1% of the total crude oil requirements of the Company. The five main customers of the Company contributed less than 30% of the total annual sales of the Company.

During the period covered by this report, none of the Directors, Supervisors or their associates or any person holding more than 5% of Sinopec Corp.'s share capital has any interest in the above main suppliers and customers.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

SHARE CAPITAL STRUCTURE

As of 31st December 2000, Sinopec Corp.'s share capital consisted of:

Type of share capital	Number of Shares	Percentage of share capital (%)
State-owned Domestic Shares	67,121,951,000	80.00%
H Shares	16,780,488,000	20.00%
Total	83,902,439,000	100.00%

The changes in the share capital of Sinopec Corp. during the year are set out below:

1. Upon the establishment of Sinopec Corp., its registered share capital was RMB68.8 billion divided into 68.8 billion domestic shares of RMB1.00 shares;
2. After the global offering in October 2000, the registered share capital of Sinopec Corp. was increased from RMB68.8 billion to RMB83,902,439,000, consisting of 67,121,951,000 domestic shares and 16,780,488,000 H Shares.

SUBSTANTIAL SHAREHOLDERS

As of 31st December 2000, holders of Sinopec Corp.'s domestic shares representing over 10% of Sinopec Corp.'s total issued capital were as follows:

Name of Shareholders	Number of Shares (in millions)	Percentage (%)
China Petrochemical Corporation	47,742.61	56.90
China Development Bank	8,775.57	10.46
China Cinda Asset Management Corporation	8,720.65	10.39

As of 31st December 2000, the holder of H shares representing over 10% of Sinopec Corp.'s total issued capital was as follows:

Name of Shareholders	Number of Shares (in millions)	Percentage (%)
HKSCC (Nominees) Limited	8,812.83	10.50

Other than the information stated above, Sinopec Corp. is not aware of any interests required to be recorded by Sinopec Corp. pursuant to Section 16(1) of the Securities (Disclosure of interests) Ordinance (Cap. 396 of the Laws of Hong Kong) ("SDI Ordinance") as of 31st December 2000.

INTERESTS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT IN THE SHARE CAPITAL OF SINOPEC CORP.

None of the directors or supervisors or senior management or any of their spouses or children under the age of 18 had, as at 31st December 2000, any interest in any shares or debentures of Sinopec Corp. or any associated corporation (within the meaning of the SDI Ordinance) which are required to be notified to Sinopec Corp. and

the Hong Kong Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they have taken or are deemed to have taken under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein, or any interests in warrants to subscribe for shares in Sinopec Corp. or any associated corporation (as so defined) which are required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or, in the case of supervisors, which would be required to be notified as described above if they had been directors.