

DISCLOSURE OF SIGNIFICANT EVENTS

ISSUE AND LISTING OF A SHARES

Sinopec Corp. obtained approval of the China Securities Regulatory Commission for the issue of A Shares in its document of Fa Xing Zi [2001] No. 38 on 20 June 2001 and successfully issued 2,800,000,000 A Shares on 16 July 2001 at an issued price of RMB 4.22 per A Share. The gross proceeds were RMB 11.816 billion and after deduction of expenses the net proceeds were RMB 11.648 billion. The proceeds will be mainly used for the acquisition of Sinopec National Star and construction of the Ningbo-Shanghai-Nanjing Import Crude Oil Product Pipeline Project and Southwest (Maoming-Guizhou-Kunming) Refined Oil Product Pipeline Project. The A Shares of Sinopec Corp. were listed on the Shanghai Stock Exchange on 8 August 2001, and the stock code is 600028. The main announcements regarding the issue and listing of A Shares were published in the China Securities, Shanghai Securities News and Securities Times on 22 June 2001, 2 July 2001, 12 July 2001 and 31 July 2001, and the contents of relevant announcements were also published in the Hong Kong Economic Times and South China Morning Post in Hong Kong.

ACQUISITION OF SINOPEC NATIONAL STAR

On 24 August 2001, Sinopec Corp. held an extraordinary general meeting at which the independent shareholders approved the acquisition by Sinopec Corp. of Sinopec National Star which has been reorganized and is owned by Sinopec Group Company. Such approval included the acquisition agreement regarding Sinopec National Star. The consideration for the acquisition of Sinopec National Star of US\$1.1 billion (RMB 9.13 billion, at an exchange rate of RMB 8.3: US\$1), is based on its current crude oil and natural gas reserves, which is equivalent to 622 mmmBOE of proved oil and gas reserves of Sinopec National Star at US\$1.77 per BOE. Taking into consideration the net liabilities of Sinopec National Star as at 31 December 2000 which was about RMB 2.6839 billion (or about US\$324 million), the total acquisition consideration was RMB 6.4461 billion (or about US\$779 million). Detailed information on the acquisition of Sinopec National Star was described in the connected transaction and on-going connected transaction circulars of Sinopec Corp. which were sent to the shareholders of H Shares of Sinopec Corp. on 30 June 2001 and the Attachment 3 to the notice of the Extraordinary General Meeting of Sinopec Corp. 2001 which was published in the China Securities, Shanghai Securities News and Securities Times on 10 July 2001.

CONNECTED TRANSACTIONS

On 24 August 2001, Sinopec Corp. held an Extraordinary General Meeting at which the Connected Transaction Adjustment Agreement in relation to the adjustments to the on-going connected transactions was approved.

The Connected Transaction Adjustment Agreement primarily has three parts. The first part is to change the original connected transaction agreements due to increases in the scope of connected transactions as a result of the acquisition of Sinopec National Star. Pursuant to the second part, Sinopec National Star permits Sinopec Group Company to use its intellectual property rights at no consideration. The third part is to extend the period of validity of the Agreement for Mutual Supply of Products, Production and Construction (including utilities), Agreement for the Provision of Cultural, Education, Hygiene and Community Services and the Agency Agreement for Sale of Products from three years to long term (Details of which were included in Part 7 of the prospectus which was published by Sinopec Corp. in the China Securities, Shanghai Securities News and Securities Times on 22 June 2001).

On 29 June 2001, the Hong Kong Stock Exchange has conditionally granted new waivers of the continuing obligations to Sinopec Corp. The conditions for the waivers of the continuing disclosure obligations were described in paragraph

8 of the Letter from the Chairman contained in the connected transaction and on-going connected transaction circulars which were sent to the shareholders of H Shares on 30 June 2001 and the Attachment 3 to the notice of the Extraordinary General Meeting which was published in the China Securities, Shanghai Securities News and Securities Times on 10 July 2001.

The detailed information of connected transactions is listed in the financial report.

IMPLEMENTATION OF THE UNDERTAKINGS OF SINOPEC CORP AND ITS SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL, NAMELY SINOPEC GROUP COMPANY, CHINA DEVELOPMENT BANK AND CHINA XINDA ASSET MANAGEMENT CORPORATION.

- (1) As at the end of the reporting period, the undertakings of Sinopec Corp. included:
- (a) Reforming its three wholly-owned subsidiaries in accordance with the PRC Company Law within the specified time;
 - (b) Changing the logo presently adopted by patrol stations within the specified time;

- (c) Occupying separate office buildings within the specified time;
 - (d) Complying with the relevant applicable rules of the Hong Kong Stock Exchange regarding connected transactions;
- (2) As at the end of the reporting period, the major undertakings of Sinopec Group Company included:
- (a) Complying with the connected transaction agreement;
 - (b) Solving the problems on the validity of land use rights and real estate licences;
 - (c) Submitting a portion of the proceeds from the sale of Sinopec National Star to the national social security fund, which is equal to 10% of the proceeds from the issue of A Shares of Sinopec Corp;
 - (d) Executing the Reorganisation Agreement and the Underwriting Agreement of H Shares;
 - (e) Licensing intellectual property rights;

- (f) Avoiding competition in the same business;
 - (g) Waiving the business competition and conflict of interest with Sinopec Corp.
- (3) As at the end of the reporting period, the material undertaking of China Development Bank and China Xinda Asset Management Corporation was: not to sell or transfer their shares in Sinopec Corp. within a fixed period.

Details of the above undertakings were included in the A shares prospectus which was published in the China Securities, Shanghai Securities News and Securities Times on 22 June 2001.

Within the term of the reporting period, Sinopec Corp. has not breached and is not aware of any of the principal shareholders having breached the undertakings.

DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

2000 PROFIT APPROPRIATION PLAN

The 2000 profit appropriation plan was approved at the 2000 Annual General Meeting of Sinopec Corp. held on 5 June 2001. The audited net profits determined in accordance with PRC Accounting Rules and Regulations and International Accounting Standards were RMB 16.154 billion and RMB 19.004 billion respectively. In accordance with the articles of association of Sinopec Corp., the profit distribution shall be based on the lower of the profit after taxation under PRC Accounting Rules and Regulations and the profit after tax determined in accordance with IAS (whichever is the lower). Therefore, the profit to be distributed after taxation is RMB 16.154 billion. After the transfer of 10% of its profit to the statutory surplus reserve fund and another 10% to the statutory public welfare fund, the profit available for distribution is RMB 12.924 billion. Based on 83,902,439,000 shares, being the total number of shares in issue as at the end of 2000, the profit was distributed at RMB 0.08 per share, and the remaining RMB 6.212 billion of undistributed profit was carried forward to the 2001 fiscal year.

The final dividend was distributed on 27 July 2001 to all shareholders whose names appear in the register of members of Sinopec Corp. on 6 May 2001.

2001 INTERIM PROFIT APPROPRIATION TENTATIVE PLAN AND STATUTORY PUBLIC WELFARE FUND TRANSFERRED STOCK CAPITAL TENTATIVE PLAN

The Board of Directors of Sinopec Corp. does not recommend the distribution of any interim dividend nor transfer from capital fund to increase share capital.

USE OF H SHARE PROCEEDS

The proceeds of the H Share issue by Sinopec Corp. were RMB 25.802 billion (or HK\$ 24.114 billion), after deducting the preliminary expense of RMB 1.476 billion (or HK\$ 1.38 billion) the net proceeds were RMB 24.326 billion (or HK\$ 22.734 billion). According to the use of proceeds stated in the H Shares prospectus, a total of RMB 9.095 billion was used by 30 June 2001 of which, RMB 4.595 billion was used mainly for capital expenditure, of which, the Exploration & Production Segment expended RMB 2.995 billions; the Refining Segment expended RMB 0.2 billion; the Marketing and Distribution Segment expended RMB 1 billion; the Chemicals Segment expended RMB 0.4 billion.

PROGRESS OF JOINT-VENTURE PROJECTS

Fujian Refinery Ethylene Joint Venture Project, jointly invested by Sinopec Fujian Refinery Co., Ltd. which is wholly owned by Sinopec Corp., ExxonMobile and Saudi Aramco, was approved by the

Board on 24 August 2001, and the feasibility study report of this project has been submitted to the State Development Planning Commission. The joint-venture proportions of Sinopec Fujian Refinery Co., Ltd., ExxonMobil and Saudi Aramco in this project are respectively 50%: 25%: 25%.

HOUSING SUBSIDY PLAN

In accordance with the relevant PRC regulations, the allocation of welfare staff quarters under the housing reform policy has already ceased. Sinopec Corp. is planning to formulate a detailed housing subsidy plan, including wages increment and one-off compensation to eligible employees. In the coming 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 fund the costs of the one-off housing subsidy plan in the future.

EMPLOYEE REDUCTION PLAN

In accordance with Sinopec Corp.'s employee reduction plan, Sinopec Corp. recorded employee reduction expenses of RMB 1.3 billion (2000: RMB nil) during the six-month period ended 30 June 2001 in respect of the voluntary resignation of approximately 27,000 employees.

MATERIAL LITIGATION AND ARBITRATION

During the reporting period, there was no material litigation and arbitration which had an adverse impact on the financial condition, achievements, goodwill and business activities as well as future prospects of Sinopec Corp.

EXTERNAL GUARANTEES

In the reporting period, the Company provided external guarantees for a total of RMB 877 million, all of which were provided for unconnected third parties. The main guarantees are as follows:

Company Name	Guaranteed Amount RMB millions
Fujian Petrochemical Industry Company	240
Shanghai Jindi Petrochemical Co. Limited	235
Shanghai Jinsen Resin Co. Limited	54
Fujian Juxing Co. Limited	50
Fujian Quanxing Industrial Development Company	15

THE "FIVE-SEPARATION"

During the reporting period, Sinopec Corp. and its controlling shareholder, Sinopec Group Company, are separate in business, assets, organisation, personnel and accounts.

By the nomination of the president of Sinopec Corp., Mr. Wang Tianpu was engaged as vice-president of Sinopec Corp. at the 10th meeting of the first term of the Board held on 24 August, 2001.

AMENDMENT OF ARTICLES OF ASSOCIATION

Sinopec Corp. agreed to the amendment of Article 20, 21 and 24 of the articles of association of Sinopec Corp. at the 2000 Annual General Meeting held on 5 June 2001.

TRUSTESHIP, CONTRACT AND LEASEHOLD

During the reporting period, Sinopec Corp. did not have any significant trusteeship, contract and lease of other company's assets nor has placed its assets to or under other company's trusteeship, contract and lease which are required to be disclosed.

APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

Sinopec Corp. appointed Mr. Wang Yi and Mr. Zhang Enzhao as directors at the 2001 extraordinary general meeting held on 24 August 2001.

TRUST FINANCIAL MANAGEMENT

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

AUDITORS

At the 2000 Annual General Meeting held on 5 June 2001, Sinopec Corp. re-appointed KPMG Huazhen and KPMG as its domestic and international auditors respectively for the year of 2001.

CHANGE OF ACCOUNTING POLICY

According to the notice (Cai Kui Zi [2000] No.25) issued by the Ministry of Finance on 29 December 2000, each joint listed company shall commence executing Enterprise Accounting System in compiling financial statements from 1 January 2001. Sinopec Corp. had adopted Enterprise Accounting System when compiling the accounts for the year of 2000. In respect of the Company's accounts prepared in accordance set with PRC Accounting Rules and Regulations, the accounting policies were the same as those disclosed in the 2000 accounts except for the housing revolving fund.

The details of the change of accounting policy for the housing revolving fund are summarised in the financial statements.

OTHER SIGNIFICANT EVENTS

In accordance with the resolutions of the 2000 Annual General Meeting held by Sinopec Corp. on 5 June 2001, the accumulated profit from 1 January 2001 to the issue of A Shares shall be shared by the new and existing shareholders.