DISCLOSURE OF SIGNIFICANT EVENTS

1. ISSUE AND LISTING OF A SHARES

Sinopec Corp. obtained the approval of the China Securities Regulatory Commission (Zheng Jian Fa Xing Zi [2001] No. 38) in relation to the issue of A shares on 20th June, 2001. On 16th July, 2001, Sinopec Corp. successfully completed the issue of A shares. 2.8 billion A shares were issued by Sinopec Corp., and the issue price was RMB4.22 per A share. The A shares of Sinopec Corp. were listed on the Shanghai Stock Exchange on 8th August, 2001, and the stock code is 600028. The issue of A shares provided a new channel for fund raising to Sinopec Corp. The proceeds of the issue of A shares were used to fund the acquisition of Sinopec National Star and the construction of "Ningbo-Shanghai-Nanjing Crude Oil Import Pipeline" project. As at 31st December, 2001, 2.8 billion A shares were issued by Sinopec Corp. by way of placing to general legal person investors, including securities investment funds, and strategic investors, and offered to general investors by way of book-building within the system network. Apart from 0.57 billion A shares placed to strategic investors that were subject to a lock-up period of eight months, the remaining 2.23 billion A shares are now held by the public. The major announcements relating to the issue and listing of A shares were published on 22nd June, 2001, 2nd July, 2001, 12th July, 2001, 31st July, 2001, 5th November, 2001, and 5th December, 2001 in the China Securities News, Shanghai Securities News and Securities Times. Highlights of the relevant announcements were also published in the Hong Kong Economic Times and South China Morning Post in Hong Kong.

2. ACQUISITION OF SINOPEC NATIONAL STAR

The 2001 extraordinary general meeting of Sinopec Corp. was held on 24th August, 2001, at which the independent shareholders approved the acquisition of the entire interests in Sinopec National Star which was wholly-owned by Sinopec Group Company following its reorganization, including the agreement for the acquisition of Sinopec National Star. The consideration for the acquisition of Sinopec National Star was RMB 9.13 billion or US$1.1 billion, which is equivalent to Sinopec National Star's proved oil and natural gas reserves of approximately 622 mmBOE at approximately US$1.77 per BOE. Taking into consideration of Sinopec National Star's net indebtedness of approximately RMB 2.6839 billion (or approximately US$324 million) as of 31st December, 2000, the actual consideration paid was RMB 6.4461 billion (or approximately US$779 million). Detailed information on the acquisition of Sinopec National Star was described in the circular issued by Sinopec Corp. to the holders of H shares in relation to the connected transaction and on-going connected transaction dated 30th June, 2001, and annex three to the Notice of the 2001 Extraordinary General Meeting of Sinopec Corp. as published in the China Securities, Shanghai Securities News and Securities Times on 10th July, 2001.

The "Business Review and prospects" section of this annual report contains the operating results of Sinopec National Star in 2001.

3. MATERIAL GUARANTEE CONTRACTS AND THEIR PERFORMANCE

(1) In the 14th Meeting of the First Board of Sinopec Corp. held on 3rd December, 2001, the grant of guarantees by British Petroleum East-China Chemical Investment Company Limited in respect of projects of Shanghai Seco Petrochemical Company Limited ("Shanghai Seco"), a joint venture of bp East-China Chemical Investment Company LImited, Sinopec Shanghai Petrochemical and Sinopec Corp. was approved as a condition and Sinopec Corp., as guarantor, entered into the Guarantee Agreement in respect of the Shanghai Seco projects in both domestic and foreign currencies, equivalent to RMB 6.999 billion for a Loan Agreement of RMB 8.123 billion and the Guarantee Agreement for Loan Agreement of US$708 million with BOC International Capital Company Limited, as the global arranger, and the Construction Bank of China, Shanghai Branch, as the local coordinator. Sinopec Corp., British Petroleum East-China Chemical Investment Company Limited, as the subordinated debtor, and Shanghai Seco, as the borrower, BOC International Capital Company Limited, as the global arranger, and Bank of China, Shanghai Branch, together with the Construction Bank of China, Shanghai Branch, and Bank of Communications, Shanghai Branch as the senior arrangers entered into the Subordinate Deed.

(2) In the 14th Meeting of the First Board of Sinopec Corp. held on 3rd December, 2001, the grant of completion guarantees in respect of the project loan for completion of construction to Yangzi Petrochemical BASF Company Limited ("Yang Ba"), subject to a guarantee to be provided by BASF, amounting to RMB 3.6561 billion and the granting of guarantees for Sinopec Yanyzi Petrochemical Company in respect of it providing completion guarantees for Yang Ba, amounting to RMB 1.2187 billion was approved. As at 31 December 2001, the relevant agreement in respect of the completion guarantees has not been executed.

4. IMPLEMENTATION OF THE COMMITMENTS 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 ASSETS MANAGEMENT CORPORATION

(1) As at the end of the reporting period, undertakings made by Sinopec Corp. included:

(a) effecting the reorganization of its three subsidiaries, namely, Sinopec Shengli Oilfield Company Limited, Sinopec Sales Company Limited and Sinopec International Trade Company Limited, in accordance with the Company Law within the specific period of time;

(b) changing the logo at the petrol stations within the specific period of time;

(c) setting up separate offices between Sinopec Group Company and Sinopec Corp. within the specific period of time;

(d) complying with the relevant applicable provisions and rules of the Stock Exchange of Hong Kong regarding connected transactions.

(2) As at the end of the reporting period, major undertakings given by Sinopec Group Company included:

(a) complying with the agreements concerning connected transactions;

(b) resolving the issues arising from the land use right certificates and building ownership certificates within a specific period of time;

(c) transfering from the proceeds received from the disposal of Sinopec National Star an amount equivalent to ten per cent of the total proceeds from the issue of A shares of Sinopec Corp. for the payment of the national social welfare fund;

(d) implementing the Reorganisation Agreement (as referred to in the prospectus for the issue of H shares);

(e) granting licenses for intellectual property;

(f) avoiding competition within the industry;

(g) resolving the business competition and conflict of interests with Sinopec Corp.

(3) As at the end of the reporting period, China Development Bank and China Xinda Assets Management Corporation gave major undertakings that they would not dispose or transfer the shares in Sinopec Corp. held by them within a specific period of time.

Details of the above undertakings were included in the preliminary prospectus as published in the China Securities, Shanghai Securities News and Securities Times on 22nd June, 2001 by Sinopec Corp..

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

5. DISCUSSION OF THE PROFIT FORECAST FOR 2001

At the time when Sinopec Corp. issued A shares, the profit forecast for 2001 was prepared, according to which the net profit would be RMB 18 billion. The principal basic assumptions underlying the profit forecast are set out below: “Firstly, the prices of major petroleum products are estimated on the basis of the FOB Singapore prices of refined oil products based on the Singapore crude oil price at the level of US$ 25 per barrel. The ex-factory price and the mean retail price of oil products are then estimated in accordance with the principles established by the relevant state authorities. At the same time, the refined oil products market in the PRC is maintained in an orderly and steady manner. Thus, the normal wholesale and retail prices can generally be achieved. The prices of chemical products are estimated in accordance with the average actual prices during the second half of the year 2000. Secondly, the average costs of crude oil applicable to the Company in 2001 will be maintained at US$ 25 per barrel, which is equivalent to RMB 1,511 per tonne. Thirdly, as a measure to improve efficiency and profitability, the Company will reduce its employees by 27,000 in 2001 through retirement, voluntary retirement and reducing employees. Total costs in connection with this plan will be approximately RMB 1,020 million. After factoring in a reduction of salary expenses for the year, the net increase in personnel expenses will be approximately RMB 850 million.

As the economy of the world as a whole suffered from a slowdown as resulted from the slowdown in the US economy, in particular after the September 11, the global economy experienced recession. International crude oil prices had been falling, so were the prices of refined oil products. The price for petroleum even fell below that of the crude oil price for a period of time. The cycle for chemical products was in a trough. (See Section V: Business Review and Prospects). Meanwhile, the number of staff cut from the payroll increased compared with that planned at the beginning of the year. The actual number of staff cut from the payroll in 2001 was 68,000. RMB 2,546 million was incurred by the Company in employee reduction for 2001. Despite the efforts devoted by the Company to complete the production plan for the year ahead of its targets, there was still a substantial shortfall between the net profit for 2001, which was RMB 14.018 billion, as prepared in accordance with the PRC Accounting Rules and Regulations, and the profit forecast, which was RMB 18 billion, as prepared in accordance with the PRC Accounting Rules and Regulations.

6. PLAN FOR PROFIT APPROPRIATION, PLAN FOR TRANSFER OF STATUTORY SURPLUS RESERVE TO CAPITAL FOR 2001 AND THE PROFIT APPROPRIATION POLICIES FOR 2002

(1) Plan for profit appropriation and plan for transfer of statutory surplus reserve to capital for 2001

The audited net profit of Sinopec Corp. for 2001, which was determined in accordance with the PRC Accounting Rules and Regulations and International Accounting Standards, was RMB 14.018 billion and RMB 16.025 billion, respectively. In accordance with the provisions of the articles of association of Sinopec Corp., the allocation of the profit after tax for the relevant financial year would be conducted on the net profit after tax as determined in accordance with the PRC Accounting Rules and Regulations and under International Accounting Standards, whichever is lesser. Thus, the profit after tax to be allocated would be RMB 14.018 billion. After deducting 10% to be transferred to the statutory surplus reserve and 10% to be transferred to the statutory welfare reserve and not deducting welfare reserve balance, the remaining net profit available for allocation would be RMB 11.214 billion. Together with the unallocated net profit of RMB 5.728 billion brought forward, the net profit available to be distributed among the shareholders would amount to RMB 16.942 billion in total. On the basis of the total number of 86,702,439,000 shares as at the end of 2001, it was proposed in the 15th Meeting of the Board of Sinopec Corp. that a cash dividend of RMB 0.08 per share (including tax) would be declared. The total dividend would amount to RMB6.936 billion, and the remaining unallocated net profit would be RMB 10.006 billion and would be carried forward to 2002. No statutory surplus reserve would be transferred to capital this year. The proposal will be effective subject to the consideration and approval at the 2001 Annual General Meeting.

(2) Dividend distribution policy for 2002

The Board will determine the dividend distribution policy of the Company for 2002 on the basis of its business operation, cash flow, financial condition, and prospects. In accordance with Sinopec Corp.'s Articles of Association, the Company's profit available for distribution comprises the net profit available for allocation and the unallocated profit brought forward from the previous year. The profit available for allocation for the year will be the net profit as determined in accordance with the PRC Accounting Rules and Regulations and International Accounting Standards, whichever is the lesser, after deducting 10% to be transferred to the statutory surplus reserve, 5% to 10% to be transferred to the statutory welfare reserve and welfare reserve balance.

The Board of Directors recommends that, it will distribute dividend twice in cash for 2002 at the interim period and at the year end. The amount of dividend to be distributed for 2002 will not exceed 40% of the profit available for distribution. The plan for the distribution of dividend will be effective subject to the approval at the general meeting of Sinopec Corp. in the form of a plan for the allocation.

7. USE OF PROCEEDS FROM H SHARE ISSUE AND A SHARE ISSUE

The proceeds from the issue of H shares of Sinopec Corp. on 18th October, 2000 amounted to RMB25.802 billion (or HK$ 24.114 billion). After deducting the issuance expenses of RMB1.476 billion (equivalent to HK$ 1.38 billion), the net proceeds amounted to RMB24.326 billion (or HK$ 22.734 billion). As at the end of the reporting period, a total of RMB18.235 billion was applied in accordance with the use of proceeds as mentioned in the prospectus for the issue of H shares. Of which, RMB 4.5 billion was used by the end of the year 2000 mainly for repayment of loans from third party financial institutions; RMB 13.725 billion was applied during the reporting period; as at the end of 2001, RMB 6.091 billion of the proceeds from the issue H shares remain unused.

In the year of 2001, Sinopec Corp. had applied RMB 13.725 billion of the proceeds from the issue of H shares, all of which was applied in capital expenditure. Of which: approximately RMB 5.28 billion for the exploraton and production of gasoline, mainly in exploration of gasoline and production set up; as to approximately RMB 8.385 billion for the sales of refining segment and refined oil products, mainly in the acquisition of petrol stations and oil storages, as to RMB 1.213 billion for the acquisition of "Wang Dao Oil Storage"; as to RMB 0.1 billion for corporate segment and professional companies, in the establishment of "enterprises resources planning".

The proceeds from the issue of A shares of Sinopec Corp. amounted to RMB 11.816 billion. After deducting the expenses, the net proceeds from the issue of A shares amounted to RMB 11.648 billion. As at the end of the reporting period, RMB 7.766 billion had been applied, as to RMB 6.446 billion for the acquisition of Sinopec National Star, as to RMB 50 million for the initial expenses of Southwestern refined oil products pipeline project, and as to RMB1.27 billion for the working capital of Sinopec Corp.. As at the end of 2001, the remaining RMB 3.882 billion of the proceeds from the issue of A shares were deposited in banks as short-term deposits.

8. PROGRESS ON MAJOR JOINT VENTURES

(1) On 24th August, 2001, the Board of Sinopec Corp. approved the oil refining ethylene joint venture project invested by Sinopec Fujian Refinery Co., Ltd., a subsidiary of Sinopec Corp., jointly with ExxonMobil-Sinopec Company Limited and Saudi Aramco. The feasibility report for the project was submitted to the State Development Planning Commission. The joint-venture proportions of Sinopec Fujian Refinery Co., Ltd., ExxonMobil-Sinopec Company Limited and Saudi Aramco are 50%, 25% and 25% respectively.

(2) On 31st August, 2001, Sinopec Corp. and Sinopec Shanghai Petrochemical Company Limited and bp entered into a joint venture contract for the establishment of a sino-foreign equity joint venture in the PRC. The total project costs of the joint venture would be approximately US$2.704 billion. Details of which were mentioned in the announcement as published by Sinopec Corp. in the China Securities News, Shanghai Securities News and Securities Times in the PRC, and the Hong Kong Economic Times and South China Morning Post in Hong Kong on 3rd September, 2001.

(3) On 2nd November, 2001, Sinopec Corp., Shell (China) Limited and Shell (China) Private Investment Limited (collectively referred to as "Shell") entered into a joint venture contract for the construction and operation of a gas joint venture project in Yue Yang, Hunan province. The planned total project costs of the joint venture would be US$136 million, with Sinopec Corp. and Shell each holding 50%. The joint venture will construct a gas plant consuming 2,000 tonnes of coal per day. It is expected that the plant will commence operation in 2004.

(4) Sinopec Corp. and its related companies, BASF AG ("BASF") established a Sino-Deutsche joint venture, Yangzi Petrochemical-BASF Company Limited. A foundation laying ceremony was held in Nanjing, the PRC, on 28th September, 2001. The total project costs of the joint venture in Yangzi Petrochemical-BASF Company Limited would be approximately US$2.99 billion including public construction. A petrochemical production base would be constructed and operated under the project, which mainly comprised of an ethylene plant of 600,000 tonnes per year, including nine sets of equipment. The base will commence commercial operation in 2005.

9. HOUSING SUBSIDY PLAN

In accordance with the relevant PRC regulations, the allocation of welfare staff quarters under housing reform policy already ceased. Sinopec Corp. is looking into methods of providing housing subsidies, including wages increment and a one-off compensation to eligible employees. In the following years, after the method of housing subsidies is clearly formulated, it will be reflected in the accounts for the relevant year accordingly. In order to support Sinopec Corp., Sinopec Corp.'s parent company, Sinopec Group Company is willing to bear the costs of the one-off housing subsidy plan in the future.

10. STATUS AND PLAN OF EMPLOYEE REDUCTION

In order to improve its efficiency and profitability, Sinopec Corp. planned to reduce the number of employees by 100,000 by way of retirement, voluntary retirement and / or reduction in the years 2001 to 2005. Of which, Sinopec Corp. originally planned to reduce 27,000 employees in 2001. However, with reference to the market environment and the business operation of the Company in 2001, Sinopec Corp. considered that it would be necessary to speed up the process of employee reduction plan. The earlier the Company conducts the employee reduction plan, the earlier it will be benefited. Therefore, the Company increased the number of employees to be reduced to 68,000 in 2001 under the reduction plan for 2001, under which the Company paid RMB 2.546 billion for the employee reduction. Personnel expenses and related expenditure saved for each subsequent year will amount to RMB 1.57 billion. On the basis of reasonable allocation of existing human resources and subject to market conditions, and approval by the Board of Directors, Sinopec Corp. plans to reduce 20,000 employees during 2002 by way of retirement, voluntary retirement.

11. LITIGATION AND ARBITRATION OF MATERIAL IMPORTANCE

There was no litigation and arbitration of material importance to the Company during this year.

12. THE "FIVE-SEPARATION"

During the reporting period, Sinopec Corp. and its controlling shareholder implemented separation on personnel, assets, and accounts, as well as independance of entities and businesses, whereby each of which is audited independently, and assumes their own liabilities and risk.

13. AMENDMENT TO THE ARTICLES OF ASSOCIATION

At the Annual General Meeting 2000 of Sinopec Corp. held on 5th June, 2001, it was approved that Articles 20, 21, and 24 of the Articles of Association of Sinopec Corp. would be amended. Details of the amendment to the Articles were referred to in the announcement published in the Hong Kong Economic Times and South China Morning Post in Hong Kong on 6th June, 2001.

14. APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

At the second extraordinary general meeting of Sinopec Corp. for 2001 held on 24th August, 2001, Mr. Wang Yi and Mr. Zhang Enzhao were appointed as directors of Sinopec Corp.

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 24th August, 2001.

Details about the appointment of directors and senior management were mentioned in the announcement published in China Securities News, Shanghai Securities News and Securities Times in the PRC and Hong Kong Economic Times and South China Morning Post in Hong Kong on 27th August, 2001.

15. TRUSTEESHIP, CONTRACT AND LEASHOLD

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 or lease which are required to be disclosed.

16. TRUST FINANCIAL MANAGEMENT

A total of RMB 20 million was subject to trust financial management in 2001 for Sinopec Corp. and the trust financial management was carried out by Southern Securities Company Limited and Dapeng Securities Company Limited which were respectively appointed by the subsidiary of Sinopec Corp., Sinopec Zhongyuan Petroleum Company Limited ("Sinopec Zhongynan"). The principal of RMB 200 million under the trust financial management was already recovered in November 2001, on top of which an investment return in the amount of RMB 12 million was gained. This trust financial management was approved at the 7th meeting of the first term of the board of directors of Sinopec Zhangyuan, in full compliance of legal requirements, there was no investment return agreed between the beneficialy and the trustee.

17. AUDITORS

At the 2000 Annual General Meeting held on 5th June, 2001, Sinopec Corp. reappointed KPMG Huazhen and KPMG as its domestic and international auditors respectively for the year of 2001. By the authorisation from the general meeting, as approved by the Board, the audit fee for 2001 would be HK$ 60 million.

As a result of historical reasons, the subsidiaries listed in the PRC and overseas appointed different auditors. Please refer the details for the appointment and removal of auditors for each respective subsidiaries were disclosed in the respective annual reports of the subsidiaries. In addition, in accordance with the requirements of regulatory authorities in the PRC, the relevant information relating to Sinopec Zhenhai Refining and Chemical Company Limited ("Zhenhai Refining") and Sinopec Beijing Yanhua Petrochemical Company Limited ("Beijing Yanhua"), two subsidiaries of the Company listed in Hong Kong, are separately disclosed below.

	Sinopec Corp.	Sinopec Corp.	Zhenhai Refining	Beijing Yanhua
Appointment of auditors	KPMG Huazhen (domestic)	KPMG (international)	Arthur Andersen & Co. (International)	Arthur Andersen & Co. (International)
Audit fee for 2001	HK$ 3 million (unpaid)	HK$ 57 million (unpaid)	US$ 0.37 million (unpaid)	RMB 3 million (unpaid)
Audit fee for 2000	NiL*	HK$ 32 million** (paid)	US$ 0.37 million (paid)	RMB 3 million (paid)
Travelling and accomodation expenses	Borne by the firm	Borne by the firm	Borne by the firm	Borne by the firm

* There was no audit fee for 2000 as Sinopec Corp. had not issued A shares yet.

** The amount represented the audit fee for the second half of 2000, while the audit fee for the first half of 2000 was included in the issuance expenses for the issue of H shares of Sinopec Corp.

18. CHANGE OF ACCOUNTING POLICIES

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. adopted the Enterprise Accounting System when compiling the accounts for the year 2000. In respect of the Company's accounts prepared in accordance with the PRC Accounting Rules and Regulations, the accounting policies were the same as those disclosed in the 2000 accounts except for the housing revolving fund.

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

19. MACROECONOMIC POLICIES

(1) After China's accession to the World Trade Organization ("WTO"), major changes to the rules for oil and chemicals and their impact on Sinopec Corp. are discussed below:

(a) Reduction in tariff

- Tariff for the import of crude oil

With effect from 1st January, 2002, the tariff for the import of crude oil decreased from RMB 16 per tonne to nil. The Company greatly benefits from this measure. In 2001, the crude oil purchased from external sources by the Company accounted for 70% of the refinery processing volume. A reduction of tariff by RMB 16 per tonne implied that the cost for purchasing crude oil from overseas is reduced correspondingly by RMB 16 per tonne;

- Tariff for chemical products

Refined oil products: Before China's accession to WTO, the tariff for gasoline in the PRC was 9%. After China's accession to WTO, the tariff for gasoline is 5%. The tariff for diesel and kerosene, which was 6% and 9% respectively, remained unchanged. The decrease in the tariff for gasoline affected the sales income for the refined oil products of Sinopec Corp.

Chemical products: The current tariff for rubber remained unchanged. In 2001, the average tariff for synthetic resin was 16%. After the accession to the WTO, it will be reduced gradually to 6.5% in 2008 in different phases. At the beginning of 2002, the tariffs for HDPE and LDPE decreased from 16% to 14.2%; for polypropylene, from 16% to 10%; for polyvinyl chloride and polystyrene, from 16% to 12.8%; for raw materials of synthetic fibers, from 6.5%-12.8% in 2002 to 6.5%-9%, all of which to be due in 2008 in different phases. Tariff for synthetic fibers would decrease from 8.3%-14% in 2002 to 5% in 2004 in different phases. The tariff for urea in 2002 was 4% and would remain unchanged. Prior to the accession to the WTO, the import of certain chemical products had been entitled to preferential tariff rates. This, together with the irregular operation of material imports, the actual average import tariff for chemical products had been lower than the nominal tariff rate. Therefore, despite the fact that the decrease in the tariffs for petrochemicals after the accession to the WTO would have a negative effect on the Company, however, the extent of which would not be significant.

(b) Entry to the PRC market

- In 2002, trading of crude oil and refined oil products by non-state entities would amount to 8.28 million tonnes and 4.60 million tonnes respectively will be permitted, and would increase at a rate of 15% per annum. Trading by non-state entities shall mean other entities engaging in the import and trade of crude oil and refined oil products in the PRC, apart from the enterprises designated by the state to engage in the businesses of import of crude oil and refined oil products. (The state-owned trading enterprises for crude oil include China International Petrochemical United Corporation, China International United Petroleum Corporation, China Chemical Import and Export Corporation and Zhuhai Zhenrong Company; whilst those for refined oil products include China International Petrochemical United Corporation, China International United Petroleum Corporation, and China Chemical Import and Export Corporation).
- Accession to markets would also involve the retail and wholesale of refined oil products. The retail market would be open three years after the accession to the WTO. Foreign companies would be allowed to set up petrol stations in the PRC. The wholesale market would be open five years after the accession to the WTO.

(c) Import quota

- The measure for the administration of imported crude oil is currently by way of registration on a limited basis. After the accession to the WTO, it will be changed to that of automatic registration.
- For the import of refined oil products, including fuel oil, the restriction on the quantity would be 22 million tonnes for 2002, which will increase by 15% per annum, and will be canceled by 1st January, 2004.

As there is no breakdown on the quantity of imported items, the petroleum and petrochemical companies in the PRC, including the Company, seem to adequately satisfy the demand for be able to refined oil products in the PRC. The demand for fuel oil, jet fuel and chemical light oil has been rapidly surging in the PRC. (In 2001, 18,160,000 tonnes of fuel oil, 1,907,000 tonnes of jet fuel and 109,000 tonnes of chemical light oil was imported.) It is expected that in the coming few years, the PRC will continue to import greater quantity of fuel oil, jet fuel and chemical light oil but not much gasoline and diesel will be imported. Thus, in the near future, the import of refined oil products will not bear any significant impact on the PRC.

- The initial quota for urea would be 1.3 million tonnes, which will increase by 5% per annum. Import of urea will reach 3.3 million tonnes in 2006. Trading through the state-owned enterprises will account for 90% of the total volume of imports.

(2) Regulations of petrol stations

The State Economic and Trade Commission circulated the "Urgent notice relating to issues for the regulations of petrol stations" in August 2001, so as to facilitate competition within the industry in an orderly manner, to govern business activities, to develop the chain store business for the petrol stations operation in an orderly manner, and to expand and enhance the refined oil products retail network. In the notice, it was stated that the stricter procedures would be applied in approving the construction of new petrol stations and the construction and expansion of oil depots. This measure will create a more favorable environment for the construction and development of the retail network for the refined oil products of the Company, and will carry positive effect.

(3) New price peg measure for refined oil products with effect from October 2001

The State Development and Planning Commission improved the price peg measure for refined oil products in October 2001. Under the new measure, the State Development and Planning Commission will determine and publish the gasoline price for gasoline and diesel, of which the bases of calculation will be changed from linking to the oil prices of Singapore only to linking to the oil prices of Singapore, Rotterdam and New York on FOB basis. Sinopec Corp. may determine its retail price within the range of 8% of the guidance price. This measure became effective on 17th October, 2001. The new price peg measure for the refined oil products further realized the principles of internationalization and market orientation, expanded the scope of autonomy enjoyed by the enterprises and enhanced the Company's ability to respond to market changes.

20. OTHER SIGNIFICANT EVENTS

During the period under review, neither Sinopec Corp., the Board of Sinopec Corp. and the directors receive any examination from the CSRC, nor was there any administrative penalty and circular of criticism issued by the CSRC, Securities and Futures Commission of Hong Kong and the Securities and Exchange Commission of United States nor any reprimands published by the Shanghai Stock Exchange, the Stock Exchange of Hong Kong Limited, New York Stock Exchange and London Stock Exchange.