

1 MATERIAL GUARANTEE CONTRACTS AND THEIR PERFORMANCE

At the 14th meeting of the first session of the Board of Directors of Sinopec Corp., the Board approved the Sinopec Corp. to conditionally provide guarantee in domestic currency and foreign currency for Shanghai Seco's project loan, and the amount of guarantee was equal to RMB6.999 billion. For details, see Sinopec Corp.'s 2001 annual results announcement published in China Securities News, Shanghai Securities News and Securities Times in China and South China Morning Post and Hong Kong Economic Times in Hong Kong on April 2, 2002.

At the 22nd meeting of the first session of the Board of Directors of Sinopec Corp., the Board approved the proposal concerning Sinopec Corp.'s providing of equity mortgage for the Yangzi-BASF project loan on the condition that BASF shall provide equity mortgage on the same terms. The Board also approved the proposal concerning Sinopec Corp.'s provision of guarantee for Yueyang Sinopec Shell Coal Gasification Co. Ltd., and the amount of guarantee was RMB378.5 million.

Except the guarantee for the project of Shanghai Secco, Sinopec Corp. signed no guarantee agreement for the benefit of any other party by December 31, 2002.

Sinopec Corp. signed a Guarantee to Complete Work with domestic and foreign banks on March 7, 2003, whereby it guarantees 40% of a domestic and foreign currencies denominated loan equivalent to around RMB11.7 billion provided by such banks to Yangzi-BASF Company Limited for completion of work.

2 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 CINDA ASSET MANAGEMENT CORPORATION

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

- i Carrying out the reorganization of its three subsidiaries, namely, Sinopec

Shengli Oilfield Company Limited, Sinopec Sales Company Limited and Sinopec International Company Limited, in accordance with the PRC Company Law within a specific period of time;

- ii Changing the logo at the petrol stations within a specific period of time;
- iii Setting up separate office buildings between Sinopec Group Company and Sinopec Corp. within a specific period of time; and
- iv Complying with the relevant applicable provisions and rules of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") regarding the waiver of connected transactions.

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

- i Complying with the agreements concerning connected transactions;
- ii Resolving the issues arising from the land use right certificates and building ownership certificates within a specific period of time;
- iii Implementing the Reorganization Agreement (as referred to in the prospectus for the issue of H shares);
- iv Granting licenses for intellectual property;
- v Avoiding competition within the industry; and
- vi 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 Cinda Asset Management Corporation gave the material undertakings that they would not sell or transfer the shares of Sinopec Corp. held by them within a specific period of time.

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

In this reporting period, Sinopec Corp. did not breach and was not aware itself or any of the principal shareholders above having breached the undertakings.

3 PLAN FOR PROFIT APPROPRIATION AND PLAN FOR TRANSFER OF STATUTORY SURPLUS RESERVE TO EQUITY FOR 2002

As determined in accordance with the PRC Accounting Rules and Regulations and IFRS, Sinopec Corp.'s audited net profits in 2002 were RMB14.121 billion and RMB16.08 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 fiscal year would be conducted on the basis of the net profit after tax as determined in accordance with the PRC Accounting Rules and Regulations and under IFRS, whichever is lesser. Thus, the profit after tax to be allocated in 2002 would be RMB14.121 billion. After deducting 10% to be transferred to the statutory surplus reserve, other 10% to be transferred to the statutory public welfare fund and RMB7 billion to be transferred to discretionary surplus reserve, the remaining net profit available for distribution would be RMB4.297 billion. Together with the undistributed profit of RMB10.006 billion brought forward from the preceding year and deducting RMB1.734 billion of interim cash dividend paid in 2002, the retained profit available for distribution to shareholders was RMB12.569 billion in total. On the basis of the total number of 86,702,439,000 shares in issue as at the end of 2002 and according to the resolution adopted by the 31st meeting of the first session of the Board of Directors of Sinopec Corp., cash dividend would be distributed as RMB0.08 per share (including tax). After the interim cash dividend is deducted, the final cash dividend per share for distribution at the end of 2002 would be RMB0.06 per share and the total cash dividend for the full year would be RMB6.936 billion. The remaining undistributed profit would be RMB7.367 billion and would be carried

forward to 2003. No statutory surplus reserve would be transferred to capital this year. The proposal will be effective subject to consideration and approval at the 2002 Annual General Meeting.

4 USE OF PROCEEDS FROM H SHARE ISSUE AND A SHARE ISSUE

The proceeds from the issue of H shares of Sinopec Corp. in 2000 amounted to RMB25.802 billion. After deducting the issuance expenses, the net proceeds from the issue of H shares amounted to RMB24.326 billion, of which, RMB4.5 billion was used in 2000 for repayment of loans; RMB13.735 billion was used in 2001 entirely to cover capital expenditure mainly for oil and natural gas exploration and building up production capacity, refining project construction and petrol station and oil depot acquisition. By the end of 2001, the remaining amount of the proceeds from the issue of H shares was RMB6.091 billion. In this reporting period, RMB2.818 billion was used, including RMB1.926 billion used for exploration and production, RMB792 million invested in Shanghai Seco, the Yangzi-BASF Integrated Site Project and the nitrogen facilities upgrading project of Yueyang and RMB100 million used by the headquarters and some subsidiaries of Sinopec Corp. for ERP system building. By December 31, 2002, RMB3.273 billion of the proceeds from the issue of H shares remained unused.

The proceeds from the issue of A shares of Sinopec Corp. in 2001 amounted to RMB11.816 billion. After deducting the issuance expenses, the net proceeds from the issue of A shares amounted to RMB 11.648 billion, in which RMB7.766 billion was used in 2001 mainly for acquiring Sinopec National Star and the Southwest Oil Products Pipeline Project and supplementing the Company's working capital. By the end of 2001, the remaining amount of the proceeds from the issue of A shares was RMB3.882 billion. In this reporting period, RMB696 million was used, including RMB46 million used for covering the prophase cost of the Southwest Oil Products Pipeline Project and RMB650 million for building the Ningbo-Shanghai-Nanjing Crude Oil Pipeline. By December 31,

2002, the remaining amount of the proceeds from the issue of A shares was RMB3.186 billion.

5 PROGRESS OF MAJOR JOINT VENTURES

(1) West-east Pipeline Project

In July 2002, Sinopec Corp., PetroChina and the International Investment Group entered into a Framework Agreement of Cooperation for West-East Gas Transportation for jointly making investment in the construction of the West-East Pipeline Project (the proportion of the three parties in the registered capital is 5%, 50% and 45% respectively). To cooperate with the construction of the West-East Pipeline Project, Sinopec Corp. strengthened its efforts in exploring natural gas in western China and made important breakthrough in developing Ku 1 Well which will provide rich natural gas resources for the West-East Pipeline Project. Sinopec Corp.'s preparatory work in developing natural gas market advanced smoothly and the Company made technological transformation to 10 natural gas utilization projects with an annual natural gas consumption volume of 2.5 billion cubic meters.

(2) East China Sea Natural Gas Cooperation Project

In this reporting period, Sinopec Corp. and CNOOC jointly carried out negotiations with the relevant foreign party concerning the East China Sea Natural Gas Cooperation Project, established East China Sea West Lake Natural Gas Working Company and started the construction of Chunxiao Natural Gas Group Fields Development Project.

(3) Fujian Petrochemical Integration Project

The joint feasibility study report for the Fujian Petrochemical Integration Project jointly funded by Sinopec Fujian Refining and Chemical Co., Ltd., a subsidiary of Sinopec Corp., ExxonMobil China Co., Ltd. and Aramco Overseas Company (the proportion of the three parties in the registered capital is 50%, 25% and 25% respectively) was approved by the State Council of the People's Republic of China in October 2002. The three companies

are carrying out negotiation in a timely manner to finalize the joint venture contract and submitting the contract to the Ministry of Foreign Trade and Economic Cooperation of China for approval.

(4) Joint Establishment of Shandong Shihua Natural Gas Co., Ltd. and Shandong Natural Gas Pipeline Co., Ltd.

In February 2002, Sinopec Corp. established Shandong Shihua Natural Gas Co., Ltd. and Shandong Natural Gas Pipeline Co., Ltd. through joint venture respectively with Shandong International Trust and Investment Corporation and Shandong Luxin Investment and Holding Co., Ltd. respectively. Shandong Shihua Natural Gas Co., Ltd.'s registered capital is RMB100 million. The proportion of the two parties in the registered capital is 50%:50%. This company is mainly responsible for expanding the natural gas market of Shandong as well as marketing in this market. This company's particular scope of business covers the sales of pipelined natural gas, the sales of natural gas to urban residents, the construction of CNG, LNG, LPG gas and petrol filling stations, the development of comprehensive natural gas utilization projects and the sales and maintenance of gas-fired utensils. Shandong Natural Gas Pipeline Co., Ltd.'s registered capital is RMB200 million and the proportion of equity held by the two investors is 65%:35%. The scope of business of this company covers the construction, operation and maintenance of natural gas pipelines and the relevant supplementary services.

(5) Qingdao Large-scale Refining Project

At the 27th meeting of the first session of the Board of Directors of Sinopec Corp. held on January 20, 2003, the Board conditionally approved the Feasibility Study Report for the Qingdao Large-scale Refining Project and submitted the Report to the State Development Planning Commission jointly with the People's Government of Shandong Province and the People's Government of Qingdao City.

6 MATTERS CONCERNING THE TRANSFER OF THE STATE SHARES OF SINOPEC HUBEI XINGHUA CO., LTD.

At the 20th meeting of the first session of the Board of Directors of Sinopec Corp., the Board considered and approved the transfer of Hubei Xinghua Co., Ltd.'s state shares held by Sinopec Corp. to China Development and Investment Corporation. At the 24th meeting of the first session of the Board of Directors of Sinopec Corp., the Board approved Sinopec Corp.'s purchase of Hubei Xinghua's core assets, and the procedures of share transfer were completed on October 15, 2002. For details, see the relevant announcements published by Sinopec Corp. in China Securities News, Shanghai Securities News and Securities Times in China and South China Morning Post and Hong Kong Economic Times in Hong Kong on April 30, 2002 and October 10, 2002.

7 STATUS AND PLAN OF EMPLOYEE REDUCTION

In order to improve its efficiency and profitability, Sinopec Corp. planned to reduce its employees by 100,000 by way of retirement, voluntary resignation and/or lay off in the five years from 2001 to 2005. In 2002, the Company actually reduced 25,000 employees by way of retirement, voluntary resignation and termination of labor contract in combination with assets swap. By the end of 2002, Sinopec Corp. reduced about 89,000 employees in total in two years. On the basis of reasonably allocating the existing human resources, the Company plans to reduce 10,000 employees by way of retirement and voluntary resignation in 2003.

8 LITIGATION AND ARBITRATION OF MATERIAL IMPORTANCE

There was no litigation and arbitration of material importance to the Company in this reporting period.

9 AMENDMENT TO THE ARTICLES OF ASSOCIATION, ELECTION OF DIRECTORS AND SUPERVISORS FOR THE NEW SESSION OF OFFICE AND EXTRAORDINARY GENERAL MEETING

At the 2001 Annual General Meeting held on June 13, 2002, the proposal on the amendments to Article 13, item 2 of the Articles of Association of Sinopec Corp. was approved. For details about the amendment, see the relevant announcements published by Sinopec Corp. in China Securities News, Shanghai Securities News and Securities Times in China and South China Morning Post and Hong Kong Economic Times in Hong Kong on June 14, 2002.

At the 28th meeting of the first session of the Board of Directors of Sinopec Corp. held on January 21, 2003, the Board considered and approved the publishing of an announcement about the holding of the first 2003 extraordinary general meeting on March 21, 2003 for considering the proposals on the amendments to the Articles of Association of Sinopec Corp. and selection of the members of the second session of the Board of Directors and the second session of the Supervisory Committee of Sinopec Corp. Sinopec Corp. published an announcement on March 13, 2003, deciding to postpone the date of the first 2003 extraordinary general meeting to April 22, 2003. Therefore, the relevant proposals will be submitted to the postponed general meeting for consideration. For details, see the relevant announcements published by Sinopec Corp. in China Securities News, Shanghai

Securities News and Securities Times in China and South China Morning Post and Hong Kong Economic Times in Hong Kong on January 23, 2003 and March 14, 2003.

10 TRUSTEESHIP, CONTRACT AND LEASEHOLD

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

11 TRUST FINANCIAL MANAGEMENT

In this reporting period, Sinopec Corp. did not entrust or continuously entrust any other party to carry out cash asset management for it.

12 ASSET MORTGAGE

By December 31, 2002, the details regarding the Company's asset mortgage is listed in note 26 to the Financial Statements prepared under IFRS in the annual report.

13 AUDITORS

The 2001 Annual General Meeting held on June 13, 2002 approved Sinopec Corp. to reappoint KPMG Huazhen and KPMG respectively as its domestic and international auditors for the year of 2002 and authorized the Board of Directors to decide the remunerations for them. As approved by the 31st meeting of the first session of the Board of Directors of Sinopec Corp., the total audit fee for 2002 would be HK\$55 million.

Beginning from the second half of 2000, the consecutive period of auditing service provided by KPMG Huazhen and KPMG to Sinopec Corp. are two and half years and the first auditing service agreement was signed in March 2001.

Auditors appointed	KPMG Huazhen (domestic)	KPMG (international)
Audit fee for 2002*	HK\$3 million (unpaid)	HK\$52 million (unpaid)
Audit fee for 2001	HK\$3 million (paid)	HK\$57 million (paid)
Travel expenses and other expenses	Borne by the firm	Borne by the firm

Note:

*Most of Sinopec Corp.'s subsidiaries listed in the PRC and overseas appointed KPMG Huazhen and KPMG as their auditors. However, some subsidiaries listed in the PRC or overseas appointed other firms as their auditors. Please refer to their annual reports for details about such subsidiaries' appointments and dismissals of auditing firms.

14 OTHER SIGNIFICANT EVENTS

- (1) In this reporting period, neither Sinopec Corp., the Board of Sinopec Corp. nor the directors received any investigation from the CSRC, nor was there any administrative penalty and circular of criticism issued by the CSRC, the Securities and Futures Commission of Hong Kong and the Securities and Exchange Committee of United States nor any reprimands published by the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the New York Stock Exchange and the London Stock Exchange.
- (2) Basic medical insurance for employees Sinopec Corp.'s basic medical insurance for employees was implemented in accordance with the Decision of the State Council on the Establishment of Basic Medical Insurance System for Urban Workers (GF [1998] No. 44 Document of the State Council), while the subsidiaries of Sinopec Corp. implemented the local governments' regulations on basic medical insurance respectively in accordance with the local rules of administration. The times of various local governments' promulgation of the policy on basic medical insurance

were different. The developed areas began implementing this policy from an earlier time and the other areas should implement it before 2002. Sinopec Corp. had required that all its subsidiaries must ensure, after effecting medical insurance for employees in accordance with the local governments' regulations, that the medical insurance expense should firstly be covered by deposited employee welfare fund and included in the accounting item of "welfare expense payable"; in case the welfare fund is insufficient, the deficit could be included in the account item "labor insurance expense" after approved by the Sinopec Corp's headquarters. In 2002, the basic medical insurance expense paid by Sinopec Corp. was RMB457 million, which was less than 14% of the total amount of wages paid in the same year. Since employee welfare fund had already been deposited in that proportion and included in the Company's cost in the past, the implementation of the system of basic medical insurance for employees was only an systematic improvement, constituted no new burden of cost and produced few influences on the Sinopec Corp.'s overall profit, loss, assets and liabilities.