

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Sinopec Corp. has pleasure in presenting their report for the year ended December 31, 2002.

1 THE BOARD OF DIRECTORS

All the members of the Board of Directors of Sinopec Corp. have carried out their duties in accordance with the relevant laws and regulations and the Articles of Association of Sinopec Corp., and have faithfully implemented the resolutions passed at the Annual General Meeting and proceeded with such matters proactively.

During this reporting period, ten Board meetings were held, of which seven meetings were held by way of written resolutions, details of which are as follows:

(1) Board Meetings

- i The seventeenth meeting of the first session of the Board of Directors was held on January 10, 2002 by way of written resolutions. Resolutions for providing relevant documents for the loan to the Shanghai Secco joint venture project as well as resolutions for adjusting the functions of the Materials and Supply Department were reviewed and passed.
- ii The eighteenth meeting of the first session of the Board of Directors was held on March 11, 2002 by way of written resolutions. Resolutions regarding capital operation were reviewed and passed.
- iii The nineteenth meeting of the first session of the Board of Directors was held at the headquarters of Sinopec Corp. on March 28, 2002. The report of 2001 Business Review and 2002 Business Prospects of Sinopec Corp., the preliminary profit appropriation plan for 2001 and the policy for dividend appropriation in 2002, the Report on Operating Performance and Financial Position in 2001, the 2001 Financial Statements audited by KPMG Huazhen and KPMG, the 2001 Work Report of the Board of Directors and the submission of the

report to the 2001 Annual General Meeting for approval, the 2001 Annual Report, the summary of the annual report and the report on submission of Form 20-F to U.S. Securities and Exchange Commission, and the Report on 2002 Financial Budget were reviewed and passed. Details of the nineteenth meeting of the first session of the Board of Directors of Sinopec Corp. were set out in the announcement of the resolutions published in China Securities News, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post (in English) in Hong Kong on March 29, 2002.

- iv The twentieth meeting of the first session of the Board of Directors was held on April 26, 2002 by way of written resolutions. The Quarterly Report for the First Quarter of 2002, the announcement of the 2001 Annual General Meeting, the proposal on the transfer of the holding rights of Sinopec Hubei Xinghua Co., Ltd., the proposal on the amendment to Section 2, Article 13 of the Articles of Association and the proposal on the lease of Sinopec Group Company's petrol stations were reviewed and passed.
- v The twenty-first meeting of the first session of the Board of Directors was held on June 28, 2002 by way of written resolutions, whereby the Self-examination Report on the Establishment of Modern Enterprise System in the Listed Company and the Report of Self-examination by Controlling Shareholders of the Listed Company were reviewed and approved.
- vi The twenty-second meeting of the first session of the Board of Directors was held on August 9, 2002 by way of written resolutions. Resolutions on the realization of forecasted profit in 2001, resolutions on providing guarantee to Yueyang Sinopec Shell

Coal Gasification Co., Ltd., resolutions on connected transactions between Sinopec Yizheng Chemical Fiber Co., Ltd. and five subsidiaries of Sinopec Group Company in the 450,000 tonnes/year PTA Company project and the resolutions on providing stock mortgage to Yangzi BASF joint venture project were reviewed and approved.

- vii The twenty-third meeting of the first session of the Board of Directors was held on August 16, 2002 at the headquarters of Sinopec Corp. The Report on Operations in the first half of 2002 and Operations Plan for the second half of the year, the Report on Operating Performance and Financial Position in the first half of 2002, the profit distribution plan for the first half of 2002, the financial statements for the first half of 2002 audited by KPMG Huazhen and KPMG, the 2002 Interim Report of Sinopec Corp. and the Summary of the 2002 Interim Report were reviewed and approved.
- viii The twenty-fourth meeting of the first session of the Board of Directors was held on September 25, 2002 by way of written resolutions, whereby the proposal on the redemption of the core petrochemical assets of Sinopec Hubei Xinghua Co., Ltd. and the relevant authorization were reviewed and approved.
- ix The twenty-fifth meeting of the first session of the Board of Directors was held on October 30, 2002 by way of written resolutions, whereby the Quarterly Report for the Third Quarter of 2002 was reviewed and approved.
- x The twenty-sixth meeting of the first session of the Board of Directors was held on December 19, 2002 at the headquarters of Sinopec Corp., whereby the Work Report of the President's Team, the resolutions on capital operation and the relevant

authorization, the resolutions on the Company's swap of some of its assets of supplementary businesses with Sinopec Group Company's petrol stations and the relevant authorization were reviewed and passed.

2 MEETINGS OF PROFESSIONAL COMMITTEES

During this reporting period, the Audit Committee under the Board of Directors held two meetings.

- i The first meeting of the first session of the Audit Committee was held on March 26, 2002 at the headquarters of Sinopec Corp., whereby the Explanations on the Operating Performance and Financial Position in 2001 and the Explanations on KPMG's Annual Audit Adjustment for 2001 were reviewed and the Opinions on the Review of the 2001 Financial Statements was issued.
- ii The second meeting of the first session of the Audit Committee was held on August 15, 2002 at the headquarters of Sinopec Corp., whereby the Explanations on the 2002 Interim Operating Performance and Financial Position and the Explanations on KPMG's 2002 Interim Audit Adjustment were reviewed and the Opinions on the Review of 2002 Interim Financial Statements was issued.

3 RESULTS

The results of the Company for the year ended December 31, 2002 and its financial position as at that date and its analysis are set out on page 114 to page 142 in this Annual Report.

4 DIVIDEND

At the 31st meeting of the first session of the Board of Directors of Sinopec Corp., the Board approved the proposal to declare allocation of a final dividend of RMB 0.08 per share (including tax). After the interim cash dividend is deducted, the year end dividend/share for allocation would be RMB 0.06 and the total cash dividend for the full year would amount to RMB 6.936 billion. The allocation proposal will be effective after

the submission has been approved at the 2002 Annual General Meeting of Sinopec Corp. The proposed year end dividend will be paid on or before Friday, July 18, 2003 to those shareholders whose names appear on the register of members of Sinopec Corp. at the close of business on Friday, June 20, 2003. The register of members of Sinopec Corp.'s H shares will be closed from Monday, June 16, 2003 to Friday, June 20, 2003 (both dates inclusive). In order to qualify for the year end dividend for H shares, all share certificates, accompanied by the transfer forms, must be lodged with Hong Kong Registrars Limited, at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:00 pm on Friday, June 13, 2003 for registration.

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

Generally, an individual shareholder of H shares or a holder of American Depository Receipts (ADRs) who is resident and domiciled in the UK will be liable to UK income tax on the dividend received from Sinopec Corp. Where a shareholder of H shares receives dividend 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 rate (currently 10 % in the case of a taxpayer of a basic rate a lower rate, and 32.5 % in the case of a taxpayer of higher rate). 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. will assume responsibility for withholding tax at source within the PRC if such a withholding is required. The current Chinese-UK Double Taxation Agreement provides that the maximum withholding tax on dividend

payable by a Chinese-domiciled company to UK residents is 10% of the gross dividend.

UK resident shareholders of H shares or holders of ADRs who are individuals not domiciled in the UK will only be liable to income tax on any dividend from Sinopec Corp. to the extent that it is remitted to the UK.

Generally, a shareholder of H shares or a holder of ADRs which is a UK tax resident company will be liable to UK corporation tax on dividend received from Sinopec Corp., with double tax relief available for withholding tax imposed. In certain cases (not to be discussed here), a shareholder of H shares or a holder of ADRs which is a UK tax resident company may be entitled to relief for “underlying” tax paid by Sinopec Corp. or its subsidiaries.

5 MAJOR SUPPLIERS AND CUSTOMERS

The total purchase from the five largest suppliers represented 35% of the total purchase of the Company and the total purchase from the largest supplier represented 13% of the total purchase of the Company. Sales to the five largest customers of the Company represented 16% of the total annual sales of the Company.

During this reporting period, except for the connected transactions with the controlling shareholder, Sinopec Group Company, as disclosed in Section IX of this Annual Report, none of the directors, supervisors of Sinopec Corp. and their associates or any shareholders holding over 5% in Sinopec Corp. had any interest in any of the above-mentioned major suppliers and customers.

6 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company as at December 31, 2002 are set out in Note 26 of the Financial Statements prepared under with IFRS in this Annual Report.

7 FIXED ASSETS

During this reporting period, changes to the fixed assets of the Company are set out in Note 17 of the Financial Statements prepared under IFRS in this Annual Report.

8 RESERVES

During this reporting period, changes to the reserves of the Company are set out in the Consolidated Statement of Changes in Shareholders' Equity in the Financial Statements prepared under IFRS in this Annual Report.

9 DONATIONS

During this reporting period, donations made for charitable purposes amounted to approximately RMB 66 million.

10 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 of its shares to its existing shareholders in proportion to their shareholdings.

11 PURCHASE, SALES AND REDEMPTION OF SHARES

During this reporting period, the Company has not purchased, sold or redeemed any securities of Sinopec Corp.

12 COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Board of Directors believes that, during this reporting period, Sinopec Corp. complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

By Order of the Board
Li Yizhong
Chairman

Beijing, the PRC, 28 March 2003