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CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company
incorporated in the People's Republic of China with limited liability)

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2003

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("Annual General Meeting") of China Petroleum & Chemical Corporation ("Sinopec Corp.") for the year 2003 will be held at Beijing Continental Grand Hotel International Convention Center, No. 8 Beichendong Road, Chaoyang District, Beijing, China on Tuesday, 18 May 2004 at 9:00 a.m. for the following purposes:

By way of ordinary resolutions:

1. To consider and approve the report of the Board of Directors of Sinopec Corp. for the year ended 31 December 2003.
2. To consider and approve the report of the Supervisory Committee of Sinopec Corp. for the year ended 31 December 2003.
3. To consider and approve the audited accounts and audited consolidated accounts of Sinopec Corp. for the year ended 31 December 2003.
4. To consider and approve Sinopec Corp.'s 2003 profit appropriation plan and the final dividend.
5. To re-appoint Messrs. KPMG Huazhen and KPMG as the PRC and international auditors, respectively, of Sinopec Corp. for the year 2004 and to authorise the Board of Directors to fix their remuneration.

By way of special resolutions:

1. The proposal to authorise the Board of Directors to allot and issue new foreign shares listed overseas:
 - (a) subject to paragraphs (c) and (d) and pursuant to the Company Law of The People's Republic of China ("PRC") ("Company Law") and the listing rules of the relevant stock exchanges (as amended from time to time), the exercise by the Board of Directors of Sinopec Corp. of all the powers of Sinopec Corp. granted by the general and unconditional mandate to issue new foreign shares listed overseas during the Relevant Period and to determine the terms and conditions for the allotment and issue of new shares including the following terms:
 - (1) class and number of new shares to be issued;
 - (2) price determination method of new shares and/or issue price (including price range);
 - (3) the starting and closing dates for the issue;
 - (4) class and number of the new shares to be issued to existing shareholders; and
 - (5) the making or granting of offers, agreements and options which might require the exercise of such powers.
 - (b) The approval in paragraph (a) shall authorise the directors of Sinopec Corp. during the Relevant Period to make or grant offers,

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agreements and options which would or might require the exercise of such powers after the end of the Relevant Period.

- (c) The aggregate nominal amount of overseas listed foreign shares and domestic shares allotted and issued conditionally or unconditionally (whether pursuant to an option or otherwise) by the Board of Directors of Sinopec Corp. pursuant to the approval in paragraph (a), otherwise than pursuant to issue of shares by conversion of the surplus reserve into share capital in accordance with the Company Law of the PRC and the Articles of Association of Sinopec Corp., shall not exceed 20% of the existing overseas listed foreign shares of Sinopec Corp.
- (d) In exercising the powers granted under paragraph (a), the board of directors of Sinopec Corp. must (1) comply with the Company Law of the PRC and the relevant regulatory stipulations (as amended from time to time) of the places where Sinopec Corp. is listed; and (2) obtain approval from China Securities Regulatory Commission and other relevant PRC government departments.
- (e) For the purpose of this resolution:

"Relevant Period" means the period from the date of passing this resolution until whichever is the earliest of:

 - (i) twelve months from the date of passing this resolution;
 - (ii) the conclusion of the next annual general meeting of Sinopec Corp.; and
 - (iii) the revocation or variation of the mandate granted under this resolution by special resolution of the shareholders in general meeting.
- (f) The board of directors, subject to the approval of the relevant authorities of the PRC and in accordance with the Company Law of the PRC, be and is hereby authorised to increase the registered capital of Sinopec Corp. to the required amount upon the exercise of the powers pursuant to paragraph (a) above, provided that the registered capital shall not exceed RMB90,058,536,600.
- (g) Authorise the board of directors to sign the necessary documents, complete the necessary formalities and take other necessary steps to complete the allotment and issue and listing of new shares, provided the same do not violate the relevant laws, administrative regulations, listing rules of the relevant stock exchanges and the Articles of Association.
- (h) Subject to the approval of the relevant PRC authorities, the board of directors be and is hereby authorised to make appropriate and necessary amendments to Article 20 and Article 23 of the Articles of Association after completion of the allotment and issue of new shares according to the method, type and number of the allotment and issue of new shares by Sinopec Corp. and the actual situation of the shareholding structure of Sinopec Corp. at the time of completion of the allotment and issue of new shares in order to reflect the alteration of the share capital structure and registered capital of Sinopec Corp. pursuant to the exercise of this mandate.

2. The proposal to amend Articles of Association and its schedules:

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- a) Addition of clauses in relation to external guarantees in the Articles of Association and its schedules in accordance with the "Notice on Certain Issues relating to Regulating Fund Transfers between a Listed Company and Connected Parties and External Guarantees of Listed Companies"

- (1) To amend the Articles of Association

Article 107

Sub-paragraph (8) of Section 1 "to determine the risks investment and security (including pledging of assets) of the Company according to the authority given in the shareholders' general meeting;"

shall be amended as follows: "to determine the risks investments of the Company according to the authority given in the shareholder's general meeting";

A sub-paragraph shall be inserted as sub-paragraph (9): "to determine external guarantees (including pledging of assets) of the Company according to the authority given in the shareholder's general meeting";

The original sub-paragraphs (9) to (19) shall become sub-paragraphs (10) to (20) accordingly.

Section 2: "Other than the board of directors' resolutions in respect of the matters specified in sub-paragraphs (6), (7) and (13) of this Article which shall be passed by the affirmative vote of more than two-thirds of all the directors, the board of directors' resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the directors."

shall be amended as follows: "Other than the board of directors' resolutions in respect of the matters specified in sub-paragraphs (6), (7), (9) and (14) of this Article which shall be passed by the affirmative vote of more than two-thirds of all the directors, the board of directors' resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the directors."

- (2) To amend the Rules and Procedures for the Shareholders' General Meeting

Sub-paragraph (3) of Article 13

Paragraph 1: "The Company shall not provide guarantees for its shareholders, controlling subsidiaries of its shareholders, subsidiary enterprises of shareholders or personal liability. If the Company provides guarantees to others, the guaranteed person shall provide counter-guarantee to the Company or take other necessary risk preventive measures."

shall be amended as follows: "The Company shall not provide guarantees for its shareholders, controlling subsidiaries of its shareholders, subsidiary enterprises of shareholders or personal liability and shall not directly or indirectly provide liability guarantee for debtors with an asset to liability ratio exceeding 70%. If the Company provides

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guarantees to others, the guaranteed person shall provide counter-guarantee to the Company or take other necessary risk preventive measures. The total amount of external guarantees of the Company shall not exceed 50% of the net assets stated in the consolidating accounting statements of the latest accounting year of the Company."

- (3) To amend the Rules and Procedures for the Board of Directors' Meeting

Sub-paragraphs (8) of Section 1 of Article 2 "to determine the risks investment and security (including pledging of assets) of the Company according to the authority given in the shareholders' general meeting";

shall be amended as follows: "to determine the risks investment of the Company according to the authority given in the shareholder's general meeting";

The following shall be inserted as sub-paragraph (9): "to determine matters relating to external guarantees (including pledging of assets) of the Company according to the authority given in the shareholder's general meeting;".

The original sub-paragraphs (9) to (19) shall become sub-paragraphs (10) to (20) accordingly.

A sub-paragraph (3) shall be inserted after sub-paragraph (2) of section 4 of Article 33: "to determine to provide external guarantees;"

The original sub-paragraph (3) of section 4 of Article 33 "to formulate proposals for any amendment to the Company's Articles of Association" shall become sub-paragraph (4) of section 4 of Article 33 accordingly, and the same shall be amended as follows: "to formulate proposals for any amendment to the Articles of Association and its schedules".

- b) Addition of clauses in relation to shareholders' meetings and board meetings in the Articles of Association and its schedules in accordance with Appendix 3 and other provisions of the Listing Rules of the Hong Kong Stock Exchange

- (1) To amend the Articles of Association

A section shall be inserted in Article 74 as section 2: "If any shareholder are required to abstain from voting or may only vote for or against a matter according to the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange Limited, any vote by such shareholder or his proxy in violation of the relevant rules or restrictions referred to above shall not be counted in the voting results."

Sub-paragraph (4) of Article 100: "if the shareholders who individually or jointly hold 5% or more of the Company's voting shares or the supervisory committee puts forward a provisional motion in an AGM of the Company for election of independent directors, a written notice stating their intention to nominate a candidate for directors and the nominee's consent to be nominated together with the written proofs and undertaking of the nominee referred to in sub-paragraphs (1) and (2) above shall be delivered to the

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Company seven (7) days before the AGM".

shall be amended as follows: "if the shareholders who individually or jointly hold 5% or more of the Company's voting shares or the supervisory committee puts forward a provisional motion in a general meeting of the Company according to law for election of independent directors, a written notice stating their intention to nominate a candidate for directors and the nominee's consent to be nominated together with the written proofs and undertaking of the nominee referred to in sub-paragraphs (1) and (2) above shall be delivered to the Company not less than seven (7) days before the general meeting, and the period granted by the Company for lodging the above notice and documents by the relevant nominator (such period shall commence from the date after the issue of the notice of the general meeting) shall not be less than seven (7) days".

Sub-paragraph (3) of Article 101: "if the shareholders who individually or jointly hold 5% or more of the Company's voting shares or the supervisory committee puts forward a provisional motion in an AGM of the Company for election of non-independent directors, a written notice stating their intention to nominate a candidate for directors and the nominee's consent to be nominated together with the written proofs and undertaking of the nominee referred to in sub-paragraph (1) above shall be delivered to the Company seven (7) days before the AGM".

shall be amended as follows: "if the shareholders who individually or jointly hold 5% or more of the Company's voting shares or the supervisory committee puts forward a provisional motion in a general meeting of the Company according to law for election of non-independent directors, a written notice stating their intention to nominate a candidate for directors and the nominee's consent to be nominated together with the written proofs and undertaking of the nominee referred to in sub-paragraph (1) above shall be delivered to the Company not less than seven (7) days before the general meeting, and the period granted by the Company for lodging the above notice and documents by the relevant nominator (such period shall commence from the date after the issue of the notice of the general meeting) shall not be less than seven (7) days".

Section (2) of Article 157 "Directors shall not vote on the contract, transaction and arrangement where they own the major rights and interests, and shall not be listed in the quorum of the meeting"

shall be amended as follows: "If a director or his associate (as defined in the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange Limited) have a material interest in any contract, transaction, arrangement or other matters that requires the approval of the board of directors, the relevant director shall not vote for the relevant matter at the meeting of the board of directors, and shall not be listed in the quorum of the meeting."

Paragraph 1 of Section 1 of Article 76: "At any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is demanded:"

shall be amended as follows: "At any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is demanded or otherwise required by the listing rules of the stock exchanges on which the Company's shares are listed".

- (2) To amend the Rules and Procedures for the Shareholders' Meeting

A section shall be inserted in Article 62 as section 2: "If any shareholder are required to abstain from voting or may only vote for or against a matter according to the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange Limited, any vote by such shareholder or his proxy in violation of the relevant rules or restrictions referred to above shall not be counted in the voting results."

- (3) To amend the Rules and Procedures for the Board of Directors' Meeting

Section 7 of Article 33: "In voting on the Company's connected transactions by the board of directors, the connected directors who have interests in the transactions shall abstain from voting. Where resolutions cannot be reached due to the abstention from voting of the connected directors, the relevant motions shall be submitted directly to the shareholders' general meeting for examination."

shall be amended as follows: "If a director or his associate (as defined in the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange Limited) have a material interest in any contract, transaction, arrangement or other matters that requires the approval of the board of directors, the relevant director shall not vote for the relevant matter at the meeting of the board of directors, and shall not be listed in the quorum of the meeting. Where resolutions cannot be reached due to the abstention from voting of the connected directors, the relevant motions shall be submitted directly to the shareholders' general meeting for examination."

- c) Amendments to the Articles of Association and its schedules regarding "Detailed Rules on the Work of the Secretary of the Board"

- (1) To amend the Articles of Association

Section 1 of Article 119: "The Company shall have one (1) secretary of the board of directors. The secretary shall be a senior officer of the Company accountable to the Company. The Company shall draw up "Work Regulations for the Secretary of the Board" to promote the management of the Company and make provisions for disclosure of information."

shall be amended as follows: "The Company shall have one (1) secretary of the board of directors. The secretary shall be a senior officer of the Company accountable to the Company. The Company shall formulate regulations in relation to the work of the Secretary of the Board to promote the management of the Company and make provisions for disclosure of information and investor relationship."

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- (2) To Amend the Rules and Procedures for the Board of Directors' Meetings

Article 20: "The Company shall formulate the "Work Regulations for the Secretary of the Board", which shall set out detailed provisions in respect of the duties and responsibilities, roles, and the daily working body of the secretary of the board of directors. Those Regulations shall come into effect upon the submission to, and the approval of, the board of directors."

shall be amended as follows: "The Company shall formulate regulations in relation to the work of the secretary of the board, and perform the work for disclosure of information and investor relationship. The relevant system shall be effective after reporting to the board of directors for approval."

The contents of the referred to in the ordinary resolutions numbered 1 to 3 above are contained in the Annual Report of Sinopec Corp. for the year 2003 (the "Annual Report"), which are available for consideration at the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

By Order of the Board
CHEN GE
Secretary to the Board of Directors

Beijing, the PRC, 26 March 2004

Notes:

1. Eligibility for attending the Annual General Meeting

Holders of Sinopec Corp.'s H Shares whose names appear on the register of members maintained by Hong Kong Registrars Limited and holders of domestic shares whose names appear on the domestic shares register maintained by China Securities Registration and Clearing Company Limited Shanghai Branch Company at the close of business on Monday, 19 April 2004 are eligible to attend the Annual General Meeting.

In order to be eligible to attend and vote at the annual general meeting of Sinopec Corp. to be held on Tuesday, 18 May 2004, all transfers accompanied by the relevant share certificates must be lodged with share registrars for H Shares of Sinopec Corp. in Hong Kong, Hong Kong Registrars Limited, shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 16 April 2004.

2. Proxy

- (1) A member eligible to attend and vote at the Annual General Meeting is entitled to appoint, in written form, one or more proxies to attend and vote on its behalf. A proxy need not be a shareholder.
- (2) A proxy should be appointed by a written instrument signed by the appointor or its attorney duly authorised in writing. If the form of proxy is signed by the attorney of the appointor, the power of attorney authorising that attorney to sign, or other authorisation document(s) must be notarised.
- (3) To be valid, the power of attorney or other authorisation document(s) which have been notarised together with the completed form of proxy must

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be delivered, in the case of holders of domestic shares, to the registered address of Sinopec Corp. and, in the case of holders of H Shares, to Hong Kong Registrars Limited, not less than 24 hours before the time designated for holding of the Annual General Meeting.

- (4) A proxy may exercise the right to vote by a show of hands or by poll. However, if more than one proxy is appointed by a shareholder, such proxies shall only exercise the right to vote by poll.

3. Registration procedures for attending the Annual General Meeting

- (1) A shareholder or his proxy shall produce proof of identity when attending the meeting. If a shareholder is a legal person, its legal representative or other persons authorised by the board of directors or other governing body of such shareholder may attend the Annual General Meeting by producing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such persons to attend the meeting.
- (2) Holders of H Shares and domestic shares intending to attend the Annual General Meeting should return the reply slip for attending the Annual General Meeting to Sinopec Corp. on or before Wednesday, 28 April 2004.
- (3) Shareholders may send the above reply slip to Sinopec Corp. in person, by post or by fax.

4. Closure of Register of Members

The register of members of Sinopec Corp. will be closed from Monday, 19 April 2004 to Tuesday, 18 May 2004 (both days inclusive).

5. Procedures for demanding a poll to vote on resolutions

Subject to the rules of the stock exchanges to which the shares of Sinopec Corp. are listed, the follow persons may demand a resolution to be decided on a poll, before or after a vote is carried out by a show of hands:

- (1) the chairman of the meeting;
- (2) at least two shareholders present in person or by proxy entitled to vote thereat;
- (3) one or more shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote at the meeting singly or in aggregate.

Unless a poll is demanded, a declaration shall be made by the chairman that a resolution has been passed on a show of hands. The demand for a poll may be withdrawn by the person who demands the same.

6. Other Business

- (1) The Annual General Meeting will not last for more than one day. Shareholders who attend shall bear their own travelling and accommodation expenses.
- (2) The address of the Share Registrar for H Shares of Sinopec Corp., Hong Kong Registrars Limited is at:

Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East

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Hong Kong

- (3) The address of the Share Registrar for A Shares of Sinopec Corp., China Securities Registration and Clearing Company Limited Shanghai Branch Company is at:

72 Pu Jian Road
Pudong District
Shanghai
PRC

- (4) The registered address of Sinopec Corp. is at:

A6 Huixindong Street
Chaoyang District
Beijing 100029
The People's Republic of China
Telephone No.: (+86) 10 6499 0060
Facsimile No.: (+86) 10 6499 0022

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CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company incorporated in
the People's Republic of China with limited liability) (Stock Code: 386)

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

| Sinopec Corp. proposes to amend the Articles of Association of Sinopec |
| Corp. (including the Rules and Procedures for the Shareholders' General |
| Meetings and the Rules and Procedures for the Board of Directors' |
| Meetings) in accordance with the "Notice on Certain Issues relating to |
| Regulating Fund Transfers between a Listed Company and Connected |
| Parties and External Guarantees of Listed Companies" (Zheng Jian Fa |
| [2003] No.56) jointly issued by the China Securities Regulatory |
| Commission and the State Assets Supervisory Management Commission on 28 |
| August 2003 and the revised Listing Rules of the Hong Kong Stock |
| Exchange which will come into effect on 31 March 2004. |
| In addition, both the current Articles of Association and the Rules and |
| Procedures for the Board of Directors' Meetings stipulated that Sinopec |
| Corp. should formulate "Detailed Rules on the Work of the Secretary to |
| the Board of Directors". As Sinopec Corp. already formulated the "Rules |
| on Corporate Information Disclosure" and "Rules on Corporate Investor |
| Relations" in December 2003 in accordance with the requirements of the |
| relevant PRC regulatory authorities, there will be an unnecessary |
| duplication of the contents if the "Detailed Rules on the Work of the |
| Secretary to the Board of Directors" are formulated again separately. |
| Accordingly, Sinopec Corp. proposes to remove references to the |
| formulation of the "Detailed Rules on the Work of the Secretary to the |

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Board of Directors" in the Articles of Association and Rules and Procedures for the Board of Directors' Meetings.

The proposed amendments to the Articles of Association of Sinopec Corp. (including the Rules and Procedures for the Shareholders' General Meetings and the Rules and Procedures for the Board of Directors' Meetings) are subject to the approval of the shareholders of Sinopec Corp. by way of special resolutions at the 2003 AGM.

A circular containing details of the proposed amendments to the Articles of Association of Sinopec Corp. (including the Rules and Procedures for the Shareholders' General Meetings and the Rules and Procedures for the Board of Directors' Meetings) together with the notice of AGM for 2003, the proxy form and the reply slip are expected to be despatched to the holders of H shares on or around 2 April 2004. The proposed amendments to the Articles of Association of Sinopec Corp. (including the Rules and Procedures for the Shareholders' General Meetings and the Rules and Procedures for the Board of Directors' Meetings) are also available for consideration at the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

Sinopec Corp. and all the members of the Board of Directors warrant that there are no material omissions from, or misrepresentations or misleading statements contained in, this announcement, and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

1. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF SINOPEC CORP.

The China Securities Regulatory Commission and the State Assets Supervisory Management Commission jointly issued the "Notice on Certain Issues relating to Regulating Fund Transfers between a Listed Company and Connected Parties and External Guarantees of Listed Companies" (Zheng Jian Fa [2003] No.56) on 28 August 2003 which requires that: "the Articles of Association of a listed company shall make stipulations for the examination and approval procedures of external guarantees and creditworthiness standards of the guaranteed objects. External guarantees shall obtain the consent upon signing of more than two-thirds of all the members of the board of directors or approval at the shareholders' meeting; shall not directly or indirectly provide debt guarantees for guaranteed objects with an asset-liability ratio of more than 70%."

The Hong Kong Stock Exchange has revised its Listing Rules based on the results of the "Consultation Conclusions on Proposed Amendments to the Listing Rules Relating to Corporate Governance Issues". The new changes require listed companies to amend certain provisions of its Articles of Association. The revised Listing Rules will come into effect on 31 March 2004.

China Petroleum & Chemical Corporation ("Sinopec Corp.") proposes to amend the Articles of Association (including the Rules and Procedures for the Shareholders' General Meetings and the Rules and Procedures for the Board of Directors' Meetings) in accordance with the above regulations.

In addition, both article 119 of the current Articles of Association and article 20 of the Rules and Procedures for the Board of Directors' Meetings stipulated that Sinopec Corp. should formulate "Detailed Rules on the Work of the Secretary to the Board of Directors". As Sinopec Corp. already formulated the "Rules on Corporate Information Disclosure" and "Rules on Corporate Investor Relations" in December 2003 in accordance with the requirements of

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the relevant PRC regulatory authorities and that the Articles of Association and the Rules and Procedures for the Board of Directors' Meetings already contain relatively detailed description of the duties and work procedures of the Secretary to the Board of Directors, there will be an unnecessary duplication of the contents if the "Detailed Rules on the Work of the Secretary to the Board of Directors" are formulated again separately. Accordingly, Sinopec Corp. proposes to remove references to the formulation of the "Detailed Rules on the Work of the Secretary to the Board of Directors" in the Articles of Association and Rules and Procedures for the Board of Directors' Meetings.

2. ANNUAL GENERAL MEETING

The proposed amendments to the Articles of Association (including the Rules and Procedures for the Shareholders' General Meetings and the Rules and Procedures for the Board of Directors' Meetings) of Sinopec Corp. are subject to the approval of the Shareholders by way of special resolutions at the 2003 annual general meeting of Sinopec Corp. ("AGM"). The 2003 AGM will be held at Beijing Continental Grand Hotel International Convention Center, No.8 Beichendong Road, Chaoyang District, Beijing, China at 9.00 a.m. on Tuesday, 18 May 2004. For further information regarding the amendments, please refer to the notice of AGM to be published in domestic PRC newspapers - China Securities News, Shanghai Securities News and Securities Times, and the newspapers in Hong Kong - South China Morning Post and Hong Kong Economic Times on 29 March 2004.

3. GENERAL

A circular containing details of the proposed amendments to the Articles of Association of Sinopec Corp. (including the Rules and Procedures for the Shareholders' General Meeting and the Rules and Procedures for the Board of Directors' Meetings) together with the 2003 annual report of Sinopec Corp. which will contain the notice of the AGM for 2003, the proxy form and the reply slip are expected to be despatched to the holders of H shares on or around 2 April 2004 and are also available for consideration on the website of the Shanghai Stock Exchange (address: <http://www.sse.com.cn>). Holders of Sinopec Corp.'s shares whose names appear on the register of members of Sinopec Corp. at the close of business on Monday, 19 April 2004 are eligible to attend the 2003 AGM.

According to the Articles of Association of Sinopec Corp., the register of members of Sinopec Corp. will be closed from Monday, 19 April 2004 to Tuesday, 18 May 2004 (both dates inclusive). Shareholders should note that during such period no H share transfer will be registered.

By Order of the Board
CHEN GE
Secretariat to the Board of Directors

Beijing, PRC, 26 March 2004

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CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company
incorporated in the People's Republic of China with limited liability)

Announcement of the Resolutions of the 7th Meeting of the
Second Session of the Board of Directors

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| Sinopec Corp. and all the members of the Board confirm the truth, accuracy |
| and completeness of the information contained in this announcement and |
| collectively and individually accept full responsibility for any fraudulent |
representation, misrepresentation or material omission in this announcement.

The 7th meeting of the second session of the Board of Directors of China Petroleum & Chemical Corporation ("Sinopec Corp.") was held at 8.30 am on 26 March 2004 at Sinopec Corp.'s head offices.

Mr Chen Tonghai, the Chairman, Mr Wang Jiming, Vice Chairman, Mr Zhang Jiaren, Mr Cao Xianghong, Mr Liu Genyuan, Mr Fan Yifei, Mr Chen Qingtai, Mr Shi Wenpeng, Mr Zhang Youcai and Mr Cao Yaofeng, Directors, were present at the meeting. Mr Mou Shuling, Mr Liu Kegou and Mr Ho Tsu Kwok Charles, Directors, could not attend the meeting for reason of official duties. Both Mr Mou Shuling and Mr Liu Kegou, Directors, appointed Mr Wang Jiming, Vice Chairman, and Mr Ho Tsu Kwok Charles, Director, appointed Mr Chen Qingtai, Director, to vote on their behalf at the meeting. A quorum for a board meeting as set out in the provisions of the Articles of Association of Sinopec Corp. was present.

The meeting was convened and chaired by Mr Chen Tonghai, the Chairman. After examinations, the meeting unanimously passed the following resolutions:

- 1 to approve the 2003 year Work Report of the Board.
- 2 to approve the Report on Completion of Operations in 2003 and Work Arrangements for 2004.
- 3 to approve the resolution on eight provisions. For the year ended 31 December 2003, the total amount of the eight provisions on asset impairment under the PRC Accounting Rules and Regulations was RMB 7.654 billion, of which the amount for the allowance for doubtful accounts was RMB 5.533 billion; the amount of provision for diminution in value of inventories was RMB 0.519 billion; the provision for impairment losses on long-term equity investments was RMB 0.271 billion; the amount for the provision for impairment losses on fixed assets was RMB 1.331 billion.
- 4 to approve the resolution on the on-going connected transactions. The total actual amount of connected transactions occurred in 2003 was RMB 102.001 billion, of which the amount for purchase transactions was RMB 63.558 billion and the amount for sales transactions was RMB 38.443 billion, which were all within the cap amounts of the waivers granted by the Hong Kong Stock Exchange.
- 5 to approve the resolution on the 2003 audit fees for KPMG Huazhen and KPMG.
- 6 to approve the re-appointment of KPMG Huazhen and KPMG as Sinopec Corp.'s domestic and international auditors respectively for the year 2004, and to present the resolution to the shareholders authorising the Board to determine the remunerations of KPMG Huazhen and KPMG.
- 7 to approve the 2003 Financial Report of Sinopec Corp. audited by KPMG Huazhen and KPMG.
- 8 to approve the resolution on the Plan for Profit Appropriation for 2003.

As determined in accordance with the PRC Accounting Rules and Regulations and International Financial Reporting Standards ("IFRS"), Sinopec Corp.'s audited net profit in 2003 was RMB 19.011 billion and RMB 21.593 billion respectively. In accordance with the Articles of

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Association of Sinopec Corp., the amount distributable to shareholders is the lower of the net profit for the financial year as determined in accordance with the PRC Accounting Rules and Regulations and IFRS. Accordingly, after deducting 10% to be transferred to the statutory surplus reserve (being RMB 1.901 billion) and 10% to be transferred to the statutory public welfare fund (being RMB 1.901 billion) from the net profit of Sinopec Corp. this year with the addition of the undistributed profit brought forward from the preceding year deducting the final dividend for the year 2002 and the interim dividend for 2003, Sinopec Corp.'s remaining undistributed profit of RMB 19.732 billion would be carried forwarded to year 2004. Based on the total number of 86.702 billion shares in issue, the annual dividend for the year 2003 proposed by the Board to be distributed is RMB 0.09 per share (including tax), represented an increase of RMB 0.01 per share as compared to that in 2002. After deducting the interim dividend for 2003 of RMB 0.03 per share which has been distributed, the final dividend for the year is RMB 0.06 per share (including tax) and the total cash dividend for the final dividend is RMB 5.202 billion.

- 9 to approve the 2003 Annual Report, the annual results announcement and Form 20-F of Sinopec Corp.
- 10 to approve the resolution on the general and unconditional mandate authorising the Board to issue and place new foreign shares listed overseas be presented at the 2003 annual general meeting for approval.
- 11 to approve the resolution on the amendments to Sinopec Corp.'s Articles of Association (including its schedules).
- 12 to approve the resolution on the acquisition of the shares of Yanhua Group Tianjin Lubricant & Grease Company Limited from Sinopec Petrochemical Group Company.
- 13 to approve the convening of the annual general meeting for the year 2003, and approve the submission of the above resolutions numbered 1, 6, 7, 8, 10 and 11 for approval at the annual general meeting for the year 2003.

By Order of the Board
CHEN GE
Secretary to the Board of Directors

Beijing, PRC, 26 March 2004

Document (4)

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CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company incorporated in the
People's Republic of China with limited liability)
(Stock Code: 386)

ANNOUNCEMENT ON CONNECTED TRANSACTION

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SPECIAL NOTICE

| Sinopec Corp. and all the members of the Board warrant that there are no
| material omissions from, or misrepresentations or misleading statements
| contained in, this announcement, and severally and jointly accept full
| responsibility for the authenticity, accuracy and completeness of the
| information contained in this announcement.
|

IMPORTANT NOTICE:

The 7th meeting of the second session of the Board was held on 26 March 2004 at which the Acquisition Agreement entered into between Sinopec Corp. and Sinopec Group Company (authorised by Yanhua and represented Yanhua) was reviewed and approved.

Sinopec Corp. entered into the Acquisition Agreement with Sinopec Group Company on 26 March 2004. According to the Acquisition Agreement, Sinopec Corp. will use cash from its internal resources to acquire 100% of the issued shares of Jinzhi Company (which is owned by Yanhua which is, in turn, a wholly-owned subsidiary of Sinopec Group Company) at a consideration for RMB 230 million. Sinopec Corp. is proposing to liquidate or dissolve Jinzhi Company which will become a branch of Sinopec Corp. on or after the Delivery Date.

The Acquisition will further enhance the competitiveness of Sinopec Corp. in the area of lubricant and grease, strengthen the leading position of Sinopec Corp. in the lubricant and grease market and bring better economic efficiency to Sinopec Corp. On the other hand, the Acquisition will eliminate the competition with Sinopec Group Company in the area of lubricant and grease, reduce the number of connected transactions and improve Sinopec Corp.'s independence in operations.

The Directors (including the independent directors of Sinopec Corp.) consider that the Acquisition (including the consideration for the Acquisition and the terms of the Acquisition Agreement) has been conducted on normal commercial terms, the pricing is fair and reasonable, and accordingly the Acquisition is in the interests of Sinopec Corp. and its shareholders, and did not discover anything detrimental to the interests of the Independent Shareholders and Sinopec Corp. Mr Chen Tonghai (the President of Sinopec Group Company) and Mr Liu Genyuan (the Vice President of Sinopec Group Company), being connected directors, abstained from the review and the voting.

As Sinopec Group Company is the controlling shareholder of Sinopec Corp. and Yanhua is a wholly-owned subsidiary of Sinopec Group Company, the Acquisition constitutes a connected transaction for Sinopec Corp. for the purposes of the Listing Rules of the Shanghai Stock Exchange and the Listing Rules of the Hong Kong Stock Exchange.

Completion of the Acquisition is subject to the relevant approval of Sinopec Group Company and the filing of the Asset Valuation Reports by Sinopec Group Company.

1. DEFINITIONS

In this announcement (including the Special Notice and the Important Notice), unless otherwise indicated in the context, the following expressions have the meanings set out below:

"Acquisition" the acquisition of the Target

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	Shares in accordance with the terms of the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement made between Sinopec Corp. and Sinopec Group Company (authorized by Yanhua and represented Yanhua) on 26 March 2004 in respect of the acquisition of Yuahua Group Tianjin Lubricant & Grease Co. Limited
"Asset Valuation Reports"	the asset valuation report Zhong Zheng Ping Bao Zi (2004) No. 012 with the Valuation Date as of 31 December 2003 in respect of the Target Shares issued by Beijing Zhongzheng Valuation Co., Ltd. relating to the Acquisition, and the property valuation report Zhong Di Hua Xia [Ping] Zi Nos 36, 37, and 38 issued by Beijing Zhongdi Huaxia Valuation Consultation Centre Co., Ltd. relating to the Acquisition
"Board"	the board of directors of Sinopec Corp.
"Delivery Date"	(i) 30 June 2004 or (ii) the next business day following the satisfaction of all the conditions precedent set out in the Acquisition Agreement or waiver of the conditions precedent in writing by Sinopec Corp. and Sinopec Group Company to the extent permissible by applicable laws (whichever is later)
"Directors"	the directors of Sinopec Corp.
"Financial Report"	the audited accounts of the Target Shares for the year ended 31 December 2003 (including the balance sheet, profit and loss statement, cash flow statement and the notes thereto) prepared by Zhong Lei Certified Public Accountants Company Limited in accordance with the PRC Accounting Rules and Regulations
"HK\$"	the lawful currency of Hong Kong with a convertible rate of HK\$1.00 for approximately RMB 1.06; but it does not mean that HK\$ can be converted into RMB at this rate, and vice versa
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

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"Independent Shareholders"	the shareholders of Sinopec Corp. other than Sinopec Group Company and its associates (with the meaning ascribed to it under the Listing Rules of the Hong Kong Stock Exchange)
"Jinzhi Company"	Yanhua Group Tianjin Lubricant & Grease Company Limited which was incorporated in the PRC and is wholly-owned by Yanhua
"Listing Rules of the Hong Kong Stock Exchange"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Listing Rules of the Shanghai Stock Exchange"	the Listing Rules of the Shanghai Stock Exchange
"RMB"	the lawful currency of the People's Republic of China
"Shanghai Stock Exchange"	the Stock Exchange of Shanghai
"Sinopec Corp."	China Petroleum & Chemical Corporation
"Sinopec Group"	Sinopec Group Company and its subsidiaries (other than Sinopec Corp.)
"Sinopec Group Company"	China Petrochemical Corporation, being the controlling shareholder of Sinopec Corp.
"Target Shares"	100% of the issued shares of Jinzhi Company owned by Yanhua
"Valuation Date"	31 December 2003
"Yanhua"	Sinopec Group Beijing Yanshan Petrochemical Company Limited which was incorporated in the PRC and is wholly-owned by Sinopec Group Company

2. SUMMARY OF THE CONNECTED TRANSACTION

The 7th meeting of the second session of the Board was held on 26 March 2004 at which the Acquisition Agreement entered into between Sinopec Corp. and Sinopec Group Company was reviewed and approved. Mr Chen Tonghai (the President of Sinopec Group Company) and Mr Liu Genyuan (the Vice President of Sinopec Group Company), being connected directors, abstained from the review and the voting.

For the purposes of transferring the Target Shares, Yanhua has authorized Sinopec Group Company to sign the Acquisition Agreement on its behalf. Based on the above authorization given to Sinopec Group Company by Yanhua, Sinopec Corp. entered into the Acquisition Agreement with Sinopec Group Company on 26 March 2004. According to the Acquisition Agreement, Sinopec Corp. will use cash from its internal

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resources to acquire the Target Shares at a consideration for RMB 230 million (approximately HK\$216.9811 million).

According to the Asset Valuation Reports, taking 31 December 2003 as the Valuation Date, the assessed total asset value (excluding land use rights) of Jinzhi Company was RMB 263.3023 million (approximately HK\$248.3984 million), the assessed value of its total liabilities was RMB 133.9646 million (approximately HK\$126.3817 million), and the assessed net asset value was RMB 129.3378 million (approximately HK\$122.0168 million). Taking 31 December 2003 as the Valuation Date, the assessed value of the land use rights of Jinzhi Company was RMB 78.3709 million (approximately HK\$73.9348 million). According to the above valuation results, the assessed value of the Target Shares (taking 31 December 2003 as the Valuation Date) was RMB 207.7087 million (approximately HK\$195.9516 million) and the consideration for the Acquisition is RMB 230 million (approximately HK\$216.9811 million).

Jinzhi Company has two parcels of State allocated land. Sinopec Corp. and Sinopec Group Company have agreed and confirmed that Sinopec Corp. will pay for the land premium and deal with the procedures in obtaining the land use rights, and the land premium paid by Sinopec Corp. (to be determined) will be deducted from the consideration for the Acquisition, being RMB 230 million.

As Sinopec Group Company is the controlling shareholder of Sinopec Corp. and Yanhua is a wholly-owned subsidiary of Sinopec Group Company, the Acquisition constitutes a connected transaction for Sinopec Corp. for the purposes of the Listing Rules of the Shanghai Stock Exchange and the Listing Rules of the Hong Kong Stock Exchange.

The Directors (including the independent directors of Sinopec Corp.) consider that the Acquisition (including the consideration for the Acquisition and the terms of the Acquisition Agreement) has been conducted on normal commercial terms, the pricing is fair and reasonable, and accordingly the Acquisition is in the interests of Sinopec Corp. and its shareholders, and did not discover anything detrimental to the interests of the Independent Shareholders and Sinopec Corp.

Completion of the Acquisition is subject to the relevant approval of Sinopec Group Company and the filing of the Asset Valuation Reports by Sinopec Group Company.

3. CONNECTED PERSONS AND CONNECTED RELATIONSHIPS

3.1 Sinopec Group Company

(a) Basic information of Sinopec Group Company

Name of enterprise:	China Petrochemical Corporation
Legal address:	A6 Huixindong Street, Chaoyang District, Beijing, PRC
Type of enterprise:	State-owned enterprise
Legal representative:	Mr. Chen Tonghai
Registered capital:	RMB 104.9 billion (approximately HK\$98.962 billion)

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(b) History and development of Sinopec Group Company

Sinopec Group Company is a large-scale petroleum and petrochemical enterprise conglomerate established on the basis of the former China Petrochemical Corporation in July 1998 in accordance with the "Reform Proposal for Organisations under the State Council" and "Reply to Certain Questions relating to the establishment of Sinopec Group Company by the State Council", both approved by the First Meeting of the Ninth Session of the National People's Congress. Sinopec Group Company is a State-owned and authorised investment enterprise. Pursuant to its corporate restructuring in 2000, Sinopec Group Company injected its petroleum and petrochemical business into Sinopec Corp.

(c) Principal operations of Sinopec Group Company

Sinopec Group Company is principally engaged in the business of industrial investments and investment management; crude oil and natural gas exploration and development, storage, transportation (including pipelines), sales and comprehensive utilisation; crude oil refinery; wholesale of gasoline, kerosene and diesel; production, sales, storage and transportation of petrochemical and other chemical products; exploration, design, construction and construction installation of petroleum and petrochemical engineering; petroleum and petrochemical equipment repairing and maintenance; mechanical and electrical equipment manufacturing; research, development, application and consultancy relating to technology, information and substitute energy products; import and export of various merchandise and technologies as principal and agent (except for those restricted or prohibited by the state from import and export).

(d) Basic financial conditions of Sinopec Group Company

As at 31 December 2002, the net profits and net assets of Sinopec Group Company were RMB3.69 billion (approximately HK\$3.48 billion) and RMB189.37 billion (approximately HK\$178.65 billion) respectively, based on the audited financial statements prepared in accordance with PRC Accounting Rules and Regulations.

3.2 Principal operations of Sinopec Corp. and its subsidiaries

The principal operations of Sinopec Corp. and its subsidiaries include: exploring for and developing, producing and trading crude oil and natural gas; processing crude oil, producing petroleum products and trading, transporting, distributing and marketing petroleum products, producing, distributing and trading petrochemical products.

3.3 Yanhua

(a) Basic information of Yanhua

Name of enterprise:	Sinopec Group Beijing Yanshan Petrochemical Company Limited
Legal address:	No. 1 Yanshan Gang Nan Road, Fangshan District, Beijing
Type of enterprise:	limited liability company (wholly-owned by the State)
Legal representative:	Mr. Du Guosheng

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Registered capital: RMB 1,986.587 million (approximately HK\$1,874.14 million)

(b) History and development of Yanhua

Yanhua is a large petroleum and chemical enterprise established on the basis of the former China Petrochemical Corporation's interest in the original Beijing Yanhua Petrochemical Corporation in August 1997 in accordance with the "Approval Guo Jing Mao Qi (1997) No 194" issued by the former State Economic and Trade Commission. After approval by the State Council, Yanhua was injected into Sinopec Group Company in 1998.

(c) Principal operations of Yanhua

Yanhua is principally engaged in the operation and management of State-owned assets; refining of crude oil; production and sales of petrochemical products and raw materials of chemicals and light chemicals; storage; development and transfer of technologies; consulting services; manufacturing, repairing and installation of petrochemical equipment; human resources training; provision of labour services; Chinese restaurants; staff quarters; storage and transportation of dangerous goods.

(d) Basic financial conditions of Yanhua

As at 31 December 2003, the net profit and net asset value of Yanhua were RMB -134.7027 million (approximately HK\$-127.0780 million) and RMB 3,336.0489 million (approximately HK\$3,147.2159 million) respectively, based on the audited financial statements prepared in accordance with PRC Accounting Rules and Regulations.

3.4 Connected relationships

Sinopec Group Company is the controlling shareholder of Sinopec Corp. holding 47.742561 billion State-owned shares of Sinopec Corp. (representing approximately 55.06% of the issued share capital of Sinopec Corp.). At the same time, Sinopec Group Company is the sole investor of Yanhua, holding 100% of the issued shares of Yanhua. As such, according to the requirements under the Listing Rules of the Shanghai Stock Exchange and the Listing Rules of the Hong Kong Stock Exchange, Sinopec Group Company and Yanhua are connected persons of Sinopec Corp., and the Acquisition constitutes a connected transaction for Sinopec Corp. under the Listing Rules of the Shanghai Stock Exchange and the Listing Rules of the Hong Kong Stock Exchange.

3.5 Amount of the connected transaction

The consideration for the Acquisition is RMB 230 million (approximately HK\$216.981 million) which does not exceed 3% of the net asset value of Sinopec Corp. as shown in the audited financial statements for the period ended 30 June 2003.

4. BASIC CONDITIONS OF THE TARGET ASSET SUBJECT TO THE CONNECTED TRANSACTION

4.1 Summary of the Target Shares

The target asset subject to this connected transaction is the Target Shares which are the 100% issued shares of Jinzhi Company held by Yanhua.

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Jinzhi Company was established as a limited liability company (wholly-owned by the State) on the basis of the former Beijing Yanshan Petrochemical Corporation's interest in the original Tianjin Hangu Petrochemical Factory in accordance with the "Approval Jin Jing Qi [1998] No 26", after approval by and registration with the Tianjin Commercial and Industrial Administration Bureau on 29 September 1998. The present position of Jinzhi Company is as follows:

Name of enterprise:	Yanhua Group Tianjin Lubricant & Grease Company Limited
Legal address:	Yingcheng Xi Street, Han Gu District, Tianjin
Type of enterprise:	limited liability company (wholly-owned by the State)
Legal representative:	Mr. Wang Yongjian
Registered capital:	RMB 60.65 million (approximately HK\$57.2170 million)

Jinzhi Company is principally engaged in the production and processing of lubricant and grease and petrochemical products; production and processing of metal printing and pails; wholesale and retail sales of metals, construction materials, chemicals and light chemicals, hardwares, electricity, automobiles (excluding saloon cars) and parts; export business of self-produced products and technologies and import business of equipment, parts, raw materials, supplementary materials and technologies required by the company (except for those which are subject to specific restrictions imposed by the State).

The main products of Jinzhi Company include lubricant and grease, paints for metallic art works and pails. In 2003, the Jinzhi Company's sales and production volume amounted to 32,595 tonnes of grease, 39,673 tonnes of lubricant, 400 tonnes of hot and cold rolling mill fluid and 12.85 million of pails.

The leading role of Jinzhi Company in lubricant and grease is represented by: (a) the quality of its products and technologies. Jinzhi Company is a first class research and development institution in lubricant and grease in China and has strong research and development capabilities. The type II grease for roller bearings in railroad cars developed by it has been awarded the top award for lubricant in China; the multi-purpose X03 lubricant has been awarded the Military Technology Progress Award; the lithium and calcium compounded lubricant and the relevant production technology have been patented in China; the successful use of the high and low temperature lubricant in Shenzhou 5 spaceship; (b) its various product categories, product mix and product brands. Jinzhi Company at present produces more than 139 different categories of lubricant and more than 200 branded products. Its advantageous edges in product types and product mix can better resist risks of market fluctuations; the sales and production volume of lubricating grease of Jinzhi Company ranks number four in the world and number one in Asia. Its "Jinzhi Brand" lubricant has gained good reputation in both the domestic and international markets.

Jinzhi Company has five subsidiaries (holding 74.5% in Tianjin Jinjiang Petrochemical Company Limited, 50% in Tianjin Nisseki Lubricant & Grease Co. Ltd., 70% in Lang Fang Jin Rui Pails Manufacturing Company Limited, 55% in Tianjin Jinzhi Pails Manufacturing Co. Ltd. and 100% in Tianjin Jinzhi Lubricant & Grease Sales Co. Ltd.) and has an interest in one

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enterprise (holding as to 12.35% in Lang Fang Jin Rui Metal Printing Factory).

According to the Acquisition Agreement, Yanhua warrants that the ownership of the assets to be transferred is lawful and valid; Yanhua has the unfettered rights to deal with them; the Target Shares are not subject to any pledges, charges, liens or other third party rights; and there are no material litigations, disputes, claims or governmental penalties relating to the assets to be transferred.

4.2 Valuation of the Target Shares

In accordance with the Asset Valuation Reports, the replacement cost valuation method was used. Taking 31 December 2003 as the Valuation Date, the total book value of the assets (excluding land use rights) of Jinzhi Company was RMB 245.5598 million (approximately HK\$231.6602 million), the adjusted book value of the assets was RMB 240.1322 million (approximately HK\$226.5398 million) and the assessed total asset value was RMB 263.3023 million (approximately HK\$248.3984 million) with the rate of increase of 9.65%; the book value of its total liabilities was RMB 111.1640 million (approximately HK\$104.8717 million), the adjusted value of its total liabilities was RMB 133.9646 million (approximately HK\$126.3817 million), and the assessed value of its total liabilities was RMB 133.9646 million (approximately HK\$126.3817 million); the book value of the net assets was RMB 114.3958 million (approximately HK\$107.9206 million), the adjusted book value of the net assets was RMB 106.1676 million (approximately HK\$100.1581 million), and the assessed net asset value was RMB 129.3378 million (approximately HK\$122.0168 million) with an assessed increment of RMB 23.1702 million (approximately HK\$21.8587 million) at the rate of 21.82%. The increase in value was mainly due to the low book value of the main facilities such as buildings, storage tanks and boilers etc and the increase in value of the finished products. Taking 31 December 2003 as the Valuation Date, the value of the land use rights of Jinzhi Company was RMB 78.3709 million (approximately HK\$73.9348 million). Based on the Asset Valuation Reports, the value of the Target Shares was RMB 207.7087 million (approximately HK\$195.9516 million) as at the Valuation Date of 31 December 2003.

According to the Asset Valuation Reports, Beijing Zhongzheng Valuation Co., Ltd. has adopted income approach to value the Target Shares for verification appraisal, with the value of RMB 239.4082 million which is RMB 110.0704 million more than the value based on the replacement cost method. The reasons for the difference in the values include: the value of the land use rights of Jinzhi Company has not been included in the replacement cost method but has been included in the income approach, and the value of the intangible assets which Jinzhi Company may have has not been reflected. There are systematic differences between these two valuation methods.

4.3 Financial Provisions of the Target Shares

The financial statements of Jinzhi Company have been audited by Zhong Lei Certified Public Accountants Co. Ltd. An audit report Zhong Lei Shen Zi (2004) No. 1046 has been issued. The audit report confirms that the financial statements attached to the audit report are in accordance with the rules of business accounting promulgated by the State and the regulations set out in the "Regulations of Business Accounting". The financial statements reflected fairly in all material respects the financial conditions of Jinzhi Company as at 31 December 2001, 31 December 2002 and 31 December 2003, and the business results and the cash flows for the years 2001, 2002 and 2003.

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As at 31 December 2003, the audited financial data of the Target Shares prepared in accordance with the PRC Accounting Rules and Regulations are as follows: the total current asset value was RMB 107.2899 million (approximately HK\$101.2169 million), the total asset value was RMB 245.5599 million (approximately HK\$231.6603 million), the total current liabilities was RMB 131.0449 million (approximately HK\$123.6273 million), total liabilities was RMB 131.1640 million (approximately HK\$123.6273 million), the total accounts receivable was RMB 17.7293 million (approximately HK\$16.7258 million), the value of contingencies was RMB 44.40 million (approximately HK\$41.8868 million), the net asset value was RMB 114.3958 million (approximately HK\$107.9206 million), the income from principal operations was RMB 228.3552 million (approximately HK\$215.4294 million), the profit from principal operations was RMB 55.1419 million (approximately HK\$52.0207 million) and the net profit was RMB 28.6098 million (approximately HK\$26.9904 million).

As at 31 December 2003, the audited consolidated financial data of the Target Shares prepared in accordance with the PRC Accounting Rules and Regulations are as follows: the total current asset value was RMB 226.4971 (approximately HK\$ 213.6765 million), the total asset value was RMB 370.3973 million (approximately HK\$349.4314 million), the total current liabilities was RMB 193.5340 million (approximately HK\$182.5792 million), the total liabilities was RMB 193.6531 million (approximately HK\$182.6916 million), the total accounts receivable was RMB 51.42 million (approximately HK\$48.5094 million), the value of contingencies was RMB 44.40 million (approximately HK\$41.8868 million), the net asset value was RMB 114.3958 million (approximately HK\$107.9206 million), the income from principal operations was RMB 594.3486 million (approximately HK\$560.7062 million), the profit from principal operations was RMB 134.8648 million (approximately HK\$127.2309 million) and the net profit was RMB 28.6098 million (approximately HK\$26.9904 million).

Based on the audited consolidated financial statements prepared in accordance with the PRC Accounting Rules and Regulations, the consolidated financial data of the Target Shares for the period ended 31 December 2003 and 2002 are:

	2003 (RMB millions)	2002 (RMB millions)
Profit before taxation, exceptional and extraordinary items	58.1871	35.5819
Profit after taxation, exceptional and extraordinary items	28.6098	19.8013

5. MAJOR TERMS AND PRICING POLICY OF THE CONNECTED TRANSACTION

5.1 Pricing and payment

The consideration for the Acquisition was determined by negotiations between the parties to the transaction based on the valuation of the Target Shares at the Valuation Date as of 31 December 2003 according to the Asset Valuation Reports, the market conditions, profitability and development potential, and the valuation methods commonly used internationally. According to the Asset Valuation Reports, the assessed value of the Target Shares was RMB 207.7087 million (approximately HK\$195.9516 million) and the consideration for the Target Shares was RMB 230 million (approximately HK\$216.9811 million)

According to the Acquisition Agreement, Sinopec Corp. will pay RMB 230

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million (approximately HK\$216.9811 million) as consideration for the Target Shares to Sinopec Group Company in cash subject to the deduction of the amount of the land premium (to be determined) payable by Sinopec Corp. as mentioned above.

According to the Acquisition Agreement, Sinopec Corp. will pay 50% of the consideration price to Sinopec Group Company on the Delivery Date and the balance, after deduction of the amount of the land premium paid by Sinopec Corp. in accordance with the Acquisition Agreement, to Sinopec Group Company within six months after the Delivery Date.

5.2 Conditions precedent of the Acquisition

According to the Acquisition Agreement, the conditions precedent for the Acquisition are as follows:

- (a) the independent financial adviser in PRC appointed by Sinopec Corp. considered that the terms of the Acquisition are fair;
- (b) the independent directors of Sinopec Corp. and the Board have approved the Acquisition Agreement and the transaction under the Acquisition Agreement;
- (c) Yanhua has obtained the approvals of the Acquisition and the Acquisition Agreement as required by its articles of association and the applicable laws;
- (d) Sinopec Group Company, as the owner of Yanhua, has approved the Acquisition; and
- (e) the Valuation Reports have been filed with Sinopec Group Company.

5.3 Profits and losses

During the period between the Valuation Date and the Delivery Date, any profits and losses incurred in connection with the Target Shares shall belong to and be borne by Yanhua provided that this is not inconsistent with other terms of the Acquisition Agreement, while any profits and losses in connection with the Target Shares occurred after the Delivery Date shall belong to and be borne by Sinopec Corp.

5.4 Termination

If completion does not occur on 30 June 2004 or the other date agreed by the parties (whichever is later), any party may terminate the Acquisition Agreement in writing, or before the Delivery Date, any party to the Acquisition Agreement may give written notice to the defaulting party to rectify a material breach committed by it. If the defaulting party has not rectified the breach within 30 days following receipt of the written notice from the other party and the non-defaulting party agrees to terminate the Acquisition Agreement, or before the Delivery Date, Sinopec Corp. and Sinopec Group Company agree in writing to the early termination of the Acquisition Agreement. Under the Acquisition Agreement, the defaulting party has to compensate the non-defaulting party. The actual amount of compensation has to be determined by arbitration and will not exceed the consideration for the Acquisition.

6. EFFECT OF THE CONNECTED TRANSACTION ON SINOPEC CORP. AND PURPOSES

6.1 Reasons for the Acquisition

- (a) Acquire good quality assets to enhance Sinopec Corp.'s

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competitiveness in the area of lubricant and grease

Jinzhi Company has strong advantageous edges in the lubricant and grease industry. Through the Acquisition, Sinopec Corp. can fully utilise the existing system of supply, production, sales, research and development of Jinzhi Company to provide better asset allocation and enhance the production, research and development capabilities of Sinopec Corp. in the area of lubricant and grease.

- (b) Rationalise low cost and expansion plan and economic efficiency

Through the Acquisition, Sinopec Corp. can enhance its capacity in the area of lubricant and grease quickly at a lower cost, and rationalize its economic efficiency.

- (c) Consolidate resources and reduce competition

Through the Acquisition, the assets and business in relation to lubricant and grease owned by Yanhua will be injected into Sinopec Corp., thereby reducing the competition between Sinopec Corp. and Sinopec Group Company in the area of lubricant and grease and the number of connected transactions.

6.2 Impact of the Acquisition on Sinopec Corp.

- (a) The Acquisition will eliminate the competition with Sinopec Group Company in the area of lubricant and grease, and improve Sinopec Corp.'s independence in operations and strengthen the level of trust of investors and supervisory bodies on the compliance of operational regulations and system of Sinopec Corp. after listing.

- (b) After the completion of the Acquisition, Sinopec Corp. will become the largest producer of lubricant and grease in Asia and China. Sinopec Corp. will further enhance its production capacity and market share in lubricant and grease and strengthen the controlling capacity in the relevant market and competitiveness.

- (c) Taking the opportunity of the cyclical recovery of the petrochemical industry and the speedy development of the automobile market in China, the Acquisition will enhance the production capacity of Sinopec Corp. in the area of lubricant and grease and profitability with a minimal impact on its financial positions. This will enable Sinopec Corp. to rationalize its low cost and development plan and to strengthen its economic efficiency.

Sinopec Corp. is proposing to liquidate or dissolve Jinzhi Company which will become a branch of Sinopec Corp. on or after the Delivery Date.

7. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

The local independent financial adviser China Dragon Securities Co., Limited is of the view that the Acquisition is conducted strictly in accordance with the relevant State laws, regulations and regulatory documents and the Articles of Association of Sinopec Corp. The Acquisition is based on the valuation assessed by the relevant valuation bodies (which possess the qualification to do securities business) and reported to the relevant departments for reference. In addition, the overall market operation environment, profitability and development potential of the Target Shares have been considered. The consideration for the connected transaction has been determined by adopting the valuation method that is commonly used internationally, and is fair and

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reasonable to the shareholders of Sinopec Corp. The Acquisition will not damage the legitimate interests of the minority shareholders and Independent Shareholders of Sinopec Corp. After the completion of the Acquisition, the reputation of Sinopec Corp. can be enhanced in both the domestic and international capital markets; the competition and the number of connected transactions between Sinopec Corp. and Sinopec Group and its subsidiary enterprises can be reduced; Sinopec Corp. can increase its control and competitiveness in the lubricant and grease market. All these are favourable to the continuous, steady and healthy development of Sinopec Corp. and are consistent with the interests of all shareholders of Sinopec Corp.

8. OPINION OF THE INDEPENDENT DIRECTORS

The independent directors of Sinopec Corp., Messrs. Chen Qingtai, Ho Tsu Kwok Charles, Shi Wanpeng and Zhang Youcai, expressed their views on the connected transaction after reviewing the opinion of the independent financial adviser. They approved the Acquisition on the basis that they consider that the Acquisition (including the pricing of the Acquisition and the terms of the Acquisition Agreement) has been conducted on normal commercial terms, the pricing is fair and reasonable, and accordingly, the Acquisition is in the interests of Sinopec Corp. and its shareholders. They did not discover anything detrimental to the interests of the Independent Shareholders and Sinopec Corp.

9. LIST OF DOCUMENTS FOR INSPECTION

The following documents will be available for inspection during normal working hours at the legal address of Sinopec Corp. from the date of this announcement:

- (1) the Acquisition Agreement signed by Sinopec Corp. and Sinopec Group Company;
- (2) the resolution passed by the Board on 26 March 2004;
- (3) the opinion of the independent directors of Sinopec Corp.;
- (4) Zhong Zheng Ping Bao Zi (2004) No. 012 issued by Beijing Zhongzheng Valuation Co., Ltd.;
- (5) property valuation report of Zhong Di Hua Xia [Ping] Zi [2004] Nos. 36, 37 and 38 issued by Beijing Zhongdi Huaxia Valuation Consultation Centre Co., Ltd.;
- (6) the audited Financial Report (Zhong Lei Shen Zi (2004) No.1046) of Jinzhi Company prepared in accordance with the PRC Accounting Rules and Regulations and issued by Zhong Lei Certified Public Accountants Company Limited; and
- (7) report of the independent financial adviser issued by China Dragon Securities Co., Limited.

By Order of the Board
CHEN GE
Secretary to the Board of Directors

Beijing, PRC, 26 March 2004

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CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company
incorporated in the People's Republic of China with limited liability)

Results for the Year Ended 31 December 2003

Section 1. IMPORTANT NOTICE

- 1.1 The Board of Directors of China Petroleum & Chemical Corporation ("Sinopec Corp.") and its Directors warrant that there are no material omissions from, or misrepresentations or misleading statements contained in this announcement, and jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

This announcement is a summary of the annual report. The entire report is also contained in the website of the Shanghai Stock Exchange (www.sse.com.cn) and Sinopec Corp. (www.sinopec.com.cn). Investors should read the annual report for the year 2003 for more details.

- 1.2 The annual report for this year has been approved unanimously at the seventh meeting of the second session of the Board. No Director has any doubt as to, or the inability to warrant, the truthfulness, accuracy and completeness of the annual report.

Mou Shuling, Liu Keguo and Ho Tsu Kwok Charles, Directors, could not attend the meeting of the Board for reason of official duties. Mou Shuling and Liu Keguo, Directors, appointed and authorised Mr. Wang Jiming, Vice Chairman, and Ho Tsu Kwok Charles, Director, appointed and authorised Chen Qingtai, Director, to vote on their behalf at the meeting of the Board.

- 1.3 The financial statements for the year ended 31 December 2003 of Sinopec Corp. and its subsidiaries ("the Company") prepared in accordance with the PRC Accounting Rules and Regulations and the International Financial Reporting Standards ("IFRS") have been audited by KPMG Huazhen and KPMG, respectively, and both firms have issued unqualified opinions on such financial statements.
- 1.4 Mr. Chen Tonghai (Chairman of the Board), Mr. Wang Jiming (Vice Chairman and President), Mr. Zhang Jiaren (Director, Senior Vice President and Chief Financial Officer) and Mr. Liu Yun (Head of the Accounting Department) warrant the authenticity and completeness of the financial statements contained in the annual report for the year ended 31 December 2003.

Section 2. BASIC INFORMATION ABOUT SINOPEC CORP.

- 2.1 Basic information

STOCK NAME	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP	SINOPEC CO
STOCK CODE	0386	SNP	SNP	600028
PLACE OF LISTING	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	Shanghai S Exchange
REGISTERED				

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ADDRESS AND
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 POSTCODE 100029
 WEBSITE <http://www.sinopec.com.cn>
 E-MAIL ir@sinopec.com.cn @sinopec.com.cn

2.2 Contact persons of Sinopec Corp. and means of communication

	AUTHORISED REPRESENTATIVES		SECRETARY TO THE BOARD	REPRESENTATIVE ON SECURITY MATTERS
NAME	Mr. Wang Jiming	Mr. Chen Ge	Mr. Chen Ge	Mr. Huang
ADDRESS	6A Huixindong Street, Chaoyang District, Beijing, China			
TEL	86-10-6499 0060	86-10-6499 0060	86-10-6499 0060	86-10-6499
FAX	86-10-6499 0022	86-10-6499 0022	86-10-6499 0022	86-10-6499
E-MAIL	ir@sinopec.com.cn @sinopec.com.cn			

Section 3. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Principal accounting data and financial indicators prepared under the PRC Accounting Rules and Regulations for the year 2003

3.1.1 Principal accounting data

ITEM	FOR THE YEAR ENDED 31 DECEMBER 2003	FOR THE YEAR ENDED 31 DECEMBER 2002		INCREASE/DECREASE (%)	FOR THE YEAR ENDED 31 DECEMBER 2002 AFTER ADJUSTMENT
		AFTER ADJUSTMENT	BEFORE ADJUSTMENT		
Income from principal operations (RMB million)	417,191	324,184	324,184	28.69	304,347
Profit before taxation (RMB million)	30,015	22,012	22,012	36.36	21,651
Net Profit (RMB million)	19,011	14,121	14,121	34.63	14,018
Net profit before non-operating profits/losses (RMB million)	22,307	14,582	14,582	52.98	14,619
Net cash flow from operating activities (RMB million)	64,448	60,069	60,069	7.29	59,692

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ITEM	FOR THE	FOR THE YEAR ENDED		INCREASE/ DECREASE (%)	FOR THE
	YEAR ENDED	31 DECEMBER	2002		31 DECEMBER
	2003	AFTER	BEFORE		AFT
		ADJUSTMENT	ADJUSTMENT		ADJUSTME
Total assets (RMB million)	390,213	368,375	368,375	5.93	360,2
Shareholders' funds (excluding minority interests) (RMB million)	162,946	151,717	146,515	7.40	145,9

3.1.2 Principal financial indicators

ITEM	FOR THE	FOR THE YEAR ENDED		INCREASE/ DECREASE (%)	FOR THE
	YEAR ENDED	31 DECEMBER	2002		31 DECEMBER
	2003	AFTER	BEFORE		AFT
		ADJUSTMENT	ADJUSTMENT		ADJUSTME
Earnings per share (RMB) (Fully diluted)	0.219	0.163	0.163	34.36	0.16
Return on net assets (%) (Fully diluted)	11.667	9.307	9.638	2.36	9.60
Return (adjusted for non-operating profits/(losses) on net assets (%) (Fully diluted)	13.690	9.611	9.953	4.08	10.01
(Weighted average)	14.137	9.787	10.040	4.35	10.78
Net cash flow from operating activities per share (RMB)	0.743	0.693	0.693	7.22	0.68

ITEM	FOR THE	FOR THE YEAR ENDED		INCREASE/ DECREASE (%)	FOR THE
	YEAR ENDED	31 DECEMBER	2002		31 DECEMBER
	2003	AFTER	BEFORE		AFT
		ADJUSTMENT	ADJUSTMENT		ADJUSTME
Net assets per share (RMB) (Fully diluted)	1.879	1.750	1.690	7.37	1.6
Adjusted net assets per share (RMB)	1.850	1.736	1.676	6.57	1.6

Notes:

- (i) The Company adopted the revised "Accounting Standard for Business Enterprises - Events occurring after the balance sheet date" that resulted in a change in accounting policy which has been applied retrospectively. Please refer to Note 2 of the financial statements prepared under the PRC Accounting Rules and Regulations for details.

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3.1.3 Items under non-operating profits/losses:

	FOR THE YEAR ENDED 31 DECEMBER 2003 (INCOME) /EXPENSE (RMB MILLION)
Loss on disposal of long-term equity investments	23
Written back of provisions on assets provided in previous years	(205)
Non-operating expenses (excluding normal provisions on assets provided in accordance with the Accounting Regulations for Business Enterprises)	5,394
of which: loss on disposal of fixed assets	3,459
employee reduction expenses	1,014
donations	132
Non-operating income	(292)
Tax effect	(1,624)
Total	3,296

3.2 Principal accounting data and financial indicators prepared under International Financial Reporting Standards ("IFRS") for the year 2003

ITEM	FOR THE YEAR ENDED 31 DECEMBER 2003	FOR THE YEAR ENDED 31 DECEMBER 2003	INCREASE/ DECREASE (%)	
Operating profit (RMB million)	37,267	28,679	29.95	
Profit attributable to shareholders (RMB million)	21,593	16,315	32.35	
Return on capital employed* (%)	9.04	7.08	1.96	
Basic earnings per share (RMB)	0.249	0.188	32.45	
Net cash flow from operating activities per share (RMB)	0.699	0.635	10.08	

* Return on capital employed = operating profit x (1-income tax rate)/capital employed

ITEM	AS AT 31 DECEMBER 2003	AS AT 31 DECEMBER 2002	INCREASE/ DECREASE (%)	
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Current assets (RMB million)	99,328	103,982	(4.48)	1
Current liabilities (RMB million)	122,005	119,440	2.15	1
Total Assets (RMB million)	400,818	389,343	2.95	3
Shareholders' funds (excluding minority interests) (RMB million)	167,899	163,823	2.49	1
Net assets per share (RMB)	1.937	1.889	2.54	
Adjusted net assets per share (RMB)	1.908	1.876	1.71	

3.3 Material differences between the PRC Accounting Rules and Regulations and IFRS

Applicable Not applicable

	THE PRC ACCOUNTING RULES AND REGULATIONS	IFRS
Net profit (RMB million)	19,011	21,593
Explanation on the differences	See Subsection 9.2.3	

Section 4. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF THE PRINCIPAL SHAREHOLDERS

4.1 Statement of changes in structure of share capital

Applicable Not applicable

(Unit: mil)

	PRIOR TO CHANGES	PLACING	BONUS	INCREASE/DECREASE CAPITALIZATION OF SURPLUS RESERVES	IPO	OTHERS	SUB
1. Shares not listed							
(i) Promoter shares of which:	47,742.561	-	-	-	-	-	
State-owned shares	47,742.561	-	-	-	-	-	
(ii) Others	19,379.390	-	-	-	-	-	
Total number of shares not in circulation	67,121.951	-	-	-	-	-	
2. Shares listed and in circulation							
(i) Publicly listed domestic shares ("A Shares")	2,800.000	-	-	-	-	-	
(ii) Overseas listed foreign shares ("H shares")	16,780.488	-	-	-	-	-	
Total number of shares listed and in circulation	19,580.488	-	-	-	-	-	
3. Total number of shares	86,702.439	-	-	-	-	-	

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4.2 Shareholding of top ten shareholders and top ten shareholders with tradable shares

Number of shareholders at the end of the reporting period: 348,255 in total of which 334,867 holders of domestic shares and 13,388 holders of foreign shares

Shareholding of top ten shareholders at 31 December 2003

FULL NAMES OF SHAREHOLDERS	INCREASE/DECREASE (THOUSAND SHARES)	NUMBER OF SHARES HELD AT THE YEAR END (THOUSAND SHARES)	TOTAL SHAREHOLDINGS (%)	TYPE OF SHARES (IN CIRCULATION OR NOT IN CIRCULATION)	NUMB PL SHAR S S LO
China Petrochemical Corporation	-	47,742,561	55.06	Not in circulation	
HKSCC (Nominees) Limited	2,691,475	11,639,618	13.42	In circulation	Not
China Development Bank	-	8,775,570	10.12	Not in circulation	
China Cinda Asset Management Corp.	-	8,720,650	10.06	Not in circulation	
ExxonMobil Far East Holdings Ltd.	-	3,168,529	3.65	In circulation	Not
bp Oil Espana S.A.	-	1,829,229	2.11	In circulation	Not
China Orient Asset Management Corp.	-	1,296,410	1.50	Not in circulation	
Guo Tai Jun An Securities Corp.	10,428	597,188	0.69	(Note)	
Social Security Fund Portfolio 107	(77,900)	72,100	0.08	In circulation	Not
Xinghe Securities Investment Fund	33,656	61,948	0.07	In circulation	Not
Explanation for the relationships among the top ten shareholders or activities in concert	There are no connections among corporate shareholders. Sinopec Corp. is not aware of any connection or activity in concert between other holders of shares in circulation and is not aware of any pledges, lock-ups or trust of shareholdings of holders of H Shares. Sinopec Corp. is				

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aware of any interests which are discloseable pursuant to section 336 of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong. Sinopec Corp. is not aware of any pledges, lock-ups or trust of shareholdings of holders of A Shares.

Note: Including 586.76 million Stated-owned Shares and 10.428 million A Shares

TOP TEN SHAREHOLDERS WITH TRADABLE SHARES

FULL NAMES OF SHAREHOLDERS	TYPE OF SHARES HELD	INCREASE/DECREASE (THOUSAND SHARES)	NUMBER OF SHARES HELD (THOUSAND SHARES)	SHARES HELD
HKSCC (Nominees) Limited	H Shares	2,691,475	11,639,618	
ExxonMobil Far East Holdings Ltd.	H Shares	-	3,168,529	
bp Oil Espana S.A.	H Shares	-	1,829,229	
Social Security Fund Portfolio 107	A Shares	(77,900)	72,100	
Xinghe Securities Investment Fund	A Shares	33,656	61,948	
Qingdao Port Authority	A Shares	-	60,000	
Guangfa Jufu Securities Investment Fund	A Shares	47,800	47,800	
Yunan Hongta Investment Co.	A Shares	-	40,000	
Ningbo Port Authority	A Shares	(2,350)	37,650	
Tianyuan Securities Investment Fund	A Shares	27,643	36,102	

Explanation for the relationships among the top ten shareholders with shares in circulation or activities in concert

There are no connections among corporate shareholders of Sinopec Corp. Sinopec Corp. is not aware of any connection or activities in concert between other holders of shares in circulation and activities in concert of any pledges, lock-ups or trust of shareholdings of H Shares. Sinopec Corp. is not aware of any interest in shares of Sinopec Corp. discloseable pursuant to section 336 of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong. Sinopec Corp. is not aware of any pledges, lock-ups or trust of shareholdings of holders of A Shares.

4.3 Information about the controlling shareholder and the actual controlling persons

4.3.1 Changes of the controlling shareholder and the actual controlling persons in the reporting period

Applicable Not applicable

4.3.2 Basic information about the controlling shareholder and the other actual controlling persons

(1) Controlling Shareholder

The controlling shareholder of Sinopec Corp. is China Petrochemical Corporation ("Sinopec Group Company"). Established in July 1998, Sinopec Group Company is the State authorized investment arm and a State-owned controlling company. Its registered capital is RMB 104.9 billion, and

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the legal representative is Mr Chen Tonghai. Through reorganization in 2000, Sinopec Group Company injected its principal petroleum and petrochemical operations into Sinopec Corp., and retained operations in certain petrochemical facilities and smaller-scale refineries. It provides well-drilling services, oil testing services, in-well operation services, services in connection with manufacturing and maintenance of production equipment, engineering construction and utility services and social services.

(2) Basic Information of Other Legal Person Shareholders Holding 10% or More of Shares of Sinopec Corp., Other Than HKSCC (Nominees) Limited

- i. China Development Bank: established in 1994, with a registered capital of RMB 50 billion. Its authorised legal representative is Mr Chen Yuan. China Development Bank is primarily engaged in the management and operation of the operating construction funds and interest discount funds within the State budget; providing loans to significant infrastructure industries and projects and pillar industries; handling of re-lending loans from foreign governments and international financial institutions; issuance of corporate bonds; appraisal, consultation and guarantees of construction project loans; underwriting enterprise bonds and indirect syndications.
- ii. China Cinda Asset Management Corp.: China Cinda Asset Management Corp. was established on 20 April 1999, with a registered capital of RMB 10 billion. Its legal representative is Mr Zhu Dengshan. China Cinda Asset Management Corp. is primarily engaged in the acquisition and operation of non-performing assets segregated from China Construction Bank; debt collections, and exchange, transfer and sale of assets; debt reorganization and enterprise restructuring; debt-equity swap and holding of equity for certain period; securitisation of assets; listing recommendations within the scope of asset management and underwriting of bonds and stocks; issuance of bonds and commercial borrowings; borrowing from financial institutions; valuation of assets and projects; enterprise audits, bankruptcy and liquidation.

Section 5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEES

- 5.1 Information on the changes in the shares held by the directors, supervisors and senior management and employees

Applicable Not applicable

- 5.2 Information on the directors, supervisors and senior management and the changes in the shares held by them

5.2.1 Information of Directors

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NAME	GENDER	AGE	POSITION WITH SINOPEC CORP.	TERM OF OFFICE	SINOPEC CORP.'S SHARES HELD (AT 31 DECEMBER)	
					2002	2003
Chen Tonghai	Male	55	Chairman	Apr.2003-Apr.2006	-	-
Wang Jiming	Male	61	Vice Chairman, President	Apr.2003-Apr.2006	-	-
Mou Shuling	Male	59	Director, Senior Vice President	Apr.2003-Apr.2006	-	-
Zhang Jiaren	Male	59	Director, Senior Vice President and Chief Financial Officer	Apr.2003-Apr.2006	-	-
Cao Xianghong	Male	58	Director, Senior Vice President	Apr.2003-Apr.2006	-	-
Liu Genyuan	Male	58	Director	Jun.2003-Apr.2006	-	-
Liu Kegou	Male	56	Director	Jun.2003-Apr.2006	-	-
Fan Yifei	Male	40	Director	Apr.2003-Apr.2006	-	-
Chen Qingtai	Male	66	Independent Non-executive Director	Apr.2003-Apr.2006	-	-
Ho Tsu Kwok Charles	Male	54	Independent Non-executive Director	Apr.2003-Apr.2006	-	-
Shi Wanpeng	Male	66	Independent Non-executive Director	Apr.2003-Apr.2006	-	-
Zhang Youcai	Male	62	Independent Non-executive Director	Apr.2003-Apr.2006	-	-
Cao Yaofeng	Male	50	Employee Representative Director	Apr.2003-Apr.2006	-	-

Note: Mr. Liu Genyuan, Mr. Liu Kegou and Mr. Fan Yifei receive salary from China Petrochemical Corporation, China Development Bank and China Construction Bank, respectively.

5.2.2 Information of Supervisors

NAME	GENDER	AGE	POSITION WITH SINOPEC CORP.	TERM OF OFFICE	SINOPEC CORP.'S SHARES HELD (AT 31 DECEMBER)	
					2002	2003
Wang Zuoran	Male	53	Chairman of the	Apr.2003-Apr.2006	-	-

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NAME	GENDER	AGE	POSITION WITH SINOPEC CORP.	TERM OF OFFICE	SHARES HELD (AT 31 DECEMBER 2002)
			Supervisory Committee		
Zhang Chongqing	Male	59	Supervisor	Apr.2003-Apr.2006	-
Wang Peijun	Male	58	Supervisor	Apr.2003-Apr.2006	-
Wang Xianwen	Male	59	Supervisor	Apr.2003-Apr.2006	-
Zhang Baojian	Male	59	Supervisor	Apr.2003-Apr.2006	-
Kang Xianzhang	Male	55	Supervisor	Apr.2003-Apr.2006	-
Cui Jianmin	Male	71	Independent Supervisor	Apr.2003-Apr.2006	-
Li Yonggui	Male	63	Independent Supervisor	Apr.2003-Apr.2006	-
Su Wensheng	Male	47	Employee Representative Supervisor	Apr.2003-Apr.2006	-
Cui Guoqi	Male	50	Employee Representative Supervisor	Apr.2003-Apr.2006	-
Zhang Xianglin	Male	57	Employee Representative Supervisor	Apr.2003-Apr.2006	-
Zhang Haichao	Male	46	Employee Representative Supervisor	Apr.2003-Apr.2006	-

5.2.3 Other Members of the Senior Management and Employees

NAME	GENDER	AGE	POSITION WITH SINOPEC CORP.	TERM OF OFFICE	SINOPEC CORP.'S SHARES HELD (AT 31 DECEMBER 2002)
Wang Tianpu	Male	41	Senior Vice President	Apr.2003	-
Wang Zhigang	Male	47	Vice President	Apr.2003	-
Zhang Jianhua	Male	40	Vice President	Apr.2003	-
Cai Xiyou	Male	42	Vice President	Apr.2003	-
Li Chunguang	Male	48	Vice President	Apr.2003	-
Chen Ge	Male	42	Secretary to the Board of Directors	Apr.2003-Apr.2006	-

5.3 Information about the directors and supervisors that are also employed by any shareholder unit

Applicable Not applicable

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NAME	NAME OF EMPLOYING SHAREHOLDER	POSITION WITH EMPLOYING SHAREHOLDER UNIT	TERM OF OFFICE
Chen Tonghai	Sinopec Group Company	President	Apr.2003-Apr.2006
Liu Genyuan	Sinopec Group Company	Managing Vice President	Jun.2003-Apr.2006
Liu Keguo	China Development Bank	Vice President	Jun.2003-Apr.2006
Fan Yifei	China Cinda Asset Management Corp.	Assistant to the Governor of China Construction Bank	Apr.2003-Apr.2006
Wang Zuoran	Sinopec Group Company	Director of Disciplinary Supervisory Committee	Apr.2003-Apr.2006
Zhang Chongqing	Sinopec Group Company	Director of General Administrative Office	Apr.2003-Apr.2006
Wang Peijun	Sinopec Group Company	Director of Human Resources Department	Apr.2003-Apr.2006
Zhang Baojian	Sinopec Group Company	Deputy Chief Accountant	Apr.2003-Apr.2006

5.4 Annual remunerations for the directors, supervisors and senior management and employees

Sinopec Corp. has established and continuously improved a fair and transparent performance evaluation standard and an incentive and constraint mechanism for the directors, supervisors and other senior management officers. It has implemented such incentive policies as the Performance Evaluation and Salary Incentive Plan for the Senior Management of Sinopec Corp.", "the Plan of Stock Appreciation Rights for the Senior Management of Sinopec Corp.". and "the Measures on the First Granting of Stock Appreciation Rights to the senior Management of Sinopec Corp"., all of which were approved by the Fourth Extraordinary General Meeting of Shareholders of Year 2000 held on 7 September 2000. In 2003, Sinopec Corp. implemented the incentive policies such as "the Implementing Measures of Salary for Senior Management of Sinopec Corp. (Tentative)"

Total annual remuneration	RMB4,190,754
Total annual remuneration for the three highest paid directors	RMB717,476
Total annual remuneration for the three highest paid senior management and employees	RMB852,740
Total allowances for independent directors and independent supervisors	RMB165,000

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Other benefits for independent directors	Nil
Names of the directors and supervisors who receive no remunerations and allowances from Sinopec Corp.	Liu Genyuan, Liu Keguo, Fan Yifei, Chen Qingtai, Ho Tsu Kwok Charles, Shi Wanpeng, Zhang Youcai, Cui Jianmin, Li Yonggui
Levels of remunerations	Number of persons
Above RMB300 thousand	2
RMB200 to 300 thousand	4
RMB150 to 200 thousand	15
RMB100 to 150 thousand	1

5.5 Information on new appointment or removal of directors, supervisors and senior management and employees

The first Extraordinary General Meeting of Sinopec Corp. for the year 2003 was held on 22 April 2003 at which the second session of the Board of Directors and the Supervisory Committee of Sinopec Corp. were elected whereby Messrs. Chen Tonghai, Wang Jiming, Mou Shuling, Zhang Jiaren, Cao Xianghong, Fan Yifei, Chen Qingtai, Ho Tsu Kwok Charles, Shi Wanpeng, Zhang Youcai and Cao Yaofeng were appointed as the members of the second session of the Board of Directors of Sinopec Corp., and Messrs. Wang Zuoran, Zhang Chongqing, Wang Peijun, Wang Xianwen, Zhang Baojian, Kang Xianzhang, Cui Jianmin, Li Yonggui, Su Wensheng, Cui Guoqi, Zhang Xianglin and Zhang Haichao were appointed as the members of the second session of the Supervisory Committee of Sinopec Corp.

On the same date, the first meeting of the second session of the Board of Directors was held, whereby Mr. Chen Tonghai was elected as the chairman and Mr. Wang Jiming was elected as the vice chairman, Mr. Wang Jiming was appointed as the president; Mr. Mou Shuling, Mr. Zhang Jiaren, Mr. Cao Xianghong and Mr. Wang Tianpu were appointed as senior vice presidents; Mr. Wang Zhigang, Mr. Zhang Jianhua, Mr. Cai Xiyou and Mr. Li Chunguang were appointed as vice presidents; Mr. Zhang Jiaren was also appointed as the chief financial officer and Mr. Chen Ge was appointed as the secretary of the Board of Directors.

The 2002 Annual General Meeting of Sinopec Corp. was held on 10 June 2003. Mr. Liu Genyuan and Liu Keguo were appointed as directors of the second session of the Board of Directors.

Section 6. REPORT OF THE BOARD OF DIRECTORS

6.1 Business review in the reporting period

In 2003, despite the negative influence exerted by SARS, China's economy still sustained a rapid and healthy growth with a GDP growth rate of 9.1%, and domestic demands for petroleum and petrochemical products increased accordingly. According to the estimation of the Company, the domestic consumption of refined oil products (gasoline, diesel oil and kerosene including jet fuel) reached 133.97 million tonnes in 2003, up by 7.22% over 2002 whilst the domestic apparent consumption of petrochemical products (in terms of ethylene) reached 15.055 million tonnes, up by 9.65% over 2002.

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In 2003, the Company overcame the unfavorable market condition resulting from the significant fluctuations of international oil prices which affected its production and business operation, and also underwent severe challenges characterized by the slow down in domestic demands for refined oil products in the first half of 2003 due to SARS and dramatic demands growth in the second half of 2003. Faced with the complex and ever-changing market situations as such, the Company closely monitored the domestic and international market situation, adjusted its operating strategy with flexibility, and ensured safety in production. In addition, the Company adjusted its asset structure, increase the total production and sales volume, further reduced costs and headcount, and improved its economic and technical indicators. Thanks to the joint efforts of our employees, the Company achieved reasonably sound operating results. The Exploration and Production Segment continued to post a solid performance. The Refining Segment and Marketing & Distribution Segment recorded a stable growth of their operating results. The Chemicals Segment also posted a growth in profit at a relatively quick pace. Overall, advantage of integrated operation has gradually emerged.

6.1.1 Review of Market Environment

(1) Crude oil market

Due to various factors, the international crude oil prices in 2003 remained at a relatively high level. The Platts global spot price averaged US\$ 28.83 per barrel, up by US\$ 3.87 per barrel over 2002. The domestic crude oil price has basically followed the trend in the international market. Average realized price of crude oil produced by the Company was US\$ 27.56 per barrel, up by US\$ 5.14 per barrel over 2002.

[GRAPHIC OMITTED]

Price Trend of International Crude Oil

(2) Refined oil products market

In 2003, domestic prices of refined oil products underwent relatively slight changes while domestic demand for refined oil products grew at a higher rate. In particular after SARS, demand for refined oil products surged dramatically as a result of rapid economic growth, increased number of automobile and power supply shortage in certain parts of the country.

(3) Chemicals market

In 2003, China's domestic demands for chemical products continued to grow robustly. The annual apparent consumption of synthetic resins, synthetic fibers, monomer and polymer for synthetic fibers, and synthetic rubbers amounted to 29.02 million tonnes, 12.25 million tonnes, 19.12 million tonnes and 2.20 million tonnes, respectively, representing an increase of 11.2%, 14.7%, 11.9% and 8.9%, respectively, over 2002.

As the global chemical business gradually recovered, the gross margin of chemical production improved. The domestic price trend of the major chemical products basically

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followed the trend on the international market. The average realized prices of synthetic resins and synthetic fibers, which are the principal chemical products of the Company, increased by 15.2% and 14.3%, respectively, over 2002.

[GRAPHIC OMITTED]

Monthly Average Prices of the Company's Major Chemical Products in 2002 and 2003

6.1.2 Review of Production Operations

In 2003, the Company continued to closely follow the market demands, and proactively implemented its operating strategies, which are "expanding resources, expanding markets, reducing costs and disciplining investments", hence good achievements have been attained in both business operations and reform development.

(1) Exploration and production segment

In 2003, the Company seized the opportunity of high crude oil prices, and made further efforts in exploration and achieved relatively good results in exploration, development and production of crude oil and natural gas.

In connection with exploration activities, the Company completed a planar seismic belt of 29,168 kilometers, a three-dimensional seismic belt of 7,927 square kilometers and drilled 550 test wells, with a drilling footage of 1,443 kilometers. Certain achievements were attained in terms of exploration of hidden oil reserves in the newly blocks, buried hill and new series of strata within the Shengli Oil Field in East China, which enabled the Company to deliver a stable production and enhanced its reserves in the near run. In western part of China, the Company identified three zones (Tahe Region, Tazhong region in Tarim Basin, and the Eastern Part in the Hinterlands of Junger basin) as the important areas where more oil reserves could be discovered, thus providing important supplemental resources for addition of oil reserves as well as production of crude oil and natural gas in the last two years of the Tenth Five-Year Plan period. In South China and Ordos Basin, new progress was made in terms of exploration of natural gas, thus providing resources for the Company to expand its natural gas business. All these efforts resulted in the Company's improvement in reserve profile of crude oil and natural gas, making it possible to enhance its future oil reserve and production. Owing to the joint venture for the development of oil and natural gas at Xihu Trough, East China Sea, the Company's proved reserves of crude oil were reduced by 25.4 million barrels, and proved reserves of natural gas were reduced by 649 billion cubic feet. In addition, in accordance with the evaluation guideline used by the Company, those undeveloped reserves of crude oil and natural gas over 3 years were re-categorized. For these reasons, the newly added proved reserves of crude oil and natural gas in 2003 declined. In terms of development, the Company drilled 1,880 development wells in 2003, with a drilling footage of 4,258 kilometers and newly built crude oil and natural gas production capacity of crude oil and natural gas by 5.93 million tonnes per year, and

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890 million cubic meters per year respectively. In 2003, the Company's production of crude oil and natural gas reached 270.96 million respectively, barrels and 187.7 billion cubic feet, representing an increase of 0.43% and 4.98%, respectively, over 2002.

Summary of operations of the exploration and production segment

	2003	2002	2001	CHANGE 2002 TO 2001 (%)
Crude oil production (mmbbls)	270.96	269.80	269.16	(0.43)
Natural gas production (bcf)	187.7	178.8	162.8	4.98
Newly added proved reserves of crude oil (mmbbls)	208	375	316	(45.06)
Newly added proved reserves of natural gas (bcf)	(254.3)	20.2	309.0	(1,000.00)
Year end proved reserves of crude oil (mmbbls)	3,257	3,320	3,215	(1.90)
Year end proved reserves of natural gas (bcf)	2,887.6	3,329.4	3,488.0	(4.98)
Year end proved reserves of crude oil and natural gas (mmboe)	3,738	3,875	3,796	(3.51)

(2) Refining segment

In 2003, faced with ever-changing market situations, the Company further optimized its allocation of crude oil resources and improved coordination practices to ensure its oil refining facilities were operating at high load. In 2003, the Company processed 116.26 million tonnes of crude oil, up by 10.71% over 2002. The Company endeavored to adjust its product mix, increased the production of higher value-added products and chemical feedstock to meet market demands. Meanwhile, the Company made efforts to revamp its existing oil refining facilities to improve the product quality. The quality of its gasoline and diesel has met the required new national standards. The Company produced 9.23 million tonnes of high-grade gasoline, up by 38.8% over 2002. The Company continued its reform in the lubricating oil marketing system, integrated its resources, launched a unified brand onto the market, and managed to expand its market shares. In addition, the company continued to reinforce management practices and scientific and technological advancement. As a result, all of the major economic and technical indicators of the Refining Segment all improved. In 2003, the light product yield reached 73.80%, up by 0.58 percentage point over 2002. The refining yield reached 92.63%, up by 0.13 percentage point over 2002.

2003	2002	2001	CHANGE FROM 2002 TO 2003 (%)
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Crude throughout (mbbls/day)	2341.0	2114.6	2042.4	10.7
of which: sour crude throughout (mbbls/day)	478.7	402.8	387.6	18.8
Refinery utilization (%)	87.8	79.3	77.9	8.5 percentage points
Gasoline, diesel and kerosene including jet fuel (million tonnes)				
of which: Gasoline (million tonnes)	21.74	19.62	18.74	10.8
Diesel (million tonnes)	41.67	37.74	37.93	10.4
Kerosene including jet fuel (million tonnes)	5.31	5.06	4.47	4.9
Chemical feedstock (million tonnes)	16.46	15.04	12.36	9.4
Light product yield (%)	73.8	73.22	72.33	0.58 percentage points
Refining yield (%)	92.63	92.50	92.23	0.1 percentage points

Notes:

- a) Crude oil processing volume is converted at 1 tonne = 7.35 barrels.
 - b) All the operating data excluded Xi'an Petrochemical and Tahe Petrochemical.
- (3) Marketing and Distribution segment

In 2003, based on the market demands, the Company made efforts to expand its total sales volume while further optimizing its various marketing channels to increase retail sales volume and distribution volume. In addition, the Company reinforced its internal management and resource allocation, improved its service quality, and paid close attention to the coordination between production and sales. At the same time, the Company further improved its distribution network by speeding up the construction of sales outlets, focusing on increasing the number of its petrol stations along expressways and main roads, and expanding its presence in rural areas and along the rivers. As a result, the Company's ability to control the end-customer market has been reinforced.

In 2003, the total domestic sales volume of refined oil products reached 75.92 million tonnes, representing an increase of 8.3% over 2002, of which the retail volume amounted to 38.85 million tonnes, up by 11.9% over the previous year. The Company's market share of retail volume in its principal markets reached 69%, up by 1 percentage over the preceding year. The efficiency of petrol stations kept growing with the annual throughput per petrol station reached 1,686 tonnes, up by 8.1% compared with that in the previous year. The retail sales volume together with direct distribution volume of refined oil products accounted for 71.36% of the total domestic sales volume, up by 3.76 percentage over 2002. At the end of 2003, the Company has 24,506 self-operated petrol stations, and 5,736 franchised petrol stations. In 2003, the Company adjusted its export volume to keep in line with market demand. In 2003, the Company exported 6.083 million tonnes of refined oil products, up by 21.2% over that in 2002.

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Summary of Marketing and Distribution Segment

	2003	2002	2001	CHANGE FROM 2002 TO 2003 (%)
Total domestic sales of refined oil products (million tonnes)	75.92	70.09	67.74	8.1
of which:				
Retail volume (million tonnes)	38.85	34.73	30.43	11.1
Direct Distribution volume (million tonnes)	15.33	12.63	11.64	21.1
Wholesale volume (million tonnes)	21.74	22.73	25.67	(4.4)
Average annual throughput per petrol station (tonne/station)	1,686	1,560	1,473	8.1
Number of total petrol stations under SINOPEC brand at year-end (stations)	30,242	28,127	28,246	7.1
of which:				
Number of petrol stations operated (stations)	24,506	24,000	24,062	2.1
Number of franchised petrol stations (stations)	5,736	4,127	4,184	39.1
Percentage of retail to total domestic sales volume (%)	51.2	49.6	44.9	1.1 percentage point

(4) Chemicals segment

In 2003, the Company continued to coordinate and optimize supply of chemical feedstock, and actively promoted its experience in operating facilities for longer running periods and thus maintained the high utilization rate of chemical facilities. As a result, the production of its major petrochemical products has all increased dramatically. In 2003, the Company produced 3.169 million tonnes of ethylene, up by 16.67% over that in 2002. The production of its major chemical products such as synthetic resins, synthetic fibers, monomers and polymers for synthetic fibers, and synthetic rubber have all increased significantly. Since the Company resorted to scientific and technological measures to improve its product mix, the production of higher value-added products was further enhanced. Furthermore, the Company actively tapped the market, and managed to register a growth in terms of the production outputs, prices and sales volumes of its chemical products. In addition, the Company proactively carried forward the reform to its distribution system of chemical products, and established an acrylic fibre marketing branch, thus making a solid stride forward in terms of reforming its chemicals marketing system.

PRODUCTION OF MAJOR CHEMICALS

UNIT: 1,000 TO

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	2003	2002	2001	CHANGE 2002 TO 2001
Ethylene	3,169.1	2,716.4	2,153	16
Synthetic resins	4,691.0	4,004.8	3,204	17
of which: performance compound resins	2,304.9	1,846.9	1,332	24
Synthetic rubbers	501.9	457.7	398	9
Monomers and polymers for Synthetic fibers	4,417.5	3,833.5	3,598	15
Synthetic fibers	1,279.5	1,153.0	1,028	10
of which: differential fibers	477.4	402	326	18
Urea	2,027.6	2,666.3	2,342	(23.3)

Notes: all the operating data excluded Maoming Ethylene.

(5) Technology development

In order to enhance its core competitiveness, the Company launched an active drive for scientific and technological innovation and advancement, and has succeeded in implementing a number of technological projects, including exploration of concealed oil and gas reserves in tertiary system strata in Jiyang Trough and related technologies and second generation of packaged technology for 200,000 tonnes/year loop polypropylene unit. In addition, a number of technological advancements have been commercialized, including the detailed profiling and developing technology for severe heterogeneous petroleum reserves, flexible and multi-functional catalytic cracking technologies and 70,000 tonnes/year cyclohexanone oxime technology. Besides, the technologies such as prospecting and monitoring the distribution of remaining petroleum reserve at high water content stage, and catalyst and promoter for olefin concentration reduction in cat-cracked gasoline were applied on a wide range. Among others, a series of techniques, which have been developed solely by the Company, have allowed the Company to produce gasoline that complies with China's new quality standard with a lower investment. Besides, the Company also made new progress in a number of research projects, such as technology for desulfuration and reduction of olefin concentration in cat-cracked gasoline by aromatisation. Furthermore, the "Great Wall" branded specialty lubricant and grease developed by the Company have been successfully used in China's Shenzhou 5 spaceship.

Major breakthroughs were made in terms of pilot test and implementation of ERP programs. So far, the application results of ERP are becoming apparent. The Company also made progress in, among other areas, applying domestically-made high-performance computers in exploration and development of crude oil and natural gas, application of IC cards at petrol stations, developing and applying the "Ningbo-Shanghai-Nanjing crude oil transportation and distribution management system", "comprehensive oil field management system", and "advanced process control system".

(6) Cost saving

In 2003, the Company made significant efforts in carrying out its cost saving plans. Regarding the cost saving plan for major purchases such as crude oil, the Company focused on minimizing

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material consumption, energy consumption and controlling expenses. The results in cost saving were remarkable.

In 2003, the Company effectively saved costs by RMB 2.722 billion, which exceeded the original target of RMB 2.5 billion by RMB 222 million. Of the total costs saved, the Exploration and Production Segment achieved a cost saving totaled RMB 805 million. As the Company took the market opportunity of higher crude oil prices, the Company increased certain in-well operation, and incurred more costs in order to resume production in those fields that suffered stormy sea tide and flood. The lifting cost increased from US\$ 6.12 per barrel in 2002 to US\$ 6.47 per barrel in 2003. The Refining Segment achieved a cost saving of RMB 740 million with cash operating cost slightly declined to US\$ 2.00 per barrel from US\$ 2.02 per barrel. The Chemicals Segment achieved a cost saving of RMB 639 million, the cash operating costs of ethylene dropped to US\$ 142.63 per tonne from US\$ 149.24 per tonne. The Marketing and Distribution Segment achieved a cost saving of RMB 538 million. As the Company made efforts to increase its retail sales volume and distribution volume, the transportation costs increased accordingly. The cash operating cost in the segment went up to RMB 174.95 per tonne in 2003, from RMB 166 per tonne in 2002.

(7) Capital expenditure

In 2003, the Company's capital expenditure was RMB 45.049 billion. Among which, the expenditure for Exploration and Production Segment was RMB 20.628 billion. The Company found new reserves and increased oil and gas production, reinforced the foundation of its resources, and improved its profile of the possible, probable and proved reserves. The expenditure for Refining Segment was RMB 9.729 billion. With the investment, a number of facilities were revamped to improve the product quality, and to increase refining capacity. Refining capacity increased by 5.5 million tones per year for the whole year. The Ningbo-Shanghai-Nanjing Imported Crude Oil Pipeline will soon be put into operation, which will help optimize the allocation of crude oil and reduce the transportation costs. The expenditure for the Marketing and Distribution Segment was RMB 6.826 billion, which was mainly used to construct pipelines of refined oil products, and to further optimize the marketing networks by building new petrol stations and upgrading existing petrol stations. As a result of the investment, the Company secured its leading position in its principal market, raised brand awareness and further enhanced customer loyalty. The expenditure for the Chemicals Segment was RMB 7.348 billion. With the investment, the Qilu ethylene revamp project was under construction and the chemical fertilizer revamp projects have all started. The ethylene capacity increased by 70,000 tonnes/year, and capacity of monomers polymers for synthetic fibers increased by 770,000 tonnes/year. Capital expenditure for corporate and others was RMB 518 million, which was principally used in the construction of information technology system.

In addition, the Company's joint ventures including the project with BP in Shanghai were progressing smoothly, the capital expenditure by the Company for these joint ventures were RMB 4.193 billion in 2003.

(8) Cooperation with foreign partners

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In 2003, the Company's major joint ventures progressed smoothly. The joint venture with CNOOC, Shell and US Unocal for exploration and development of natural gas at Xihu Trough, East China Sea was officially launched. The joint venture ethylene projects with BASF in Nanjing and with BP in Shanghai, both of which are expected to be put into operation in early 2005, are under construction in full scale. The joint venture with Shell for Coal Gasification in Hunan province is under construction, which is expected to complete construction in 2005. The feasibility study of joint venture with ExxonMobil and Saudi Aramco for an integration oil refining and chemicals project in Fujian, has already been approved by the government authorities and preparation work is under way. The joint feasibility study of joint venture with Shell in Jiangsu province for retail business cooperation of refined oil products has been approved by the State Council, and a joint venture company is to be established soon. The joint feasibility study of joint ventures with BP in Zhejiang for retail business cooperation of refined oil products has been submitted to the Ministry of Commerce of the People's Republic of China for approval. All these joint venture projects will help the Company in adopting advanced technologies and managerial expertises of multinational corporations, and hence enhance its market competitiveness and help the Company satisfy the growing demands of products in China and Asian Pacific regions.

6.2 Management's Discussion And Analysis

The following discussion and analysis should be read in conjunction with the Company's audited financial statements and the accompanying notes. Part of the financial information presented in this section is derived from the Company's audited financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS").

6.2.1 Consolidated Results of Operations

In 2003, the Company's turnover and operating profit were RMB 424.3 billion and RMB 37.3 billion, respectively, representing an increase of 28.9% and 30.0%, respectively, over those in the previous year. These changes are largely attributable to a number of factors. First, the Company closely monitored the changes in market demands, and quickly responded to such changes through adjustments of its operating strategy. Second, to take advantage of the favorable opportunity of higher prices of crude oil and chemical products in the global market and the rapid growth of Chinese economy, the Company managed to overcome the negative impact caused by SARS and further expanded its target market. In addition, the Company continued to strive for better operating results through more strengthened management, further corporate reforms, better asset structure and more efficient operation.

The table below sets forth the major items in the consolidated income statement of the Company for the indicated periods.

YEAR ENDED 31 DECEMBER	
2003	2002
RMB billions	

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Turnover and other operating revenues	443.1	345.1
of which: Turnover	424.3	329.1
Other operating revenues	18.8	16.0
OPERATING EXPENSES	(405.8)	(316.4)
of which:		
Purchased crude oil, products and operating supplies and expenses	(312.5)	(237.6)
Selling, general and administrative expenses	(25.9)	(21.5)
Depreciation, depletion and amortisation	(26.7)	(25.3)
Exploration expenses (including dry holes)	(6.1)	(4.4)
Personnel expenses	(16.2)	(14.4)
Employee reduction expenses	(1.0)	(0.2)
Taxes other than income tax	(13.5)	(11.9)
Other operating expenses, net	(3.9)	(1.1)
Operating profit	37.3	28.7
Net finance costs	(3.8)	(4.2)
Investment income, share of profits less losses from associates and gain from issuance of shares by a subsidiary	0.6	0.6
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION	34.1	25.1
Taxation	(10.6)	(7.7)
PROFIT FROM ORDINARY ACTIVITIES AFTER TAXATION	23.5	17.4
MINORITY INTERESTS	(1.9)	(1.1)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	21.6	16.3

(1) Turnover and other operating revenues

In 2003, the Company's turnover and other operating revenues were RMB 443.1 billion, representing an increase of 28.4% compared with 2002. Turnover was RMB 424.3 billion, representing an increase of 28.9% compared with 2002. In 2003, prices of crude oil, petroleum products and chemical products in the global market all went up. To seize the market opportunity, the Company increased its refining throughput and increased the sales volume of its refined products. In addition, the Company's sales volume of major petrochemical products increased significantly. The Company's other operating revenues went up to RMB 18.8 billion in 2003, representing an increase of 17.5% compared with 2002. The "other operating revenues" mainly constituted of sales revenue from its sale of raw and auxiliary materials and other products and services to China Petrochemical Corp. and its subsidiaries and to third parties. The turnover and other operating revenues principally consisted of the following:

Sale of crude oil and natural gas

Most of crude oil and a small portion of natural gas produced by the Company were internally used by its refining and chemical production. The remaining was sold to the refineries controlled by the Company's controlling shareholder, China Petrochemical Corp. and other customers. In 2003, turnover from crude oil and natural gas that were sold externally amounted to RMB 14.9 billion, accounting for 3.4% of the Company's turnover and other operating revenues, representing an increase of 36.7% compared with that of RMB 10.9 billion in 2002. Such increase was mainly due to the increase in both price and sales volume of crude oil. The external

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sales price of crude oil increased to RMB 1,493 per tonne from RMB 1,189 per tonne in 2002, representing an increase of 25.6%. The external sales volume went from 6.35 million tonnes in 2002 to 7.22 million tonnes in 2003, representing an increase of 13.7%. The external sales price of natural gas rose from RMB 574 per thousand cubic meters in 2002 to RMB 591 per thousand cubic meters in 2003, and the external sales volume increased from 3.2 billion cubic meters in 2002 to 3.4 billion cubic meters in 2003.

Sale of petroleum products

The Company's Refining Segment and Marketing and Distribution Segment sell petroleum products (mainly consisting of gasoline, diesel, jet fuel, kerosene and other refined petroleum products) to third parties. In 2003, the external sales revenue of petroleum products by these two segments were RMB 295.9 billion, accounting for 66.8% of the Company's turnover and other operating revenues, representing an increase of 28.4% compared with that of RMB 230.5 billion in 2002. The sales revenue of gasoline and diesel was RMB 209.1 billion, accounting for 70.7% of the total sales revenue of petroleum products, representing an increase of 23.5% from that of RMB 169.3 billion in 2002. Among others, the sales revenue of gasoline in 2003 was RMB 77 billion, representing an increase of 21.6% compared with 2002. The sales revenue of diesel was RMB 132.1 billion, representing an increase of 24.6% compared with 2002. The increase of sales revenue of gasoline and diesel was due to both the rise of gasoline and diesel prices and the increased sales volume as a result of the Company's proactive efforts. In 2003, the average external sales price of gasoline was RMB 3,298 per tonne, representing an increase of 17.5% compared with 2002, and the average external sales price of diesel was RMB 2,794 per tonne, representing an increase of 16% compared with 2002. The external sales volume of gasoline was 23.36 million tonnes, representing an increase of 3.6% compared with 2002, and the external sales volume of diesel was 47.29 million tonnes, representing an increase of 7.4% compared with 2002. The combined sales volume of gasoline and diesel was 6.1% higher than that of 2002.

Sales of chemical products

In 2003, the Company's external sales revenue of chemical products was RMB 80.7 billion, accounting for 18.2% of its turnover and other operating revenues, representing an increase of 27.9% compared with that of RMB 63.1 billion in 2002. The increase was mainly due to the significant increase in both chemical products prices and sales volumes of major chemical products as a result of strong domestic demand for chemical products. In 2003, the Company completed the revamp of certain of its ethylene and other downstream facilities, which increased the Company's production capacity of certain chemical products. In 2003, the external sales volumes of synthetic resin, synthetic fiber, synthetic rubber, synthetic fiber monomer and polymer were, respectively, 4.52 million tonnes, 1.33 million tonnes, 550 thousand tonnes and 2.41 million tonnes, representing an increase of 18%, 12.7%, 7.8% and 33.9%, respectively, compared with 2002. The external sales prices of such products were, respectively, RMB 6,042 per tonne, RMB 9,639 per tonne, RMB 8,513 per tonne and RMB 5,788 per tonne, representing an increase of 15.2%, 14.3%, 31.6% and 7.9%, respectively, compared with 2002.

(2) Operating expenses

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In 2003, the Company's operating expenses were RMB 405.8 billion, representing an increase of 28.3% compared with 2002. The operating expenses mainly consisted of the following:

Purchased crude oil, products, and operating supplies and expenses

The Company's purchased crude oil, products and operating supplies and expenses were RMB 312.5 billion, accounting for 77% of the operating expenses, up by RMB 74.9 billion compared with 2002, representing an increase of 31.5%. Among others:

- o Purchased crude oil expenses were RMB 164.3 billion, accounting for 40.5% of the total operating expenses, up by RMB 45 billion compared with 2002, representing an increase of 37.7%.

To meet the increasing demands in the market associated with the rapid growth of the Chinese economy, the Company increased its crude oil throughput. In 2003, the Company's crude oil throughput was 116.66 million tonnes (excluding amounts processed for third parties), representing an increase of 11.23 million tonnes, or 10.7%, compared with 2002. Of the Company's crude oil throughput, the Exploration and Production Segment supplied 28.08 million tonnes, down by 1.46 million tonnes compared with 2002, representing a decrease of 4.9%. The Company also processed 88.58 million tonnes of crude oil purchased from third parties, up by 12.69 million tonnes compared with 2002, representing an increase of 16.7%. Since March 2003, crude oil price in the global market has gradually increased. The Company's average cost for crude oil purchased from third parties in 2003 was RMB 1,855 per tonne, up by RMB 283 per tonne compared with 2002, representing an increase of 18%.

- o In 2003, the Company's other purchase expenses were RMB 148.2 billion, accounting for 36.5% of the total operating expenses, up by RMB 29.9 billion compared with 2002, representing an increase of 25.3%. This increase was mainly due to the increased costs of oil products and chemical feedstock caused by the increase in crude oil price.

Selling, general and administrative expenses

In 2003, the Company's selling, general and administrative expenses were RMB 25.9 billion, up by RMB 4.4 billion compared with 2002, representing an increase of 20.5%. This increase was largely due to:

- o In 2003, provision for bad debts increased by RMB 1.15 billion compared with 2002.
- o In connection with the upgrade of production facilities and improved technologies, the Company disposed of certain low efficiency production equipment in 2003 causing an increase in the expense related to disposal of relevant spare parts by RMB 500 million compared with 2002.
- o Expenses in research and development increased by RMB 0.59 billion compared with 2002.
- o Operating lease rentals increased by RMB 0.39 billion

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compared with 2002, mainly because the Company leased some additional petrol stations to further expand its distribution channels of oil products.

- o After the expansion and upgrading of some chemical facilities, sales volume of chemical products increased. In addition, proportion of retail over the total sales volume of refined oil products, and total sales volume of refined oil products increased. Accordingly, the selling expenses (such as transportation costs) increased by RMB 690 million compared with 2002;

Depreciation, depletion and amortization

In 2003, the Company's depreciation, depletion and amortization were RMB 26.7 billion, up by 5.5% over 2002. The increase was mainly because of the addition of property, plant and equipment as a result of capital expenditure.

Exploration expenses

In 2003, the Company's exploration expenses were RMB 6.1 billion, representing an increase of 38.6% compared with 2002. The increase was principally because the Company continued to increase investment in the exploration activities, especially in those major new blocks in the western and southern part of China.

Personnel expenses

In 2003, the Company's personnel expenses were RMB 16.2 billion, representing an increase of 12.5% compared with 2002. The increase was largely because the Company introduced a market-rate based employee compensation system reform. As a result, wage, salary and welfare expenses increased by RMB 1.6 billion.

Employee reduction expenses

As part of its voluntary staff reduction plan, the Company incurred approximately RMB 1 billion as staff reduction expenses for approximately 21,000 employees who voluntarily terminated their employment with the Company in 2003.

Taxes other than income tax

In 2003, the Company's taxes other than income tax were RMB 13.5 billion, representing an increase of 13.4% compared with 2002. The increase was largely because of the increase of consumption tax and surcharges as a result of the increased sales volume of gasoline and diesel of the Company.

Other operating expenses, net

In 2003, the Company's other operating expenses (net) were RMB 3.9 billion, representing an increase of RMB 2.8 billion compared with 2002. The increase was largely due to:

- o To facilitate its long-term development strategy, the Company further improved its asset structure and its overall asset quality. In 2003, the Company incurred a net loss of RMB 2.22 billion on disposal of certain low efficiency assets, which included RMB 90 million from the Exploration and Production Segment, RMB 740 million from the Refining

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Segment, RMB 370 million from the Marketing and Distribution Segment, RMB 1.01 billion from the Chemicals Segment, and RMB 10 million from others, up by RMB 1.42 billion compared with 2002.

- o In order to allocate its internal resources more efficiently, the Company revised the production plans for certain less efficient facilities in 2003, and accordingly made a provision for impairment of long-lived assets of RMB 0.88 billion representing the difference between the expected recoverable value and the net book value of this assets.

(3) Operating profit

In 2003, the Company's operating profit was RMB 37.3 billion, representing an increase of 30% compared with 2002.

(4) Net finance costs

In 2003, the Company's net finance costs were RMB 3.8 billion, down by RMB 400 million compared with 2002, representing a decrease of 9.5%. This was primarily because the Company further reduced the aggregate amount of its short-term loan and adjusted its financing structure to include, among others, certain US dollar loans. The interest expense was RMB 3.7 billion in 2003, decreased by RMB 0.4 billion compared with 2002.

(5) Profit from ordinary activities before taxation

In 2003, the Company's profit from ordinary activities before taxation was RMB 34.1 billion, representing an increase of 35.9% compared with 2002.

(6) Taxation

In 2003, the Company's taxation was RMB 10.6 billion, representing an increase of 37.7% compared with 2002.

(7) Minority interests

In 2003, the Company's minority interests were RMB 1.9 billion, representing an increase of 72.7% compared with 2002.

(8) Profit attributable to shareholders:

In 2003, the Company's profit attributable to shareholders was RMB 21.6 billion, representing an increase of 32.5% compared with 2002.

6.2.2 Assets, liabilities, shareholders' funds, and working capital

The Company's primary sources of funding were from operating activities, short-term and long-term borrowings, and primary uses of funds were for operating expenses, capital expenditures and repayments for short-term and long-term loans.

(1) Assets, liabilities and shareholders' funds

Monetary unit: RMB Million

	AS AT 31 DECEMBER		
	2003	2002	CHANGES

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Total assets	400,818	389,343	11,475
Current assets	99,328	103,982	(4,654)
Non-current assets	301,490	285,361	16,129
Total liabilities	207,053	201,511	5,542
Current liabilities	122,005	119,440	2,565
Non-current liabilities	85,048	82,071	2,977
Minority interests	25,866	24,009	1,857
Net assets	167,899	163,823	4,076
Shareholders' funds	167,899	163,823	4,076
Share capital	86,702	86,702	-
Reserves	81,197	77,121	4,076

At the end of 2003, the Company's total assets were RMB 400.818 billion, total liabilities were RMB 207.053 billion, minority interests were RMB 25.866 billion, shareholders' funds was RMB 167.899 billion. Changes in the assets and liabilities items compared with those at the end of 2002 and the principal reasons for such changes are as follows:

The Company's total assets were RMB 400.818 billion, up by RMB 11.475 billion over those at the end of 2002. Of which, current assets were RMB 99.328 billion, down by RMB 4.654 billion compared with those at the end of 2002. The change was mainly because the Company's cash and time deposits decreased by RMB 1.769 billion in 2003. At the same time, the Company reinforced its management control over working capital, reduced the occupancy of funds by various current assets. As a result, the accounts receivable were down by RMB 1.516 billion, and the prepaid expenses and other current assets reduced by RMB 1.307 billion. Non-current assets were RMB 301.490 billion at the end of 2003, up by RMB 16.129 billion compared with those at the end of 2002. The change was primarily because property, plant and equipment were up by RMB 7.159 billion, while the construction in progress were up by RMB 7.281 billion.

Total liabilities were RMB 207.053 billion, up by RMB 5.542 billion compared with those at the end of 2002. Of which, current liabilities were RMB 122.005 billion, up by RMB 2.565 billion compared with those at the end of 2002. The change was mainly because the accrued expenses and other payables were up by RMB 10.826 billion, which were mainly due to the payables to China Petrochemical Corporation and its subsidiaries for the acquisition of Maoming Ethylene assets and the increased accrued expenditure. Accounts payable were up by RMB 3.227 billion, which were principally payables to third parties. As the cost of funding in the monetary market rose, the increased discount rate of bills payable resulted in the decrease in the bills payable by RMB 6.281 billion. The Company reduced the amount of short-term debt by RMB 6.751 billion, which were mainly in the form of decrease in short-term bank loans. Non-current liabilities were RMB 85.048 billion at the end of 2003, up by RMB 2.977 billion compared with those at the end of 2002. The change was mainly because long-term loans of the Company's jointly controlled entities were up by RMB 1.45 billion, and deferred tax liabilities were up by RMB 1 billion.

Shareholders' funds were RMB 167.899 billion at the end of 2003, up by RMB 4.076 billion compared with that at the end of 2002, increasing the reserves by RMB 4.076 billion.

(2) Cash Flow

In 2003, net decrease in cash and cash equivalent was RMB 2.94 billion (i.e. a decrease from RMB 18.16 billion as at 31 December 2002 to RMB

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15.22 billion as at 31 December 2003). The following table shows the major items on the consolidated cash flow statements and their respective changes in 2002 and 2003.

Major items in Cash flow Statement	2003 RMB 100 millions	2002 RMB 100 millions
Net cash flow from operating activities	606.30	550.46
Net cash flow from investing activities	(503.43)	(427.76)
Net cash flow from financing activities	(132.32)	(158.13)
Net decrease in cash and cash equivalents	(29.45)	(35.43)

- o Net cash flow from operating activities was RMB 60.630 billion.

In 2003, profit from ordinary activities before taxation was RMB 34.081 billion, and after adjusting for the operating expenses items that have no cash flow (i.e. non-cash expense items), the adjusted cash inflow from operating activities of RMB 66.45 billion. Major non-cash expense items are: depreciation, depletion of amortization of RMB 26.735 billion, costs of dry holes of RMB 2.789 billion, losses from disposals of property, plant and equipment of RMB 2.221 billion, impairment losses on long-lived assets of RMB 877 million.

The changes in operating-related receivable and payable items added cash inflow by RMB 3.676 billion, which was mainly because:

The Company reinforced its control over working capital, made more efforts to collect the accounts receivable, reduced the occupancy of funds by various current assets. The net value of other current assets such as accounts receivable, notes receivable, inventory and prepaid expenses declined, all the above factors contributed to an increased cash inflow of RMB 2.271 billion.

Due to the expanded business activities and increased purchasing costs, accounts payable increased and cash outflow was reduced by RMB 9.294 billion.

As the discount rate of notes rose and notes payable decreased, the cash outflow was increased by RMB 6.251 billion.

Other operating-related receivables and payables increased the cash outflow by RMB 1.638 billion.

After adjusting the non-cash expense items and receivable and payable items with regard to the profit from ordinary business activities before taxation, and then deducting the cash outflow caused by payment for income tax totaling RMB 9.496 billion, the net cash flow from operating activities was RMB 60.630 billion.

- o Net cash flow from investing activities was RMB 50.343 billion.

The net cash outflow from investing activities was mainly because the Company had cash outflow for capital expenditure of RMB 44.057 billion, and the Company's joint venture had cash outflow for capital

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expenditure of RMB 4.107 billion.

- o Net cash flow from financing activities was RMB 13.232 billion.

The net cash flow from financing activities was mainly because the amount of repayments of bank loans and other loans by the Company and its joint ventures was larger than the amount of newly added bank loans and other loans, thus resulting in a cash outflow of RMB 5.649 billion. In addition, the Company distributed the final dividend for 2002 and interim dividend for 2003, resulting in a cash outflow of RMB 7.803 billion.

For the cash flow situation during 2003, the Company further strengthened its control on cash management. Cash and cash equivalents were healthily reduced as funds were better used and overall efficiency was improved.

- (3) Contingent liabilities

Refer to the descriptions under "Major Guarantees and Performance" in the section entitled "Disclosure of significant events".

- (4) Capital expenditure

Refer to the descriptions under "Capital Expenditure" in the section entitled "Business Review and Prospects".

- (5) Research and Development Expenses and Environmental Expenses

Research and development expenses refer to the expenses that have been recognized during the period in which they incurred. In 2003, the Company's research and development expenses were RMB 2.111 billion, up by RMB 591 million compared with 2002, reflecting the Company's continued commitment in technological development with the view to achieving sustained growth.

Environmental expenses refer to the normal routine pollutant discharge fees paid by the Company, excluding any capitalised costs of pollutant discharge facilities. In 2003, the Company's environmental expenses were RMB 245 million, which was similar to those in 2002.

- (6) Analysis of financial statements prepared under the PRC Accounting Rules and Regulations

The major differences between the Company's financial statements prepared under the PRC Accounting Rules and Regulations and those under IFRS are set out in the 2003 Annual Report.

The table below sets forth each of its segments' income and profit from principal operations, costs of principal operations, taxes and surcharges, as prepared under the PRC Accounting Rules and Regulations.

YEAR ENDED 31 DECEMBER	
2003	2002
RMB millions	RMB millions

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INCOME FROM PRINCIPAL OPERATIONS		
Exploration and Production Segment	62,223	50,327
Refining Segment	266,253	208,895
Marketing and Distribution Segment	240,812	186,707
Chemicals Segment	82,334	65,605
Others	60,600	42,775
Elimination of inter-segment sales	(295,031)	(230,125)
Consolidated income from principal operations	417,191	324,184
COSTS OF SALES, SALES TAXES AND SURCHARGES		
Exploration and Production Segment	31,596	28,788
Refining Segment	254,360	198,115
Marketing and Distribution Segment	210,456	163,701
Chemicals Segment	73,116	60,429
Others	59,984	42,378
Elimination of costs of inter-segment sales	(293,037)	(230,377)
Consolidated costs of sales, sales taxes and surcharges	336,475	263,034
PROFIT FROM PRINCIPAL OPERATIONS		
Exploration and Production Segment	28,785	21,973
Refining Segment	11,741	10,598
Marketing and Distribution Segment	30,356	23,006
Chemicals Segment	9,218	5,176
Others	616	397
Consolidated profit from principal operations	80,716	61,150

Financial data prepared under the PRC Accounting Rules and Regulations:

	AS AT/(YEAR ENDED) 31 DECEMBER		
	2003	2002	CHANGE
	RMB millions	RMB millions	%
Total assets	390,213	368,375	5.93
Long-term liabilities	80,109	76,152	5.20
Shareholders' funds	162,946	151,717	7.40
Profit from principal operations	80,716	61,150	32.00
Net profit	19,011	14,121	34.63

Analysis of changes:

Total assets: at the end of 2003, the Company's total assets were RMB 390.213 billion, up by RMB 21.838 billion compared with 2002. This was mainly because in 2003, the Company increased the investments in fixed assets, in order to meet the market demands. As a result, fixed assets was increased by RMB 21.809 billion.

Long-term liabilities: at the end of 2003, the Company's long-term liabilities were RMB 80.109 billion, up by RMB 3.957 billion compared with 2002. This was largely because the long-term loans, arranged pursuant to the Company's investment plan for projects, were increased by RMB 5.513 billion and the debentures payable of RMB 1.5 billion, which would become due in July 2004, were reclassified as current liabilities.

Shareholders' funds: at the end of 2003, shareholders' funds of

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the Company was RMB 162.946 billion, up by RMB 11.229 billion compared 2002. This was principally because: first, the realized net profit in 2003 reached RMB 19.011 billion; second, in 2003, the distribution of its final dividend for 2002 totaling RMB 5.202 billion and its interim dividend for 2003 totaling RMB 2.601 billion.

Profit from principal operations: in 2003, the profit from principal operations realized by the Company was RMB 80.716 billion, up by RMB 19.566 billion compared with that in 2002, representing a growth rate of 32%. This was mainly because in 2003, the prices of crude oil, petroleum products and petrochemical products went up. In addition, demands for these products went up as well. The Company seized these market opportunities and managed to improve its operating results at a stable pace.

Net profit: in 2003, the net profit realized by the Company was RMB 19.011 billion, up by RMB 4.89 billion compared with that in 2002, representing a growth of 34.63%. The increase was mainly due to the increase of the Company's profit from its principal operations.

- (7) Significant differences between the financial statements prepared under IFRS and U.S. GAAP

The major difference between the Company's financial statements prepared under IFRS and US GAAP are set out in the Annual Report of Sinopec Corp. for Year 2003.

6.2.3 The Principal Operations Categorized by Business Segments and the Status of the Connected Transactions

The following data are extracted from the financial statements prepared under the PRC Accounting Rules and Regulations.

Categorized by business segments	INCOME FROM PRINCIPAL OPERATIONS RMB millions	COST OF PRINCIPAL OPERATIONS, TAXES AND SURCHARGES RMB millions	GROSS PROFIT RATIO (%)	INCREASE/ DECREASE OF INCOME FROM PRINCIPAL OPERATIONS COMPARED WITH THE SAME	INCREASE/ DECREASE OF COS PRINC OPERAT TAXES SURCHA COMP WITH
				PERIOD OF PRECEDING YEAR (%)	PERIO PRECE YE
Exploration and production	62,223	31,596	46.26	23.64	9
Refining	266,253	254,360	4.41	27.46	28
Chemicals	82,334	73,116	11.20	25.50	20
Marketing and distribution	240,812	210,456	12.61	28.98	28
Others	60,600	59,984	1.02	41.67	41
Elimination of inter-segment sales	(295,031)	(293,037)	Inapplicable	Inapplicable	Inappli
Total	417,191	336,475	19.35	28.69	27

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Of which: connected transactions	31,648	28,272	10.67	38.60	36
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Details of connected transactions Refer to the section 6.2.4 of Connected Transactions

Principle of pricing for connected transactions (1) Government-prescribed prices and government-guided prices are adopted for products or projects if such prices are available; (2) Where there is no government-prescribed or government-guided price for products or projects, market price (inclusive of bidding price) will apply. Where none of the above is applicable, the price will be decided based on the cost incurred plus a reasonable profit of not more than 6% of the price.

6.2.4 Connected Transaction

6.2.4.1 Connected transactions entered into by the Company during this year

As reviewed by the auditors of Sinopec Corp., the aggregate amount of connected transactions actually occurred in relation to the Company during this year was RMB 102.001 billion, of which, incoming trade amounted to RMB 63.558 billion, and outgoing trade amounted to RMB 38.443 billion (including, RMB 38.291 billion of sales of products and services, RMB 111 million of interest earned, RMB 41 million of receivable agency fee). All of these satisfied the conditions of waiver imposed by the Hong Kong Stock Exchange. In 2003, the products and services provided by Sinopec Group Company (purchase, storage and transportation, exploration and production services and production-related services) to the Company amounted to RMB 58.158 billion, representing 14.33% of the Company's annual operating expenses, a decrease of 0.22% compared with those in 2002, which were within the cap of 18% for waiver. The auxiliary and community services provided by Sinopec Group Company to the Company amounted to RMB 1.821 billion, representing 0.45% of operating expenses, with a slight decrease as compared with 0.62% in the preceding year, which were within the cap of 3% for waiver. In 2003, the product sales from the Company to Sinopec Group Company amounted to RMB 38.291 billion, representing 8.64% of the Company's operating income, which were within the cap of 16% for waiver. With regard to the Leasing Agreement of Land Use Rights, the amount of rent payable by the Company for the year ended 31 December 2003 was approximately RMB 2 billion. With regard to the premium payable under the SPI Fund Document, the amount of fund payable per annum by the Company shall not be less than the amount specified in the SPI Fund Document.

Please refer to Note 33 to the financial statements prepared pursuant to the IFRS in the annual report for details of the connected transactions actually occurred during this year.

The Principal Operations Categorized by Business Segments and the Status of the Connected Transactions

The above mentioned connected transactions in 2003 have been approved at the seventh meeting of the second session of the Board of Directors of Sinopec Corp.

The auditors of Sinopec Corp. have confirmed to the Board of Directors in writing that:

- (a) The transactions have been approved by the Board of Directors;
- (b) The transactions have been entered into at considerations consistent with the pricing policies as stated in the relevant

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agreements;

- (c) The transactions have been entered into in accordance with the terms of the respective agreements and documents governing the respective transactions; and
- (d) The relevant amount has not exceeded the relevant cap for waiver.

After reviewing the above relevant transactions, the independent directors of Sinopec Corp. have confirmed that:

- (a) The transactions have been entered into by Sinopec Corp. in its ordinary course of business;
- (b) The transactions have been concluded on any one of the following terms:
 - i. on normal commercial terms;
 - ii. on terms no less favorable than those available from/to independent third parties; or
 - iii. on terms that are fair and reasonable as to the shareholders of Sinopec Corp., where there is no available comparison to determine whether item i or ii is satisfied; and
- (c) the aggregate values of the transactions have not exceeded the respective limits.

6.2.4.2 Other material connected transactions occurring during this year

- (1) Connected transactions for leasing of Sinopec Group Company's petrol stations

On 20 January 2003, Sinopec Corp. issued an announcement about the leasing of petrol stations by a number of Sinopec Corp.'s branches from a number of Sinopec Group Company's subsidiaries. The two parties signed 983 new lease agreements, each of which would expire on 31 December 2003 for a term of one year. For details, please refer to the relevant 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 21 January 2003. The total amount of rent incurred during the period of the annual report was about RMB 84.18 million, which was in conformity with the conditions of waiver approved by the Hong Kong Stock Exchange for such connected transactions.

- (2) Connected transactions for new leasing of land use rights

At the third meeting of the second session of the Board of Directors of Sinopec Corp., the Board approved "the Proposal Concerning the New Leasing of Land Use Right from Sinopec Group Company", and approved the lease of the land use rights by Sinopec Corp. of an area of 51.71 million square meters from Sinopec Group Company at an annual rent of RMB 273.4717 million. The two parties signed an "Agreement on Lease of Land Use Rights". For details, please refer to the relevant announcement published in China Securities News, Shanghai Securities News, Securities Times in China, South China Morning Post and Hong Kong Economic Times in Hong Kong on 25 August 2003. The amount of rent under the leasing agreement incurred in this reporting

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period was about RMB 263.31 million.

(3) Connected transactions for acquisition of Maoming Ethylene

At the fourth meeting of the second session of the Board of Directors of Sinopec Corp. held on 28 October 2003, the Board approved the proposal regarding Sinopec Corp.'s acquisition of the production and operating assets for principal businesses owned by Maoming Petrochemical Co., Ltd. ("Maoming Ethylene") at a price of RMB 3.3 billion. The two parties entered into an acquisition agreement. For details, please refer to Sinopec Corp.'s relevant announcement published in China Securities News, Shanghai Securities News, Securities Times in China, and South China Morning Post and Hong Kong Economic Times in Hong Kong on 29 October 2003.

(4) Acquisition of Tahe Petrochemicals and Xi'an Petrochemicals

At the fifth meeting of the second session of the Board of Directors of Sinopec Corp. held on 29 December 2003, the Board approved the Company to acquire the entire operating assets and liabilities of Tahe Oilfield and Petrochemical Plant ("Tahe Petrochemicals") and the entire operating assets and liabilities of Xi'an Petrochemical Plant General ("Xi'an Petrochemicals") in cash respectively, which were both wholly owned by Sinopec Group Company. The purchase prices were about RMB 135 million and RMB 221 million respectively. For details, please refer to Sinopec Corp.'s relevant announcement published in China Securities News, Shanghai Securities News, Securities Times in China, South China Morning Post and Hong Kong Economic Times in Hong Kong on 30 December 2003.

(5) Ongoing connected transactions:

At the time of listing in 2000, Sinopec Corp. and Sinopec Group Company signed a series of agreements regarding ongoing connected transactions. The Hong Kong Stock Exchange conditionally granted a waiver from disclosure requirements of ongoing connected transactions, which had a term of three years (from 2001 to 2003). At the end of 2003, this waiver has expired. Sinopec Corp. readjusted the cap amount for waiver from disclosure requirements of ongoing connected transactions, and re-applied for a new 3-year waiver from disclosure requirements of ongoing connected transactions and approval by shareholders from the Hong Kong Stock Exchange with regard to the relevant major ongoing connected transactions (as defined in the announcement dated 28 October 2002) in accordance with the the Listing Rules of the Hong Kong Stock Exchange, and re-applied for a new waiver from disclosure requirements of ongoing connected transactions from the Hong Kong Stock Exchange with regard to the cap amount of ongoing connected transactions (as defined in the public announcement dated on 28 October). Those major ongoing connected transactions concerning disclosure of ongoing connected transactions and waiver from disclosure with approval from shareholders, and at the request of the Shanghai Stock Exchange, those de minimus ongoing connected transactions concerning a waiver from disclosure of ongoing connected transactions, were approved by the General Meeting of Shareholders. On 16 January 2004, the Hong Kong Stock Exchange conditionally agreed to grant the new waivers from ongoing disclosure obligations to Sinopec Corp. and granted Sinopec Corp. a waiver for a period of three financial years expiring on

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31 December 2006. Within such a period of time, Sinopec Corp. does not need to follow the requirements for disclosure of connected transactions under the Listing Rules, but Sinopec Corp. must satisfy the conditions of waiver. The conditions for the waivers of ongoing disclosure obligations were set out in the letter from the Chairman incorporated in the circular concerning connected transactions and ongoing connected transactions which was dispatched to the holders of H shares by Sinopec Corp. on 29 October 2003, and were published in the announcement of the Third Extraordinary General Meeting of Shareholders for Year 2003 in China Securities News, Shanghai Securities News, and Securities Times on 29 October 2003.

6.3 Principal operations in different regions

Applicable Not applicable

6.4 Information about suppliers and customers

Total amount of purchase from the top five suppliers (RMB million)	59,486	Percentage in Sinopec Corp.'s total amount of purchase	19%
Total amount of sales to the top five customers (RMB million)	61,502	Percentage in Sinopec Corp.'s total amount of sales	15%

6.5 Operations of equity subsidiaries (applicable to the circumstance when the return on investment is more than 10% of the listed company's net profit)

Applicable Not applicable

6.6 Explain the reason of material changes in the principal operations and their structure

Applicable Not applicable

6.7 Explain the reason of material changes in the principal operations' earning power (gross profit ratio) as compared to the preceding year

Applicable Not applicable

6.8 Analyze the reason of material changes in operating result and profit composition as compared to the preceding year

Applicable Not applicable

See 6.1 Discussion and Analysis of overall operations in the reporting period and business review and 6.2 Management's Discussion And Analysis

Analyze the reason of material changes in the overall financial position as compared to the preceding year

Applicable Not applicable

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See 6.1 Discussion and Analysis of overall operations in the reporting period and business review and 6.2 Management's Discussion And Analysis

Other operations having a material impact on net profit

Applicable Not applicable

- 6.9 Explanation of the material changes in operating environment and macro policies and rules and regulations that have produced, are producing or will produce significant influences on the company's financial conditions and operating result

Applicable Not applicable

- 6.10 Fulfillment of the predicted profit

Applicable Not applicable

- 6.11 Fulfillment of the operating plan

Applicable Not applicable

The Company has not disclosed the Operating Plan for Year 2003 (including profit and expenses etc), and therefore it is not applicable.

- 6.12 Use of the proceeds from share issue

Applicable Not applicable

- 6.12.1 Use of the proceeds from H share issue
(less the expenses of the issue of H shares)

Monetary unit: RMB billion

Total proceeds from share issue after deducting the issuance expenses	24.326
Total amount of proceeds used in this year	3.273
Total amount of proceeds already used	24.326

PROJECTS UNDER COMMITMENT	PROPOSED INVESTMENT IN THIS YEAR	REPORTING PERIOD		WHETHER PLANNED PROJECTS AND EXISTING PROJECTS RETURN SATISFACTORILY
		IS THERE ANY CHANGE	ACTUAL INVESTMENT	
Oil and natural gas exploration and production	2.373	No	2.373	

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Shanghai Secco, BASF-YPC integration project and Yueyang coal gasification project	0.54	No	0.54
ERP construction of the Company's headquarters and subsidiaries	0.36	No	0.36
Total	3.273	-	3.273

6.12.2 Use of the proceeds from A share issue (less the expenses of the issue of A shares)

Monetary unit: RMB billion

Total proceeds from share issue after deducting the issuance expenses	11.648
Total amount of proceeds used in this year	1.514
Total amount of proceeds already used	9.976

PROJECTS UNDER COMMITMENT	PROPOSED INVESTMENT IN THIS YEAR	ANY CHANGE	REPORTING PERIOD		WHETHER PLANNED PROGRESS EXPECTED RETURN ARE SATISFIED
			ACTUAL INVESTMENT	YIELD	
Ningbo-Shanghai-Nanjing Crude Oil pipeline	0.814	No	0.814	-	
Southwest refined oil product pipeline project	0.7	No	0.7	-	
Total	1.514	-	1.514	-	
Reason of failure to satisfy the planned progress and expected return (Note)	Through optimization and adjustment for the Southwest refined oil product pipeline project, the State Council has approved the feasibility study report on 27 May 2003. The total investment is RMB 3.54 billion. The pipeline is 1.691 km long and it is expected to be completed and put into operation in the beginning of 2004.				
Reason and procedure of change (by projects)	No				

6.12.3 Change of projects

Applicable Not applicable

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6.13 Projects not funded by proceeds from share issue

Applicable Not applicable

PROJECT NAME	CAPITAL INVESTMENT IN PROJECT (RMB billion)	PROJECT PROGRESS	PROFIT FROM PROJECT
Exploration and production segment: Exploration of Shengli Oilfields and construction of Xinjiang Tahe facilities	18.255	progressing smoothly	Realized the optimization reserves and growth of oil gas production, reinforced foundation of its resource and rationalized the possible and proved reserves
Refining segment: Expansion and development of refining and projection improving product quality	8.915	with the investment, a batch of upgrading projects, which aimed to improve the product quality, have been built up and put into production in succession	Refining capacity was increased by 5.5 million tonnes per year for the whole year
Marketing and distribution segment: Mainly on construction of new pipeline for refined oil products and construction and renovation of petrol stations	6.126	progressing smoothly	Further optimized the marketing networks by building new petrol stations and upgrading existing petrol stations. With the investment the Company has secured its leading position in the principal market and raised brand awareness and further enhanced customer loyalty
Chemicals segment: Redevelopment of Qilu Ethylene Plant in rapid progress and project on redevelopment of fertilizers already commenced	7.348	The Qilu ethylene project upgrading was being undergoing and the chemical fertilizer upgrading projects has all been started in an all-round way	The ethylene production capacity has increased by 70,000 tonnes/year, while capacity of monomers polymer for synthetic fibers was increased by 770,000 tonnes/year
Corporate and others segment: Mainly on the development project of the Company's	0.518	progressing smoothly	The efficiency of management was increased

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information system

The joint venture projects of BASF-YPC and SECCO	4.172	progressing smoothly	-
Total	45.324	-	-

6.14 Explanation of the board of directors about the accounting firm's "non-standard comments"

Applicable Not applicable

6.15 Operating plan for the new fiscal year formulated by the board of directors

Applicable Not applicable

Business Prospect

6.15.1 Market Analysis

Looking forward for year 2004, in terms of the domestic and international market, the Company will be confronted with both good opportunities and severe challenges.

(1) Opportunities

The recovery of global economy is expected to accelerate. Both refining and chemicals business seem to be moving into cyclical upturn. China's economy also presents a significant opportunity for strategic development. It is predicted that China's GDP growth rate will be around 7% in 2004, which will drive consumption for petroleum and petrochemical products, and further provide a sound environment for the Company's business growth.

(2) Challenges

Aside from the above opportunities, the Company is also faced with various challenges: (1) the international oil market is undergoing big fluctuations, and the crude oil price is likely to fall below the 2003 average, (2) a number of factors including the further opened domestic market to overseas competitors, cancellation of import quota of state designated trading company for importing refined oil products, the increased import quota of non-state designated trading companies for importing refined oil products, as well as additional reduction of import duty of chemical products, will give rise to even fiercer competitions in the market.

6.15.2 Production Operations

Faced with the opportunities and challenges in 2004, the Company intends to adopt a flexible operating strategy and focus on the following areas:

Exploration and Production Segment: The Company will adhere to

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the principle of "balanced reserves, production, investment and efficiency", set up a notion of "operations of oil reserves", make efforts to add supplemental resources, and reduce costs, as well as to enhance the recovery rate and commodity rate. Meanwhile, the Company will give priority to the exploration in the western areas to increase the production in those areas. In addition, the Company will make efforts to further tap the existing resources in the eastern matured areas and maintain the stable production of crude oil and natural gas so that the Company can keep balance between newly added reserve and production, and at the same time ensure a sustainable growth of its exploration and production business.

In 2004, the Company plans to produce 38.60 million tonnes of crude oil, 5.8 billion cubic meters of natural gas, and newly build production capacity of crude oil would be 5.98 million tonnes per year and that of natural gas 1.534 billion cubic meters per year.

Refining Segment: the Company intends to rationally arrange its crude oil throughput in line with market demands, optimize the allocation and transportation of crude oil resources, as well as adjust its product mix. For the year 2004, the Company plans to process 120.3 million tonnes of crude oil. The Company will continue to tap the market for the petroleum products other than gasoline, diesel and kerosene, and will endeavor to increase the production of high value-added products, such as LPG, propylene, high-grade road asphalt, and lubricating oil, to further increase the major techno-economic indicators with the target for light products yield at 74% and refining yield at 92.7%.

Marketing and Distribution Segment: The Company will continue to strengthen its awareness and concept of "market, competitiveness and services" and proactively tap the market. Meanwhile, the Company will further adjust its marketing structure, increase its retail and direct distribution volume, and increase the retail market shares. The Company intends to continue to optimize the allocation of refined oil products, reduce costs and improve its efficiency. Based on the domestic and international market situation, the Company will rationalize domestic sales and export volume. In 2004, the Company plans to have a total domestic sales volume of refined oil products of 80 million tonnes, including a retail sales volume of 42 million tonnes, and a direct distribution volume of 16.5 million tonnes.

Chemicals Segment: Efforts will be made to "ensure safe, stable, sustained and optimal production at a high utilization rate", and to increase the total production and sales volume. The Company will continue to monitor the market demands and make efforts in marketing promotion and customer service. In addition, the Company will speed up its reform of its marketing system to improve the competitiveness in the market. In the 2004, the Company plans to produce 3.56 million tonnes of ethylene, 5.4 million tonnes of synthetic resins, 520 thousand tonnes of synthetic rubbers, 1.28 million tonnes of synthetic fiber, and 4.76 million tonnes of synthetic fiber monomers and polymers. The priority will be given to quality, varieties and cost control. As a result, the Company intends to further improve its competitiveness, and increase the production of performance compound resins and differential fibers.

Scientific and Technological Development: The Company accelerated

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its development of core technology and proprietary technology. In light of the difficulties in maintaining stable production in those matured fields in the east of China and the breakthrough in those newly developed fields, the Company will focus on conducting in-depth research of concealed reserves of crude oil and natural gas and the formation mechanism of natural gas reserves, and intensifying its study of the general geology in the west and south of China, and to solve the engineering roadblocks in terms of the technology for development of oil reserves in carbonate rock cavity, and to improve the technology for enhancing the recovery rate in those matured fields. Besides, the Company has followed market demands closely, made efforts to increase the aggregate operating results of the Refining and Chemicals Segments, and endeavored to achieve such operating objectives as "improving the product quality and adjusting the product mix". Moreover, the Company pooled its resources and made efforts in developing a number of techniques for production of clean fuel, production increase of chemical feedstock, production of low-cost hydrogen, and the "Localization of packaged technology for large-scale ethylene unit", with an aim to develop its core technology, proprietary technology and popular products of its own. Meanwhile, the Company formed its own investment plan with reference to the actual needs of each of its business segments in terms of production and business operation, and made further efforts in promoting its scientific and technological research results.

Continued efforts were made in the construction of information system with a focus on ERP, reinforce the building of information system in production level. Additionally, the Company urged its affiliated subsidiaries to apply the ERP system, and improve and optimize the functions of the ERP system as well, set up the information management system to work in conjunction with its established modern logistics system. The Company also intends to promote the application of the primary and secondary logistic optimization programs for refined oil products in a full range, and realize the full-process monitoring over and deployment optimization of Ningbo-Shanghai-Nanjing crude oil pipeline transportation and distribution management system, as well as initialize the construction of an information management system for the crude oil pipeline along the Yangtze River and southwest refined oil products pipeline at an appropriate time.

Cost Saving: In 2004, the Company will resort to scientific and technological advancement, reinforce its management practices, and intensify its reform measures, enhance its operating efficiency. It plans to achieve a cost saving of RMB 2.5 billion, of which Exploration and Production Segment is going to achieve a cost saving by RMB 600 million, Refining Segment RMB 600 million, Chemicals Segment RMB 700 million, and Marketing and Distribution Segment RMB 600 million.

Prudent Investment: The Company is going to assume the adjustment on investment structure as the starting point, motivate the streamlining on existing assets through adjusting newly added investments. In 2004, the Company is expected to budget its capital expenditure at RMB 50.2 billion, of which RMB19.9 billion for the Exploration and Production Segment, RMB11.8 billion for Refining Segment, RMB 9.5 billion for Chemicals Segment, RMB 8.0 billion for Marketing and Distribution Segment, and RMB 1 billion for ERP system construction and other sectors. The capital expenditure in 2004 will focus on the following areas:

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Exploration and Production Segment: While maintaining stable production and ensuring a balance between newly added reserves and production in eastern China, efforts are to be made to speed up the exploration in those new blocks in southern China and in western China, proactively adjust crude oil and natural gas resource structure to enhance reserves and production, further improve reserve series and reduce cost.

Refining Segment: In accordance with the regional demand of refined oil products, the company will speed up the revamp of costal refineries such as Shanghai Petrochemical, Gaoqiao, Maoming and Guangzhou refinery. The Ningbo-Shanghai-Nanjing crude oil pipeline is to be put into operation to help the optimization of crude oil resources. Moreover, the Company will further develop its competitive advantage for integration of oil refining and chemical production facilities, further optimize product mix and increase chemical feedstock production.

Chemicals Segment: The Company will speed up the adjustment on product mix and technological innovation for chemical business, focus on core business and increase total production. Emphasis will be drawn on the second-round upgrading projects for Qilu and Maoming ethylene facilities and the project of substituting oil by coal as raw materials in some chemical fertilizer enterprises.

Marketing and Distribution Segment: the Company will complete the construction of southwest refined oil products pipeline, and further optimize the marketing and distribution network. Efforts are to be made to construct petrol stations along expressways and rivers and in rural areas, and to set up distribution networks in major cities, to consolidate the Company's leading position in the market, and to improve the Company's profitability and market share.

In addition, the two world-class ethylene joint ventures with BASF and BP is at critical construction phase. The Company will, according to schedule and scale of construction determined by the board of directors of the two joint ventures and the Sinopec Corp.'s percentage of shareholdings in the joint ventures, inject investment in a timely manner. The investment to be incurred shall be included in the Company's investment in associates and the Company's capital expenditure as appropriate.

In this year, we are confident that under leadership of the Board of Directors and with the joint efforts made by our employees, the Company will further improve its competitiveness, and continue to post reasonably good operating results.

Profit forecast for the new fiscal year

Applicable Not applicable

- 6.16 Plan of the board of directors for profit appropriation or transfer of statutory surplus reserve to capital for this year

According to the consolidated income statement prepared pursuant to the PRC Accounting Rules and Regulations and the consolidated income statement prepared pursuant to IFRS, the Company's audited net profit in 2003 was RMB 19.011 billion and RMB 21.593 billion respectively. In accordance with the provisions of the Sinopec Corp.'s Articles of Association, the appropriation of the profit

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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 or under IFRS, whichever is lower. After transferring 10% to the statutory surplus reserve and 10% to the statutory public welfare fund from Sinopec Corp.'s net profit, together with the undistributed profits brought forward from the preceding year, and deducting the final dividend for Year 2002 and the interim dividend for 2003 distributed in 2003, the amount of distributable profit of Sinopec Corp. carried forward to the fiscal year of 2004 would be RMB 19.732 billion. On the basis of the total number of 86,702,439,000 shares in issue at the end of 2003, according to the resolution approved at the seventh meeting of the second session of the Board of Directors of Sinopec Corp., the proposed cash dividends to be distributed in cash would be RMB 0.09 per share (including tax) and the total amount of cash dividends in 2003 amounted to RMB 7.803 billion. After deducting the cash dividends of RMB 0.03 per share distributed in the interim of 2003 (totaled RMB 2.601 billion), the final cash dividends for Year 2003, declared after the Balance Sheet date, would be RMB 0.06 per share (totaled RMB 5.202 billion). No statutory surplus reserve would be transferred to capital this year. This preliminary plan for profit appropriation will be implemented subject to the consideration and approval at the Annual General Meeting of Shareholders for Year 2003 proposed to be convened on 18 May 2004 (Tuesday).

The proposed final dividend will be distributed on or before 28 June 2004 (Monday) to those shareholders whose names appear on the register of members of Sinopec Corp. at the close of business on 4 June 2004 (Friday). The register of members of Sinopec Corp.'s H shares will be closed from 31 May 2004 (Monday) to 4 June 2004 (Friday) (both dates are inclusive). In order to qualify for the year end dividend for H shares, the shareholders must lodge all share certificates accompanied by the transfer materials with Hong Kong Registrars Limited, at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 pm on Friday, 28 May 2004 for registration.

Dividend will be denominated and declared in Renminbi. The dividend for holders of domestic shares will be paid in Renminbi and the dividend for holders of foreign shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates 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.

Section 7 . SIGNIFICANT EVENTS

7.1 Acquisition of assets

Applicable Not applicable

NET PROFIT
CONTRIBUTED TO
THE LISTED
COMPANY IN THE

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COUNTERPART OF TRANSACTION AND THE ASSETS ACQUIRED	DATE OF ACQUISITION	ACQUISITION PRICE	PERIOD FROM THE DATE OF ACQUISITION TO THE END OF THIS YEAR*
1. Acquisition of Maoming ethylene assets from Sinopec Group Company	Dec. 31, 2003	RMB3.3 billion	Nil
2. Acquisition of the entire operating assets and liabilities of Tahe Oilfield and Petrochemical Plant ("Tahe Petrochemicals") and Xian Petrochemical Plant General ("Xian Petrochemicals"), both of which are wholly-owned by Sinopec Group Company	Dec. 31, 2003	RMB0.135 billion RMB0.221 billion	Nil

* In accordance with PRC Accounting Rules and Regulations

The above events do not have any material impact on the continuity of the Company's business or the stability of the management.

7.2 Sales of assets

Applicable Not applicable

7.3 Material guarantees

Applicable Not applicable

BORROWER	DATE OF OCCURRENCE (DATE OF EXECUTION OF AGREEMENT)	AMOUNT RMB million	TYPE	TERM	WHETHER PERFORMED OR NOT
Shanghai Secco Petrochemical Co., Ltd.	Feb. 9, 2002	2,930	Joint and several liability	Feb. 9, 2002 - Dec. 20, 2021	No
Shanghai Secco	Feb. 9, 2002	4,062	Joint and	Feb. 9, 2002	No

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Petrochemical Co., Ltd.			several liability	- Dec. 20, 2013	
BASF-YPC Co., Ltd	Mar. 7, 2003	4,680	Joint and several liability	Mar. 7, 2003 - Dec. 31, 2008	No
Yueyang Sinopec Shell Coal Gasification Co., Ltd.	Dec. 10, 2003	377	Joint and several liability	Dec. 10, 2003 - Dec. 10, 2017	No
Others		358	Joint and several liability		No

Total amount of guarantee provided by the Sinopec Corp. for its controlling subsidiaries

Total amount of guarantee provided by Sinopec Corp. not in compliance with the requirements of Zheng Jian Fa [2003] No. 56

Total amount of guarantee as a percentage of the Company's net assets

Total amount of guarantee provided

Total amount of guarantee outstanding

Of which: total outstanding amount of guarantee provided to connected parties

Note: These guarantees were granted to a subsidiary and an associate of Sinopec Corp. Pursuant to "Notice on Certain Issues Relating to Regulating Funds Transfers between a Listed Company and Connected Parties and the External Guarantees of the Listed Company" Zheng Jian Fa (2003) No.56 promulgated by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council, as the total liabilities to total assets ratios of this subsidiary and associate were over 70%, the provision of these guarantees is subject to restrictions.

Material Items of Guarantee under Performance

At the fourteenth meeting of the first session of the Board of Directors of Sinopec Corp., the Board approved Sinopec Corp. to provide guarantee with conditions in both domestic and foreign currency for Shanghai Secco's project loan, and the amount of guarantee was equal to RMB 6.992 billion. For relevant details, please see Sinopec Corp.'s 2001 annual results announcement published in China Securities, Shanghai Securities and Securities Times in China and South China Morning Post and Hong Kong Economic Times in Hong Kong on 2 April 2002.

At the twenty-second meeting of the first session of the Board of Directors of Sinopec Corp., the Board approved the proposal concerning Sinopec Corp.'s provision of equity pledge for the BASF-YPC project loan on the condition that BASF should provide

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equity pledge 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., of an amount of RMB 377 million.

On 7 March 2003, Sinopec Corp. signed a "Guarantee Agreement for Completion of Construction" with domestic and foreign banks, whereby it guaranteed 40% of a domestic and foreign currencies denominated loan equivalent to around RMB 11.7 billion provided by such banks to BASF-YPC Co., Ltd. for completion of construction.

7.4 Connected obligatory rights and debts

Applicable Not applicable

Unit: RMB

CONNECTED PARTY	FUNDS PROVIDED TO CONNECTED PARTY		FUND PROVIDED TO THE
	OCCURRENCE AMOUNT	BALANCE	BY CONNECTED PART OCCURRENCE AMOUNT
Sinopec Group Company and its subsidiaries	(2,236)	8,894	4,889
Total	(2,236)	8,894	4,889

7.5 Trust financial management

Applicable Not applicable

7.6 Performance of commitments

Applicable Not applicable

- (1) As at the end of the reporting period, the undertakings made by Sinopec Corp. included:
 - (a) 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;
 - (b) Changing the logo at the petrol stations within a specific period of time;
 - (c) Setting up separate office buildings between Sinopec Group Company and Sinopec Corp. within a specific period of time; and
 - (d) 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:

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- (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) Implementing the Reorganization Agreement (as referred to in the prospectus for the issue of H Shares);
 - (d) Granting licenses for intellectual property;
 - (e) Avoiding competition within the industry; and
 - (f) 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 22 June 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.

7.7 Litigation and arbitration of significant importance

Applicable Not applicable

7.8 Independent directors' performance of their duties

During the reporting period, the independent directors performed their duties seriously in strict compliance with the requirements of the relevant laws, regulations and the Articles of Association, and participated in major decision making with good faith, diligence and responsibility. Furthermore, they have actively attended the meetings of the Board of Directors and acted as members of the Board of Directors' professional committees, and also acted as member of the Audit Committee and the Remuneration & Evaluation Committee respectively. The independent directors put forth many constructive comments and advice on the Company's development strategy, corporate governance, internal reform and business operations. They have also independently examined material connected transactions, including the leasing of petrol stations from the parent company, the leasing of additional land use rights from the parent company, ongoing connected transactions, acquisitions of Maoming Ethylene, Xi'an Petrochemicals and Tahe Petrochemicals, etc. from the parent company, and provided their independent comments. Moreover, with respect to the appointment or dismissal of directors and the employment of senior management officers as well as guarantees, etc., the independent directors have put forth independent comments, thus safeguarding the interests of the Company and all its shareholders.

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7.9 Analysis and explanation for other significant events, their impacts and solutions

7.9.1 Issuance of corporate bonds

At the third meeting of the second session of the Board of Directors of Sinopec Corp. held on 22 August 2003, the Board considered and approved "the Proposal Concerning the Issuance of Domestic Corporate Bonds Amounting to RMB 3.5 billion". This proposal was approved at Sinopec Corp.'s second Extraordinary General Meeting of Shareholders for Year 2003 held on 15 October 2003. On 16 January 2004, Sinopec Corp. obtained the approval from the National Development and Reform Commission ("NDRC") to issue 10-year domestic corporate bonds of RMB 3.5 billion. On 23 February 2004, the sixth meeting of Sinopec Corp.'s second session of the Board of Directors and the NDRC determined the coupon rate at of the corporate bonds to be 4.61%. As of the date of 8 March 2003, the corporate bonds of Sinopec Corp. have been issued successfully. For relevant details, please refer to Sinopec Corp.'s announcement published in China Securities, Shanghai Securities, and Securities Times in China, and South China Morning Post and Hong Kong Economic Times in Hong Kong, respectively on 25 August 2003, 15 October 2003, 30 January 2004, 9 February 2004, and 24 February 2004.

7.9.2 Joint development of natural gas project in east china sea

On 19 August 2003, Sinopec Corp., CNOOC, Shell and Unocal entered into an agreement regarding the joint exploration, development and sales of the natural gas, petroleum and condensed oil resources in East China Sea region. The above agreement included 5 contracts, the subject areas of which are all located at the Xihu Trough in East China Sea, including 3 contracted exploration areas and 2 contracted development areas, covering a total area of approximately 22,000 square kilometers. Sinopec Corp. and CNOOC will each share 30% of the total rights and interests of this project, while Shell and Unocal will each have 20% of the total rights and interests. CNOOC will serve as the operator in the above 5 contracted areas. Under this framework, Sinopec Corp. will lead the Natural Gas Marketing Department in East China Sea and be jointly responsible for the sales of natural gas produced in this project. This marks the official commencement of the Natural Gas Co-operative Development Project in Xihu Trough of East China Sea.

The above 5 contracted areas represent a large acreage, and bear numerous discoveries and yet are relatively under-explored with considerable potential. Chunxiao Project is the first one under the five contracts which has been invested in and developed, and is expected to be put into production in mid-2005 and to supply natural gas to users in eastern China.

7.9.3 Evaluation and incentive mechanism of senior management

Sinopec Corp. has established and continuously improved a fair and transparent performance evaluation standard and an incentive and constraint mechanism for the directors, supervisors and other senior management officers. It has implemented such incentive policies as a the Performance Evaluation and Salary Incentive Plan for the Senior Management of Sinopec Corp.", "the Plan of Stock Appreciation Rights for the Senior Management of Sinopec Corp". and "the Measures on the First Granting of Stock Appreciation Rights to the Senior Management of Sinopec Corp"., all of which were approved by the Fourth Extraordinary General Meeting of Shareholders held on 7 September 2000. In 2003, Sinopec Corp. implemented the incentive policies such as "the Implementing Measures of Salary for Senior Management of Sinopec Corp. (Tentative)"

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During the period of this report, the reserves for the stock appreciation rights to be granted at the first time have already been prepared according to "the Measures on the First Granting of Stock Appreciation Rights for the Senior Management of Sinopec Corp."

7.9.4 Employees reduction

Sinopec Corp. plans to reduce the number of employees by 100,000 persons by means of retirement, voluntary resignation and/ or redundancy within the period of 5 years from 2001 to 2005, so as to enhance its efficiency and operating profit. As of the end of 2003, the net aggregate reduction in the past 3 years amounted to 108,000 persons. In 2003, the Company has recorded employees reduction expenses of RMB 1.014 billion for about 21,000 employees who voluntarily resigned.

Section 8. REPORT OF THE SUPERVISORY COMMITTEE

During this reporting period, all members of the Supervisory Committee, observing the principle of good faith, duly fulfilled their supervising duties to safeguard the rights of Sinopec Corp.'s shareholders and the interest of the Company in accordance with the Company Law of the People's Republic of China and the Articles of Association of Sinopec Corp.

During this reporting period, the Supervisory Committee held five meetings. At the twelfth meeting of the first session of the Supervisory Committee held on 20 January 2003 by way of written resolutions, the Committee reviewed and approved the "Amended Rules of Procedures for the Supervisory Committee of Sinopec Corp.", and agreed to submit the above rules to the first Extraordinary General Meeting of Year 2003 for approval. At the thirteenth meeting of the first session of the Supervisory Committee held on 22 January 2003, the Committee reviewed and approved the "Working Report of the First Session of the Supervisory Committee of Sinopec Corp.", and agreed to report to the first Extraordinary General Meeting for the Year 2003; and issued the notification of the investigation report for four significant investment projects and the review meeting of the Supervisory Committee of Sinopec Corp.. At the fourteenth meeting of the first session of the Supervisory Committee held on 28 March 2003, the Committee heard the "Report on the Operating Business and Financial Position of Sinopec Corp. for the Year 2002" prepared by the Finance Department and the explanation about KPMG's audit report, examined and approved the "Annual Financial Statements of Sinopec Corp. for the Year 2002", the "Annual Report of Sinopec Corp. for the Year 2002" and the "Annual Report of the Supervisory Committee for the Year 2002", and passed the relevant resolutions. At the first meeting of the second session of the Supervisory Committee held on 22 April 2003, the Committee elected its new chairman and passed the resolution. At the second meeting of the second session of the Supervisory Committee held on 22 August 2003, the Committee heard the "Report on the Operating Business and Financial Positions of Sinopec Corp. in the first half of 2003" prepared by the Finance Department and the explanation about KPMG's audit report, examined and approved the "Interim Report of Sinopec Corp. for the Year 2003", the "Proposal for Issuance of Corporate Bond of Sinopec Corp." and the "Proposal for Lease of Additional Land Use Rights from Sinopec Group Company", and passed the relevant resolutions.

In 2003, through reviewing the Company's financial reports and carrying out investigation and examination, the Supervisory Committee effectively supervised the Company's financial positions and the senior executives' performance of their duties. In the opinion of the Supervisory Committee, Sinopec Corp. abided by the operation principles of standardization, precision and integrity and carried out operations according to law. The Company

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overcame many unfavorable factors affecting its production and management such as the sharp fluctuation of oil price in international market and outbreak of SARS, implemented the operating strategy of "expanding resources and market, reducing cost and disciplining investment" and reached the goals of both business operation and economic benefit, so the Company's economic benefits increased significantly and its actual strength was further enhanced.

Firstly, the financial statement for Year 2003 has been prepared respectively in accordance with the PRC Accounting Rules and Regulations and the IFRS. The principle of consistency has been followed in financial reporting, and the reported data truly and fairly reflect Sinopec Corp.'s financial positions and operating performance. The income from principal operations and net profits in accordance with the PRC Accounting Rules and Regulations were RMB 417.191 billion and RMB 19.011 billion respectively. The operating incomes and profit attributable to shareholders in accordance with the IFRS were RMB 443.136 billion and RMB 21.593 billion respectively.

Secondly, the Company utilized the funds from previous years' financing activities of RMB 4.787 billion in conformity with its undertakings for projects. As of 31 December 2003, there were no balanced proceeds from the H Shares' issuance while a balance of RMB 1.672 billion from the proceeds of A Shares issuance remained unused.

Thirdly, the Company's asset reorganization and capital operation were in conformity with the relevant regulations and were effective. During the reporting period, the Company reorganised and set up an Acrylic Fiber Sales Division; the Company purchased Maoming Ethylene, Xi'an Petrochemicals and Tahe Petrochemicals from Sinopec Group at reasonable prices, and there were no problems that were detrimental to the shareholders' interests and led to Sinopec Corp.'s loss of assets. By taking such measure as asset reorganization, Sinopec Corp. speeded up its structural adjustment, strengthened and expanded its principal business and enhanced its market competitiveness, thus achieving its strategic goal of sustainable growth.

Fourthly, the Company's standardized internal control rules was established. In this year, the Company enhanced its fundamental management tasks, formulated and issued "Internal Control Manual", whereby it established a unified internal control principle, business flow control system and guidelines of restrictions on internal authorization ranging from investment, production, operation, finance and supervisory inspection, etc. These have enhanced the unification of each control system of the Company and further facilitated the standardization of management for the benefit of the Company's healthy development.

Fifthly, the operation of connected transactions was in conformity with the relevant regulations. All connected transactions between the Company and Sinopec Group were in conformity with the relevant regulations of the Stock Exchange of Hong Kong and the Shanghai Stock Exchange. The connected transaction were reasonable and fair in price and abided by the principle of "fair, justified and open", and no problems which were detrimental to the non-connected shareholders and the Company's benefits were discovered.

Sixthly, the Board of Directors assumed carefully the rights and obligations stipulated by the Company Law of People's Republic of China and the Articles of Association of Sinopec Corp., and comprehensively carried out the resolutions passed at the General Meetings of Shareholders. The policy-making on significant issues, such as the Company's production and business objectives, sustainable development measures, legitimate and standardized operation, etc, were performed in conformity with lawful procedures and in a timely manner. The Directors, President and the other senior management of Sinopec Corp. adhered to the principles of diligence, integrity and good faith in carrying out business operations with an aim to maximize the interests of

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the Company. There was no infringement of the relevant laws, regulations and Articles of Association and no harm to the shareholders' interests was caused by the above personnel during the discharge of their duties during the reporting period.

In the year ahead, the Supervisory Committee will further carry out investigation and examination with the focus on improvement and implementation of internal control rules, execution of the fixed asset investment plan, asset acquisition or swap, the flow of connected transactions and the execution of financial budget. The Supervisory Committee will further strengthen its supervision and investigation of the Company's financial conditions and, based on the principle of aggressing in an honest and bona fides manner, will perform its supervisory functions thoroughly to promote the growth of the Company's profit in 2004 and safeguard the shareholders' interests.

Section 9. FINANCIAL STATEMENTS

9.1 Auditors' opinion

Financial Statements	<input type="checkbox"/> Unaudited	<input checked="" type="checkbox"/> Audited
Auditor's opinion	<input checked="" type="checkbox"/> Standard unqualified opinion	<input type="checkbox"/> Not standard opinion

9.2 The Group's and the Company's balance sheets and income statements with comparatives, and cash flow statements for the year

9.2.1 Financial statements prepared in accordance with the PRC Accounting Rules and Regulations

(1) Balance Sheet

	AT 31 DECEMBER 2003		AT 31 DECEMBER	
	THE GROUP RMB millions	THE COMPANY RMB millions	THE GROUP RMB millions	CO CO RMB mil
CURRENT ASSETS:				
Cash at bank and in hand	17,405	6,581	18,712	
Bills receivable	5,953	1,282	4,684	
Trade accounts receivable	9,284	7,080	10,670	
Other receivables	15,457	24,861	16,817	2
Advance payments	3,904	2,990	3,193	
Inventories	44,915	22,793	44,932	2
Total current assets	96,918	65,587	99,008	7
LONG-TERM EQUITY INVESTMENT:				
(Including the Group's and the Company's equity investment differences of RMB 400 million and RMB 395 million respectively (2002: RMB 532 million and 537 million))				
	11,150	98,334	11,025	9
FIXED ASSETS:				
Fixed assets, at cost	461,128	223,015	431,391	20
Less: Accumulated depreciation	213,804	94,138	199,602	8
	247,324	128,877	231,789	11
Less: Provision for impairment				

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loss of fixed assets	1,331	764	391	
Net book value of fixed assets	245,993	128,113	231,398	11
Construction materials	1,226	263	1,403	
Construction in progress	28,513	19,858	21,122	1
Total fixed assets	275,732	148,234	253,923	13
INTANGIBLE ASSETS AND				
OTHER ASSETS:				
Intangible assets	4,564	3,712	4,062	
Long term deferred expense	97	-	-	
Total intangible assets and other assets	4,661	3,712	4,062	
DEFERRED TAXATION:				
Deferred tax assets	1,752	1,510	357	
Total assets	390,213	317,377	368,375	29
Current liabilities:				
Short-term loans	20,904	9,787	26,979	1
Bills payable	23,958	18,006	30,139	2
Trade accounts payable	22,704	18,117	19,212	1
Receipts in advance	5,908	4,077	3,767	
Wages payable	1,850	643	1,447	
Staff welfare payable	1,230	583	1,024	
Taxes payable	6,986	2,975	3,380	
Other payables	1,237	380	1,054	
Other creditors	27,537	26,102	19,787	1
Accrued expenses	303	133	561	
Current portion of long-term liabilities	8,175	4,428	8,573	
Total current liabilities	120,792	85,231	115,923	8
LONG-TERM LIABILITIES:				
Long-term loans	79,221	68,723	73,708	6
Debentures payable	-	-	1,500	
Other long-term payables	888	461	944	
Total long-term liabilities	80,109	69,184	76,152	6
DEFERRED TAXATION:				
Deferred tax liabilities	289	16	474	
TOTAL LIABILITIES	201,190	154,431	192,549	14
MINORITY INTERESTS	26,077	-	24,109	
SHAREHOLDERS' FUNDS:				
Share capital	86,702	86,702	86,702	8
Capital reserve	36,852	36,852	36,588	3
Surplus reserves (Including statutory public welfare fund of RMB 6,330 million (2002: RMB 4,429 million))	19,660	19,660	15,858	1
Unrecognised investment losses	(243)	-	-	
Undistributed profit (Including dividend declared after the balance sheet date in respect of the year 2003 of RMB 5,202 million (2002: RMB 5,202 million))	19,975	19,732	12,569	1
TOTAL SHAREHOLDERS' FUNDS	162,946	162,946	151,717	15

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TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	390,213	317,377	368,375	29
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(2) Income statement and profit appropriation statement

	FOR THE YEAR ENDED 31 DECEMBER 2003		FOR THE YEAR EN DECEMBER 20	
	THE GROUP	THE COMPANY	THE GROUP	
	RMB millions	RMB millions	RMB millions	RMB
INCOME FROM PRINCIPAL OPERATIONS	417,191	275,426	324,184	
Less: Cost of sales	323,104	228,387	251,182	
Sales taxes and surcharges	13,371	8,413	11,852	
PROFIT FROM PRINCIPAL OPERATIONS	80,716	38,626	61,150	
Add: Profit from other operations	856	146	889	
Less: Selling expenses	14,582	9,591	13,279	
Administrative expenses	21,219	14,038	17,253	
Financial expenses	4,129	2,337	4,327	
Exploration expenses, including dry holes	6,133	4,483	4,363	
OPERATING PROFIT	35,509	8,323	22,817	
Add: Investment income	548	22,844	505	
Non-operating income	292	104	333	
Less: Non-operating expenses	6,334	3,599	1,643	
PROFIT BEFORE TAXATION	30,015	27,672	22,012	
Less: Taxation	9,361	8,904	6,809	
Minority interests	1,886	-	1,082	
Add: Unrecognised investment losses	243	-	-	
NET PROFIT	19,011	18,768	14,121	
Add: Undistributed profits at the beginning of year	12,569	12,569	16,942	
DISTRIBUTABLE PROFITS	31,580	31,337	31,063	
Less: Transfer to statutory surplus reserve	1,901	1,901	1,412	
Transfer to statutory public welfare fund	1,901	1,901	1,412	
Transfer to discretionary surplus reserve	-	-	7,000	
DISTRIBUTABLE PROFITS TO SHAREHOLDERS	27,778	27,535	21,239	
Less: Ordinary shares' final dividend	5,202	5,202	6,936	
Ordinary shares' interim dividend	2,601	2,601	1,734	
UNDISTRIBUTED PROFIT (Including dividend declared after the balance sheet date				

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in respect of the year 2003 of
RMB 5,202 million (2002: RMB
5,202 million))

19,975

19,732

12,569

(3) Cash Flow Statement

	Note	FOR THE YEAR ENDED 31 DECEMBER 2003 THE GROUP RMB millions	THE CO RMB mil
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of goods and rendering of services		505,489	33
Rentals received		370	
Other cash received relating to operating activities		2,925	
SUB-TOTAL OF CASH INFLOWS		508,784	33
Cash paid for goods and services		(371,086)	(25)
Cash paid for operating leases		(4,224)	(
Cash paid to and on behalf of employees		(15,964)	(
Value added tax paid		(19,429)	(1
Income tax paid		(9,486)	(
Taxes paid other than value added tax and income tax		(12,904)	(
Repayments of borrowings on behalf of a subsidiary		-	
Other cash paid relating to operating activities		(11,243)	(1
SUB-TOTAL OF CASH OUTFLOWS		(444,336)	(31
 Net cash flow from operating activities	(a)	 64,448	 2
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from sales of investments		107	
Dividend received		442	
Net cash received from sales of fixed assets and intangible assets		380	
Maturity of time deposits with financial institutions		1,700	
Other cash received relating to investing activities		300	
SUB-TOTAL OF CASH INFLOWS		2,929	
Cash paid for acquisition of fixed assets and intangible assets		(43,966)	(2
Cash paid for acquisition of fixed assets and intangible assets of jointly controlled entities		(4,107)	(
Cash paid for purchases of investments		(1,545)	(
Increase in time deposits with financial institutions		(2,871)	(2
SUB-TOTAL OF CASH OUTFLOWS		(52,489)	(2

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NET CASH FLOW FROM INVESTING ACTIVITIES	(49,560)	(1)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contribution from minority interests	580	
Proceeds from borrowings	228,654	14
Proceeds from borrowings of jointly controlled entities	1,450	
SUB-TOTAL OF CASH INFLOWS	230,684	14
Repayments of borrowings	(235,175)	(14)
Cash paid for dividends, distribution of profit or interest	(12,520)	(1)
Dividend paid to minority shareholders by subsidiaries	(360)	
SUB-TOTAL OF CASH OUTFLOWS	(248,055)	(15)
NET CASH FLOW FROM FINANCING ACTIVITIES	(17,371)	(1)
EFFECT OF FOREIGN EXCHANGE RATE	5	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,478)	(c)

NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	FOR THE YEAR ENDED 31 DECEMBER 2003	
	THE GROUP RMB millions	THE CO RMB mil
(a) RECONCILIATION OF NET PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	19,011	1
Add:		
Allowance for doubtful accounts	1,902	
Provision for/(written back of) diminution in value of inventories	114	
Depreciation of fixed assets	27,151	1
Amortisation of intangible assets	520	
Impairment loss on fixed assets	940	
Impairment loss on long term investments	115	
Net loss on disposal of fixed assets and intangible assets	3,291	
Financial expenses	4,129	
Dry hole costs	2,789	
Investment income	(515)	(1)
Deferred tax	(1,580)	(
Decrease in inventories	676	
Increase in operating receivables	(866)	
Increase in operating payables	4,885	
Minority interests	1,886	
NET CASH INFLOW FROM OPERATING ACTIVITIES	64,448	2

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(b)	FINANCING ACTIVITIES NOT REQUIRING THE USE OF CASH OR CASH EQUIVALENTS	
	Current portion of convertible bond	1,500
(c)	NET DECREASE IN CASH AND CASH EQUIVALENTS	
	Cash and cash equivalents at the end of the year	15,221
	Less: Cash and cash equivalents at the beginning of the year	17,699
	NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,478)

9.2.2 Financial statements prepared in accordance with International Financial Reporting Standards

CONSOLIDATED INCOME STATEMENTS

	FOR THE YEAR ENDED 31 DECEMBER 2003 RMB millions	FOR THE END DEC RMB mil
TURNOVER AND OTHER OPERATING REVENUES		
Turnover	424,318	32
Other operating revenues	18,818	1
	443,136	34
OPERATING EXPENSES		
Purchased crude oil, products and operating supplies and expenses	(312,488)	(237)
Selling, general and administrative expenses	(25,940)	(21)
Depreciation, depletion and amortisation	(26,735)	(25)
Exploration expenses, including dry holes	(6,133)	(4)
Personnel expenses	(16,182)	(14)
Employee reduction expenses	(1,014)	
Taxes other than income tax	(13,491)	(11)
Other operating expenses, net	(3,886)	(1)
Total operating expenses	(405,869)	(316)
OPERATING PROFIT	37,267	2
FINANCE COSTS		
Interest expense	(3,728)	(4)
Interest income	308	
Foreign exchange losses	(413)	
Foreign exchange gains	30	
NET FINANCE COSTS	(3,803)	(4)
Gain from issuance of shares by a subsidiary	136	
Investment income	75	
Share of profits less losses from associates	406	
Profit from ordinary activities before taxation	34,081	2
Taxation	(10,545)	(7)
PROFIT FROM ORDINARY ACTIVITIES AFTER TAXATION	23,536	1
Minority interests	(1,943)	(1)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	21,593	1
BASIC EARNINGS PER SHARE (RMB)	0.25	
DIVIDENDS ATTRIBUTABLE TO THE YEAR:		
Interim dividend declared during the year	2,601	

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Final dividend proposed after the balance sheet date	5,202
	7,803

BALANCE SHEET

	AT 31 DECEMBER 2003		AT 31 DECEMBER 2002	
	THE GROUP	THE COMPANY	THE GROUP	THE COMPANY
	RMB millions	RMB millions	RMB millions	RMB millions
NON-CURRENT ASSETS				
Property, plant and equipment	256,748	131,043	249,589	129,000
Construction in progress	28,973	20,272	21,692	15,000
Interest in subsidiaries	-	96,308	-	90,000
Investments	2,582	478	2,697	5,000
Interests in associates	8,081	5,946	8,049	5,000
Interests in jointly controlled entities	-	1,043	-	5,000
Deferred tax assets	2,144	1,526	732	5,000
Lease prepayments	810	-	829	5,000
Other assets	2,152	1,321	1,773	1,000
TOTAL NON-CURRENT ASSETS	301,490	257,937	285,361	243,000
CURRENT ASSETS				
Cash and cash equivalents	15,221	6,345	18,161	8,000
Time deposits with financial institutions	2,184	236	1,013	5,000
Trade accounts receivable	9,284	7,080	10,800	9,000
Bills receivable	5,953	1,282	5,053	1,000
Inventories	46,112	23,056	47,074	25,000
Prepaid expenses and other current assets	20,574	29,108	21,881	26,000
TOTAL CURRENT ASSETS	99,328	67,107	103,982	73,000
CURRENT LIABILITIES				
Short-term debts	25,158	11,894	31,909	19,000
Loans from Sinopec Group Company and fellow subsidiaries	3,921	2,321	3,674	2,000
Trade accounts payable	22,704	18,117	19,477	18,000
Bills payable	23,958	18,006	30,239	23,000
Accrued expenses and other payables	42,187	33,895	31,361	22,000
Income tax payable	4,077	2,012	2,780	1,000
TOTAL CURRENT LIABILITIES	122,005	86,245	119,440	86,000
NET CURRENT LIABILITIES	(22,677)	(19,138)	(15,458)	(13,000)
TOTAL ASSETS LESS CURRENT LIABILITIES	278,813	238,799	269,903	229,000
NON-CURRENT LIABILITIES				
Long-term debts	41,450	31,037	39,479	26,000
Loans from Sinopec Group Company and fellow subsidiaries	37,771	37,686	37,703	37,000
Deferred tax liabilities	4,599	1,425	3,599	1,000
Other liabilities	1,228	752	1,290	5,000

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TOTAL NON-CURRENT LIABILITIES	85,048	70,900	82,071	65
MINORITY INTERESTS	25,866	-	24,009	
NET ASSETS	167,899	167,899	163,823	163
SHAREHOLDERS' FUNDS				
Share capital	86,702	86,702	86,702	86
Reserves	81,197	81,197	77,121	77
TOTAL SHAREHOLDERS' FUNDS	167,899	167,899	163,823	163

CONSOLIDATED CASH FLOW STATEMENT

	Note	FOR THE YEAR 31 DECEMBER RMB mil
CASH FLOWS FROM OPERATING ACTIVITIES	(a)	6
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure		(4)
Capital expenditure of jointly controlled entities		(
Purchase of investments and investments in associates		(
Proceeds from disposal of investments and investments in associates		
Proceeds from disposal of property, plant and equipment		
Increase in time deposits with financial institutions		(
Maturity of time deposits with financial institutions		
NET CASH USED IN INVESTING ACTIVITIES		(5)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bank and other loans		23
Proceeds from bank and other loans of jointly controlled entities		
Repayments of bank and other loans		(23)
Distributions to minority interests		
Contributions from minority interests		
Dividend paid		(
NET CASH USED IN FINANCING ACTIVITIES		(1)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(
EFFECT OF FOREIGN EXCHANGE RATE		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1
CASH AND CASH EQUIVALENTS AT END OF YEAR		1

		FOR THE YEAR EN DECEMBER RMB mi
(a) RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from ordinary activities before taxation		3
Adjustments for:		

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Depreciation, depletion and amortisation	2
Dry hole costs	
Share of profits less losses from associates	
Investment income	
Interest income	
Interest expense	
Gain from issuance of shares by a subsidiary	
Unrealised foreign exchange loss	
Loss on disposal of property, plant and equipment, net	
Impairment losses on long-lived assets	
Decrease in trade accounts receivable	
Increase in bills receivable	(
Decrease in inventories	
Decrease in prepaid expenses and other current assets	
Decrease in lease prepayments	
Increase in other assets	
Increase in trade accounts payable	
Decrease in bills payable	(
Increase in accrued expenses and other payables	
Decrease in other liabilities	
CASH GENERATED FROM OPERATIONS	7
Interest received	(
Interest paid	(
Investment and dividend income received	(
Income tax paid	(
CASH FLOWS FROM OPERATING ACTIVITIES	6

9.2.3 Major differences between the financial statements prepared under the PRC Accounting Rules and Regulations and IFRS

Other than the differences in the classifications of certain financial statements captions and the accounting for the items described below, there are no material differences between the Group's financial statements prepared under the PRC Accounting Rules and Regulations and IFRS. The major differences are:

Effects of major differences between the PRC Accounting Rules and Regulations and IFRS on net profit are analysed as follows:

	FOR THE YEAR ENDED 31 DECEMBER 2003 RMB millions	Y 31DEC RM
NET PROFIT UNDER THE PRC ACCOUNTING RULES AND REGULATIONS	19,011	
ADJUSTMENTS:		
Depreciation of oil and gas properties	1,784	
Disposal of oil and gas properties	1,260	
Capitalization of general borrowing costs	389	
Acquisition of Sinopec Maoming, Xi'an Petrochemical and Tahe Petrochemical	326	
Acquisition of Sinopec National Star	117	
Gain from issuance of shares by a subsidiary	136	
Gain from debt restructuring	82	
Revaluation of land use rights	18	

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Unrecognized losses of subsidiaries	(182)
Pre-operating expenditures	(169)
Effects of the above adjustments on taxation	(1,179)
NET PROFIT UNDER IFRS*	21,593

* Effects of major differences between the PRC Accounting Rules and Regulations and IFRS on shareholders' funds are analysed as follows:

	AT 31 DECEMBER 2003 RMB millions	31 DEC RMB mil
SHAREHOLDERS' FUNDS UNDER THE PRC ACCOUNTING RULES AND REGULATIONS	162,946	15
ADJUSTMENTS:		
Depreciation of oil and gas properties	10,885	
Disposal of oil and gas properties	1,260	
Capitalization of general borrowing costs	1,125	
Acquisition of Sinopec Maoming, Xi'an Petrochemical and Tahe Petrochemical	-	
Acquisition of Sinopec National Star	(2,812)	
Revaluation of land use rights	(870)	
Effect of minority interests on unrecognised losses of subsidiaries	61	
Pre-operating expenditures	(169)	
Impairment losses on long-lived assets	(113)	
Government grants	(326)	
Effects of the above adjustments on taxation	(4,088)	
SHAREHOLDERS' FUNDS UNDER IFRS*	167,899	16

* The above financial information is extracted from the financial statements prepared in accordance with IFRS which have been audited by KPMG.

9.2.4 Supplemental information for North American Shareholders

The Group's accounting policies conform with IFRS which differ in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). See the text of the Annual Report for details.

The effect on profit attributable to shareholders of significant differences between IFRS and US GAAP is as follows:

	2003 US\$ millions	AT 31 DECEMBER 2003 RMB millions	RMB mil
Profit attributable to shareholders under IFRS	2,609	21,593	1

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US GAAP adjustments:			
Foreign exchange gains and losses	9	76	
Capitalisation of property, plant and equipment	1	12	
Reversal of deficit on revaluation of property, plant and equipment	10	86	
Depreciation on revalued property, plant and equipment	483	3,998	
Disposal of property, plant and equipment	159	1,316	
Exchange of assets	3	23	
Reversal of impairment of long-lived assets, net of depreciation effect	6	47	
Capitalised interest on investments in associates	17	141	
Goodwill amortisation for the year	-	-	
Cumulative effect of adopting SFAS No. 142	-	-	
Deferred tax effect of US GAAP adjustments	(207)	(1,715)	
Profit attributable to shareholders under US GAAP	3,090	25,577	1
BASIC AND DILUTED EARNINGS PER SHARE UNDER US GAAP	US\$0.04	RMB0.30	RM
BASIC AND DILUTED EARNINGS PER ADS UNDER US GAAP*	US\$3.56	RMB29.50	RMB

* Basic and diluted earnings per ADS is calculated on the basis that one ADS is equivalent to 100 shares.

The effect on shareholders' funds of significant differences between IFRS and US GAAP is as follows:

	FOR THE YEAR ENDED 31 DECEMBER 2003	2003	
	US\$ millions	RMB millions	RMB mil
Shareholders' funds under IFRS	20,286	167,899	16
US GAAP adjustments:			
Foreign exchange gains and losses	(43)	(352)	
Capitalisation of property, plant and equipment	(1)	(12)	
Revaluation of property, plant and equipment	(1,564)	(12,943)	(1
Deferred tax adjustments on revaluation	484	4,004	
Exchange of assets	(67)	(555)	
Reversal of impairment of long-lived assets	(68)	(561)	
Capitalised interest on investments in associates	39	321	
Goodwill	2	17	
Deferred tax effect of US GAAP adjustments	48	398	
SHAREHOLDERS' FUNDS UNDER US GAAP	19,116	158,216	15

Note: United States dollar equivalents

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For the convenience of readers, amounts in Renminbi have been translated into United States dollars at the rate of US\$1.00 = RMB 8.2767 being the noon buying rate in New York City on 31 December 2003 for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the Renminbi amounts could have been, or could be, converted into United States dollars at that rate.

9.3 CHANGE IN ACCOUNTING POLICY

The Company and its subsidiaries (the "Group") changed its accounting policy to conform with the revised "Accounting standard for business enterprises - Events occurring after the balance sheet date" (hereinafter referred to as the "Revised Standard"). According to the original "Accounting standard for business enterprises - Events occurring after the balance sheet date", the appropriation of profit for the current year approved by the Board of Directors after the balance sheet date was an adjusting event. Pursuant to the revised "Accounting standard for business enterprises - Events occurring after the balance sheet date" (Cai Kuai [2003] No. 12) issued by the Ministry of Finance on 14 April 2003, cash dividends for the current period declared and approved by the Board of Directors after the balance sheet date, but before the financial statements are authorised for issue, should be presented separately under shareholders' funds on the balance sheet. The Company has adopted the Revised Standard to account for cash dividends retrospectively.

As a result of the above change in accounting policy, the Company's opening balance of undistributed profits at the beginning of the year 2003 has been increased by RMB 5,202 million. The cumulative effect of the change in accounting policy for prior years is set out below:

	BEFORE ADJUSTMENTS RMB millions	ADJUSTMENTS RMB millions	AFTER ADJUSTMENTS RMB millions
Undistributed profits at 1 January 2002	10,006	6,936	16,942
Undistributed profits at 31 December 2002	7,367	5,202	12,569
Dividend payable at 31 December 2002	5,202	(5,202)	-

9.4 As compared to the last annual report, there are no changes in the scope of consolidation.

Section 10. REPURCHASE, SALES AND REDEMPTION OF SHARES

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Applicable Not applicable

Section 11. 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.

Section 12. A detailed results announcement containing all the information required by Paragraphs 45 (1) to (3) of Appendix 16 to the Listing Rules of the Stock Exchange will be published on the website of the Hong Kong Stock Exchange in due course.

This announcement is published in both English and Chinese languages. The Chinese version shall prevail.

By order of the Board
CHEN TONGHAI
Chairman

Beijing, China, 26 March 2004

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Petroleum & Chemical Corporation

By: /s/ CHEN GE
Name: Chen Ge
Title: Secretary to the Board of Directors

Date: March 26, 2004