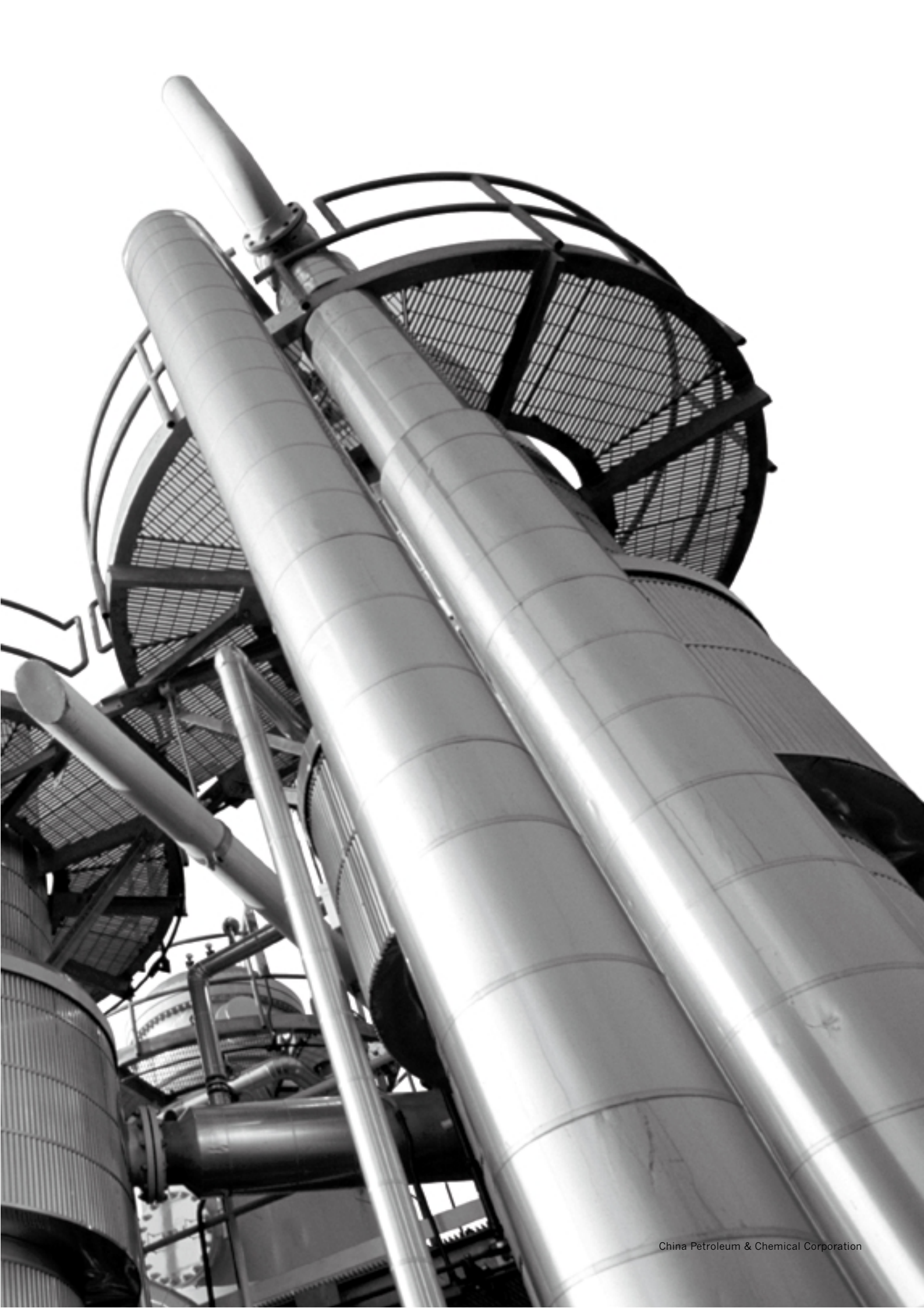


REFINING

THE COMPANY IS THE LARGEST REFINER OF CRUDE OIL IN CHINA – PRODUCING GASOLINE, DIESEL, JET FUEL, LUBRICANTS, FUEL OIL, VARIOUS PETROCHEMICAL FEEDSTOCK AND OTHER REFINED PRODUCTS. IN 2000, THE COMPANY OPERATED 25 REFINERIES AND PROCESSED 105.5 MILLION TONNES OF CRUDE OIL – ACCOUNTING FOR 52.1% OF CHINA'S REFINING THROUGHPUT.





BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Marketing and Distribution Segment

In 2000, the Company further strengthened its efforts in acquiring, building and renovating service stations and in acquiring strategically located storage facilities in order to expand its market share. These efforts significantly improved the Company's market position and competitive edge. In 2000, sales volume of refined products accounted for 62% of the national total and 86% in the Company's principal market.

In 2000, with a fully-fledged marketing network in position, the average annual pumped volume per station increased by 29.3% over 1999, and the Company's retail sales volume doubled in 2000 compared with 1999. The Company's share of gasoline and diesel retail market in the nation and in its principal market reached 46.6% and 61%, respectively. As a result, the Company's retail strength was further consolidated and reinforced.

Chemicals Segment

In 2000, the Company's major chemical and chemical fiber facilities were all running at high load. The production of all chemicals substantially increased compared to 1999 with the exception of synthetic rubber and

urea. In response to the market demand, the Company increased its production of high-value added products, and temporarily shut down a few of fertiliser facilities.

The Company also improved the operating performance ratio of most of its chemical facilities. Compared with 1999, the ethylene yield rate increased by 0.19 percentage points. Through optimisation of ethylene feedstock, the Company replaced 600,000 tonnes of light diesel that was short of supply in domestic market. Energy consumption for ethylene and other chemical facilities was reduced to various extents.

In 2000, the Company unified its marketing strategy for chemicals and exerted great efforts to develop its markets. The sales to production ratios for chemicals and chemical fibers were almost 100%. For major chemicals, the direct sales to total sales ratio also increased to over 60% from 55% in 1999. In addition, the petrochemicals e-commerce platform commenced operation during the year, which laid a foundation for the Company to further strengthen its market share and establish a direct-sale network for petrochemicals.

Operation Summary of Marketing and Distribution Segment

	2000	1999	Change, %
Sales volume of refined oil products (gasoline, diesel and kerosene), mm t.	67.69	64.50	4.95
Retail volume, mm t.	23.94	12.34	94
Average annual pumped volume per station, t./site	1,402	1,084	29.3
Retail to total sales volume, %	35.4	19.1	16.3 pct. points
Number of service stations operated at year-end	20,259	11,374	78.1
Number of franchised service stations at year-end	5,234	NA	NA
Number of total service stations under SINOPEC brand at year-end	25,493	11,374	124.1
Capacity of oil storages, mm m ³	14.64	13.68	7.0