

1 IMPROVEMENT OF CORPORATE GOVERNANCE

The year 2002 was a year of corporate governance initiated by domestic and foreign regulatory authorities and the capital market. In 2002, China Securities Regulatory Commission and the State Economic and Trade Commission jointly announced the Principles for the Corporate Governance of Listed Companies; the Hong Kong Stock Exchange announced the Consultation Paper on Proposed Amendments to the Listing Rules Relating to Corporate Governance; and the US Government announced Sarbanes-Oxley Act of 2002. Sinopec Corp. timely followed and paid great attentions to the trends of the regulations in the places where it is listed, conscientiously studied and rapidly put forward the relevant measures and further improved its corporate governance mechanism. In 2002, Sinopec Corp. mainly did the following jobs in respect of corporate governance:

- (1) Taking advantage of the opportunity of the Examination of the Establishment of Modern Enterprise System in Listed Companies jointly initiated by the State Economic and Trade Commission and China Securities Regulatory Committee and the circuit examination carried out by Beijing Securities Administration Office under China Securities Regulatory Committee, Sinopec Corp. organized trainings to strengthen the sense of good faith and responsibility among the directors, supervisors and the other senior executives and enhanced and promoted all the employee's awareness of working in a listed company.
- (2) In strict compliance with the latest laws, rules and regulations promulgated by the relevant domestic and foreign regulatory authorities, Sinopec Corp. comprehensively and systematically constituted and amended its Articles of Association, Rules of Procedures for Shareholders' General Meeting, Rules of Procedures for the Board of Directors

and Rules of Procedures for the Supervisory Committee. The above documents have been passed at the 28th meeting of the first session of the Board of Directors and are subject to approval by the first 2003 extraordinary general meeting and the relevant government authority.

- (3) Sinopec Corp. disclosed information to the investors in a prudent and responsible way for increasing Sinopec Corp.'s transparency. By these means such as public announcement, road show, teleconference, one-to-one interview and Sinopec Corp.'s website, Sinopec Corp. accurately, completely and timely briefed the domestic and foreign investors on the situations of the Company, prepared and signed annual report with a prudent and responsible attitude and strengthened communication with the investors for further increasing Sinopec Corp.'s transparency.

Sinopec Corp.'s efforts and practice in the aspect of corporate governance has been fully affirmed by the capital market. In July 2002, Sinopec Corp. was elected by the magazine "Europe Currency" as the second in Hong Kong and China region and the first in China in respect of corporate governance in the emerging capital market; in December 2002, as one of the ten advanced listed companies, Sinopec Corp. introduced its experience at the Conference for Exchanging and Summarizing the Experience of Modern Enterprise System Construction in Listed Companies jointly held by the State Economic and Trade Commission and China Securities Regulatory Commission; and in December 2002, Sinopec Corp. was granted the Prize for China's Top Ten Companies in Corporate Governance in 2002 by the Asset Benchmark Research Center.

In 2003, Sinopec Corp. will further optimize the composition of the members of the Board of Directors and the Supervisory Committee when electing members for a new term of office, strengthen training for the newly elected members of the second session of the Board of Directors and the second session of the Supervisory Committee and the other senior executives, give full play to the functions of the professional committees (especially the Audit Committee) under the Board of Directors, promptly understand and strictly abide by the latest requirements of the securities regulatory authorities of the places where Sinopec Corp. is listed (especially the securities regulatory authority of the US), improve its internal control system, set up an information disclosure committee for ensuring high-quality information disclosure to the investors and formulate a code of senior executives' occupational ethics and conducts for continuously improving Sinopec Corp.'s corporate governance level.

2 INDEPENDENT DIRECTORS' PERFORMANCE OF THEIR DUTIES

In this reporting period, the independent directors performed their duties in strict compliance with the relevant laws, rules and regulations and actively participated in Sinopec Corp.'s decision making with a diligent and responsible attitude, and all meetings of the Board of Directors were attended by independent directors. In the aspects such as Sinopec Corp.'s development strategy, the promotion of competitiveness and investment, the independent directors put forward many constructive comments and advices and independently examined the important connected transactions, including the transactions concerning Sinopec Corp.'s exchange of some of its assets for supplementary businesses with the parent company's petrol stations, Sinopec Corp.'s lease of Sinopec Group Company's petrol stations and the 450 thousand tones per year PTA project of Yizheng Chemical Fiber Co., Ltd.

3 SEPARATION OF SINOPEC CORP. FROM ITS CONTROLLING SHAREHOLDER

Sinopec Corp. has already been separated from its controlling shareholder, Sinopec Group Company, in the aspects such as business, personnel, assets, organization and finance and has its own independent and complete businesses and the ability of independent management and operation.

4 EXAMINATION AND INCENTIVE MECHANISM FOR SENIOR EXECUTIVES

Sinopec Corp. has established and continuously pursues a fair and transparent standard of performance appraisal and an incentive and constraint mechanism for the directors, supervisors and the other senior executives. It has formulated and implemented such incentive policies as the Key Performance Appraisal and Salary Incentive Plan for the Senior Executives of Sinopec Corp., the Plan of Stock Appreciation Right for the Senior Executives of Sinopec Corp. and the Detailed Rules on the first Granting of Stock Appreciation Right for the Senior Executives of Sinopec Corp. The stock appreciation right was not exercised yet in this reporting period.