

The Board of Directors of the Company (the "Board") have the pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2002.

Group Activities and Results

Based on 2002 net turnover and ethylene production, the Group is one of the largest petrochemical enterprises in the PRC. The Group is a highly integrated petrochemical complex which processes crude oil into a broad range of synthetic fibers, resins and plastics, intermediate petrochemical products and petroleum products. Based on sales volume in 2002, the Group ranked high among domestic producers in each category of major products produced by the Group. (Source: "China Petrochemical Economic Information Journal 2002") Details of the Company's principal subsidiaries are set out in the section entitled "Subsidiaries" on page 35.

The results of the Group for the year ended 31 December 2002 and the Group and the Company's financial position for the year such as assets and liabilities, bank borrowings and other loans, changes in fixed assets and reserves are set out in the financial statements on pages 61 to 106.

Profit Appropriation

The profit appropriation plan of the Company for the year ended 31 December 2002 as proposed by the Directors is as follows:

(Prepared under the PRC Accounting Rules and Regulations)

	RMB'000
Profit after tax	953,144
Minority interests	(44,179)
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Profit attributable to shareholders	908,965
Transfer to reserves	
Statutory surplus reserve	(90,897)
Statutory public welfare fund	(90,897)
Retained profits brought forward	573,281
Dividend	(360,000)
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Retained profits	940,452
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Basic earnings per share (Basic and fully diluted)	RMB 0.126
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The proposed profit appropriation will be presented to shareholders for approval at the forthcoming 2002 Annual General Meeting.

Pursuant to the relevant regulations of the Ministry of Finance and the Company's Articles of Association, in case of any discrepancy between the profit figure obtained under PRC Accounting Rules and Regulations and that under International Financial Reporting Standards, the lower figure is used.

Dividends

The fourth session of the Board held its fourth meeting on 26 March 2003 at which the Board recommended the distribution of a final dividend to shareholders of RMB0.05 per share, with distributed dividends for the year totalling RMB360,000,000.

Financial Summary

A summary of the results, total assets, liabilities and shareholders' funds of the Group for the five years ended 31 December 2002 is set out on page 4.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2002 are set out in notes 21 and 30 to the financial statements prepared in accordance with IFRS.

Interest Capitalised

Details of the interest capitalised during the year ended 31 December 2002 are set out in note 6 to the financial statements prepared in accordance with IFRS.

Fixed Assets

Movements of the fixed assets during the year ended 31 December 2002 are summarised in note 12 to the financial statements prepared in accordance with IFRS.

Subsidiaries

As at 31 December 2002, the Company had equity interests of over 50% in the following principal subsidiaries:

Company Name	Principal Activities	Percentage of equity Held by the Company (%)	Percentage of equity Held by Subsidiary (%)	Total assets ('000,000)	Net profit ('000,000)	Registered Capital ('000)
Shanghai Petrochemical Investment Development Company Limited	Investment management	100	-	902	80	RMB 650,000
SPC Marketing Development Corporation	Trading in petrochemical products	100	-	222	5	RMB 25,000
China Jinshan Associated Trading Corporation	Import and export of petrochemical products and equipment	70	-	175	5	RMB 25,000
Shanghai Jinhua Industrial Company Limited	Trading in petrochemical products	-	81.46	57	3	RMB 25,500
Shanghai Jindong Petrochemical Industrial Company Limited	Trading in petrochemical products	-	60	66	1	RMB 40,000
Zhejiang Jinzhe Petrochemical Associated Company Limited	Trading in petrochemical products	-	58.43	204	3	RMB 40,000
Shanghai Golden Way Petrochemical Company Limited	Production of vinyl acetate products	-	75	50	1	US\$ 3,460
Shanghai Jinchang Engineering Plastics Company Limited	Production of polypropylene compound products	-	50.38	79	13	US\$ 4,750
Shanghai Golden-Phillips Petrochemical Company Limited	Production of polyethylene products	-	60	836	120	US\$ 50,000
Zhejiang Jin Yong Acrylic Fiber Company Limited	Production of acrylic fiber products	75	-	1,071	30	RMB 250,000
Shanghai Petrochemical Enterprise Development Company Limited	Investment management	100	-	1,055	45	RMB 220,000
Shanghai Petrochemical Jianghai Textiled Yarn Plant	Production of textiled yarn products	-	100	18	17	RMB 3,000

None of the subsidiaries has issued any debt securities.

In 2002, one of the Group's wholly owned subsidiaries, Shanghai Jinyang Acrylic Fibre Plant ("Jinyang") was deregistered. Subsequently, Jinyang's operations were combined with the Company's Acrylic Fibre Division and all of its assets and liabilities were transferred to the Company on the same date at carrying value.

The Group's interests in investments include non-controlling equity investments in various enterprises which are mainly engaged in manufacturing or trading activities related to the Group's operations. The Group's share of results attributable to these interests during the year ended 31 December 2002 is not material in relation to the profit of the Group for the said period and therefore is not equity accounted for. In addition, these interests in investments include interests in non-consolidated subsidiaries which do not principally affect the results or assets of the Group and, therefore, are not consolidated or equity accounted for.

The Group's interests in associates include an investment of RMB630,878,000 representing a 38.26% equity interest in Shanghai Chemical Industry Park Development Company Limited ("SCIP") and an investment of RMB223,832,000 representing a 20% equity interest in Shanghai Secco Petrochemical Company Limited ("Secco"), both companies incorporated in the PRC. The principal activity of SCIP is the planning, development and the operation of the Chemical Industry Park in Shanghai, PRC. The principal activity of Secco is the production of ethylene and other petrochemical products. At 31 December 2002, the Group had commitments of RMB1,272,558,000 in respect of outstanding capital contributions to Secco.

Reserves

Details of the movements in reserves during the year ended 31 December 2002 are set out in note 25 to the financial statements prepared in accordance with IFRS.

Statutory Public Welfare Fund

Details in relation to the nature, application and movements of the statutory public welfare fund and the basis of its calculation, including the percentage and the profit figure used for calculating the amounts, are set out in note 25 to the financial statements prepared in accordance with IFRS.

Donations

During the year ended 31 December 2002, the Company made donations for charitable purposes amounting to approximately RMB1,699,000.

Employees Retirement Scheme

Details of the Company's Employees Retirement Schemes are set out in note 27 to the financial statements prepared in accordance with IFRS.

Staff Quarters

Pursuant to the directive "Cai Qi (2000) No.295" issued by the Ministry of Finance, the housing reform policy ceased in 2000. The Company did not dispose of any staff dormitories during the year under the housing reform policy.

Pre-emptive Rights

According to the articles of association of the Company and the laws of the PRC, no pre-emptive right exists which will require the Company to offer new shares to its existing shareholders in proportion to their shareholding.

Major Suppliers and Customers

The Group's top five suppliers during 2002 were China International United Petroleum & Chemicals Co. Ltd., Sinopec Pipeline Transport & Storage Company, SinoChemical International Oil Co. Ltd., Petrochina Company Ltd., China National Offshore Oil Corporation. The total cost of purchases from these suppliers accounted for 68% of the total cost of purchases by the Group during the year, and the total purchase from the largest supplier represented 39% of the total purchase of the Group.

The Group's top five customers during 2002 were Sinopec Huadong Sales Company, China International United Petroleum & Chemicals Co. Ltd, China Petroleum & Chemical Corporation Shanghai Gaoqiao Branch, Shanghai Chlor-Alkali Chemical Company Limited, and Zhangjiagang Free Trade Zone Huaxingtai Trading Company. The total sales derived from these customers during the year represented 38% of the total annual revenue, and the total sales from the largest customer represented 30% of the total sales of the Group.

None of the directors (or their associates) or shareholders of the Company, to the knowledge of the Board, held any interest in these suppliers or customers, other than Sinopec Huadong Sales Company, and China International United Petroleum & Chemicals Co. Ltd., which are subsidiaries of the Company's controlling shareholder, China Petroleum & Chemical Corporation, and China Petroleum & Chemical Corporation Shanghai Gaoqiao Branch, which is a branch of the Company's controlling shareholder.

Share Capital Structure

Share capital structure and changes thereof for the year ended 31 December 2002.

I. Shares not in circulation	Before change	Shares			Increase	Others	Sub-total	After change
		Rationed share	Bonus share	transferred from reserve funds				
1. Promoter's shares								
Domestic legal person shares	4,000,000,000	-	-	-	-	-	-	4,000,000,000
2. Legal person shares								
	150,000,000	-	-	-	-	-	-	150,000,000
Sub-total	4,150,000,000	-	-	-	-	-	-	4,150,000,000

II. Shares in circulation								
1. RMB ordinary shares								
	720,000,000	-	-	-	-	-	-	720,000,000
2. Overseas listed foreign shares								
	2,330,000,000	-	-	-	-	-	-	2,330,000,000
Sub-total	3,050,000,000	-	-	-	-	-	-	3,050,000,000

III. Shares in total	7,200,000,000	-	-	-	-	-	-	7,200,000,000

For the year ended 31 December 2002, the share capital of the Company totalled 7.2 billion shares, which were held by 323,419 shareholders, with 319,947 of them being holders of A shares and 3,472 of them being holders of H shares.

Purchase, Sale and Redemption of Shares

During 2002, no shares of the Company was purchased, sold or redeemed by the Company or its subsidiaries.

Top 10 Shareholders

As at 31 December 2002, the top ten shareholders in the Company were as follows:

Rank	Name	Increase during 2002	Number of shares held at end of the period	Percentage of total share capital (%)	Type of shares
1.	China Petroleum & Chemical Corporation	-	4,000,000,000*	55.56	Promoter legal person share
2.	HKSCC Nominees Ltd.	172,140,000	1,858,015,401	25.81	Hshare
3.	Hongkong & Shanghai Banking Corporation (Nominees) Limited	178,000	354,580,000	4.92	Hshare
4.	Shanghai Kangli Gong Mao Company	-	16,730,000*	0.23	Legal person share
5.	Zhejiang Province Economic Construction and Investment Company	-	12,000,000*	0.17	Legal person share
6.	Hongkong & Shanghai Banking Corporation (Nominees) Limited(A/C-8)	2,250,000	10,336,000	0.14	Hshare
7.	Fuguo Pingheng	not available	5,994,143	0.08	Ashare
8.	Xiangshun Shiye	4,700,000	5,500,000*	0.08	Legal person share
9.	Shanghai Textile Material Trading Company	-	5,500,000*	0.08	Legal person share
10.	Jingfu Fund	not available	4,400,900	0.06	Ashare

* Shares not in circulation

Among the above shareholders, HongKong & Shanghai Banking Corporation (Nominees) Limited is a nominee company. Other than that, the Company is not aware if there is any connected relationship amongst the above shareholders.

Legal Person Shareholders with Shareholdings of 10% of More

As at the end of 2002, China Petroleum & Chemical Corporation held 4 billion shares in the Company, representing 55.56% of the total share capital of the Company.

Authorized representative: Li Yizhong

Date of establishment: 25 February 2000

Registered capital: RMB 86.7 billion (2001:RMB 86.7 billion)

Major business: Oil and gas operations consisting of exploring, developing and producing crude oil and natural gas; transporting crude oil, natural gas and products by pipelines; refining crude oil into finished petroleum products; marketing crude oil, natural gas and refined petroleum products chemical operations including the manufacture and marketing of a wide range of chemicals for industrial uses.

Major products: Synthetic resin, synthetic fibre monomer and polymer, synthetic fibre, synthetic rubber, chemical fertilizer and intermediate petrochemical.

Security: The shares held are not subject to any security.

At the end of 2002, HKSCC (Nominees) Limited held 1,858,015,401 H Shares of the Company, representing 25.81% of the total share capital of the Company.

As at 31 December 2002, save as disclosed above, no person had recorded an interest in the substantial shareholder register kept pursuant to section 16(1) of the SDI Ordinance.

Directors, Supervisors, Senior Management of the Company and Staff

Name	Position	Sex	Age	Term of Office
Lu Yiping	Chairman and President	M	57	until June 2005
Xu Kaicheng	Vice Chairman	M	46	until June 2005
Rong Guangdao	Director and Vice President	M	47	until June 2005
Feng Jianping	Director and Vice President	M	49	until June 2005
Zhang Zhiliang	Director and Vice President	M	49	until June 2005
Jiang Baoxing	Director	M	57	until June 2005
Li Weichang	Director	M	49	until June 2005
* Liu Wenlong	External Director	M	62	until June 2005
* Zhang Baojian	External Director	M	58	until June 2005
* Zhang Honglin	External Director	M	60	until June 2005
* Huang Jian	External Director	M	61	until June 2005
* Gu Chuanxun	Independent Director	M	67	until June 2005
* Wang Yongshou	Independent Director	M	62	until June 2005
* Wang Xingyu	Independent Director	M	58	until June 2005
Du Chongjun	Chairman of Supervisory Committee	M	48	until June 2005
Zhang Chenghua	Supervisor	M	47	until June 2005
Zhu Weiyuan	Supervisor	M	54	until June 2005
* Zhang Jianjun	External Supervisor	F	51	until June 2005
* Lu Xiangyang	External Supervisor	M	51	until June 2005
* Chen Xinyuan	Independent Supervisor	M	38	until June 2005
* Liu Xiangdong	Independent Supervisor	M	51	until June 2005
Liu Xunfeng	Vice President	M	37	until June 2005
Wu Haijun	Vice President	M	40	until June 2005
Yin Jihai	Vice President	M	45	until June 2005
Han Zhihao	Chief Financial Officer	M	51	until June 2005
Zhang Jingming	Company Secretary	M	45	until June 2005

* Non-salaried external directors and supervisors of the Company.

Directors & Supervisors holding posts in corporate shareholders.

Name	Name of corporate shareholders	Position	Term of office	Remunerations & allowances received Yes/No
Jiang Baoxing	China Petrolcum & Chemical Corporation	Supervisor	February 2002- February 2003	No
Zhang Honglin	China Petroleum & Chemical Corporation	Company Secretary	February 2002- February 2003	Yes
Huang Jian	China Petroleum & Chemical Corporation	Assistant to the President	February 2002- February 2003	Yes

Emoluments of Directors, Supervisors and senior management.

	RMB
Total emoluments	2,258,778
Aggregate emoluments of the three highest paid Directors	570,061
Aggregate emoluments of the three highest paid senior management	509,201
Allowances to Independent Directors	Nil
Other benefits to Independent Directors	Nil
Directors and Supervisors who did not receive any emoluments	Liu Wenlong, Zhang Baojian, Zhang Honglin, Huang Jian, Gu Chuanxun, Wang Yongshou, Wang Xingyu, Zhang Jianjun, Lu Xiangyang, Chen Xinyuan, Liu Xiangdong

Bands	Number
Below RMB100,000	1
RMB 100,000 to RMB 250,000	14

Employees

The Company has a total of 31,489 employees, of whom 23,293 are production workers, 5,234 are sales, financial and other personnel and 2,962 are administration personnel. 17.57 percent of the employees are university or college graduates or above.

Corporate Governance Structure

(1) Current status of corporate governance in the Company

The Company has a systemised corporate governance structure. The Company has established a sound management system of checks and balances between the shareholders in general meeting, the Board of Directors, the Supervisory Committee and management, clarifying the responsibilities of each, constructing a shareholder-oriented corporate governance structure, and building a regulatory environment for the Company that can be continuously developed. In accordance with the "Notice on the Establishment of Modern Enterprise System Inspections for Listed Companies" issued by the China Securities Regulatory Commission ("CSRC") and the State Economic Trade Commission ("SETC"), the Company has carried out self-inspections of its modern enterprise system with regard to areas such as corporate governance structure, independence, internal control systems, incentive structures, capital management and information disclosure, and submitted such self-inspection report to the CSRC and SETC.

The Company will continue to improve its corporate governance structure, establish specialist board committees, and formulate implementing provisions for such board committees to strengthen the decision-making ability of the Board.

(2) Performance of duties by the Company's independent directors

The Company's independent directors have attended the shareholders' 2001 Annual General Meeting and Board meetings during 2002 and have discussed and reviewed the 2001 Annual Report, the 2002 Interim Report, the profit distribution plan and connected transactions in association with the Company. They have leveraged on their professional experience and expertise to furnish opinions and have diligently performed their duties as independent directors.

(3) Plans for improving the Company's corporate governance structure

While the Company has gone a long way towards building and improving a corporate governance structure aimed at safeguarding the interests of all shareholders, there remain tasks to be accomplished in order to fully comply with the Corporate Governance Standards for Listed Companies. Plans to procure improvements in our corporate governance structure are as follows:

1. Complete as soon as practicable the revision of the articles to bring them in line with the Corporate Governance Standards for Listed Companies;
2. Improve the Company's system of independent directors in accordance with the "Guiding Opinion on the Establishment of an Independent Director System by Listed Companies";
3. Further regulate the relationship between the controlling shareholder and the Company;
4. Further improve and regulate the operations of the specialized committees under the Board of Directors;
5. Actively promote and improve performance appraisal and bonus mechanisms for directors, supervisors and senior management.

Directors, Supervisors and Senior Management and Their Interests in Shares and Other Securities

As at 31 December 2002, each Director, Supervisor and member of the senior management owned the following numbers of shares in the issued capital of the Company:

Name	Position	Number of Shares Held at the beginning of the year	Number of Shares Held at the end of year	Reason for Change
Lu Yiping	Chairman and President	3,600	3,600	No change
Xu Kaicheng	Vice Chairman	3,600	3,600	No change
Rong Guangdao	Director and Vice President	3,600	3,600	No change
Feng Jianping	Director and Vice President	3,600	3,600	No change
Zhang Zhiliang	Director and Vice President	3,600	3,600	No change
Jiang Baoxing	Director	3,600	3,600	No change
Li Weichang	Director	1,000	1,000	No change
Liu Wenlong	External Director	Nil	Nil	No change
Zhang Honglin	External Director	Nil	Nil	No change
Zhang Baojian	External Director	Nil	Nil	No change
Huang Jian	External Director	Nil	Nil	No change
Gu Chuanxun	Independent Director	Nil	Nil	No change
Wang Yongshou	Independent Director	3,600	3,600	No change
Wang Xingyu	Independent Director	Nil	Nil	No change
Du Chongjun	Chairman of Supervisory Committee	1,000	1,000	No change
Zhang Chenghua	Supervisor	Nil	Nil	No change
Zhu Weiyuan	Supervisor	Nil	Nil	No change
Zhang Jianjun	External Supervisor	Nil	Nil	No change
Liu Xinghan	External Supervisor	Nil	Nil	No change
Chen Xinyuan	Independent Supervisor	Nil	Nil	No change
Liu Xiangdong	Independent Supervisor	Nil	Nil	No change
Liu Xunfeng	Vice President	1,500	1,500	No change
Wu Haijun	Vice President	1,500	1,500	No change
Yin Jihai	Vice President	Nil	Nil	No change
Han Zhihao	Chief Financial Officer	Nil	Nil	No change
Zhang Jingming	Company Secretary	Nil	Nil	No change

The shares held by the above people are A shares of the Company and represent their personal interests. Save as disclosed above, none of the Directors, Supervisors or senior management and their respective associates had any beneficial interest in or right to subscribe for any equity or debt securities of the Company or its associate corporations in 2002.

The biographical details in respect of Directors, Supervisors and senior management of the Company are set out on pages 54 to 59.

Changes in Directors, Supervisors and Senior Management of the Company

The term of the third session of the Board of Directors and Board of Supervisors of the Company concluded on 18 June 2002. On the same day the Company held the 2001 Annual General Meeting, at which Mr Lu Yiping, Mr Xu Kaicheng, Mr Rong Guangdao, Mr Feng Jianping, Mr Zhang Zhiliang, Mr Jiang Baoxing, Mr Li Weichang, Mr Liu Wenlong, Mr Zhang Baojian, Mr Zhang Honglin, Mr Huang Jian, Mr Gu Chuanxun, Mr Wang Yongshou and Mr Wang Xingyu were elected as members of the fourth session of the Board of Directors. Of these, Mr Gu Chuanxun, Mr Wang Yongshou and Mr Wang Xingyu are independent directors. In addition, Mr Du Chongjun, Ms Zhang Jianjun, Mr Lu Xiangyang, Mr Chen Xinyuan and Mr Liu Xiangdong were elected as members of the fourth session of the Supervisory Committee. Of these, Mr Chen Xinyuan and Mr Liu Xiangdong are independent supervisors. Mr Zhang Chenghua and Mr Zhu Weiyan are employee representative supervisors, elected to the fourth session of the Supervisory Committee by the employees of the Company.

At the first meeting of the fourth session of the Board of Directors held on 18 June 2002, Mr Lu Yiping was elected Chairman, and Mr Xu Kaicheng was elected Vice Chairman. At the nomination of the Board, Mr Lu Yiping was appointed President. At the nomination of the President, Mr Rong Guangdao, Mr Feng Jianping, Mr Zhang Zhiliang, Mr Liu Xunfeng, Mr Wu Haijun and Mr Yin Jihai were appointed Vice Presidents of the Company, and Mr Han Zhihao was appointed Chief Financial Officer. At the nomination of the Board, Mr Zhang Jingming was appointed Company Secretary.

The first meeting of the fourth session of the Supervisory Committee was also held on 18 June 2002, at which Mr Du Chongjun was appointed Chairman of the Supervisory Committee.

Mr He Fei, an independent director of the third session of the Board of Directors, was not reappointed as a Director of the Company. Mr Jin Weicheng, Ms Xia Jianying and Mr Liu Xinghan, supervisors of the third session of the Supervisory Committee, were not reappointed as Supervisors of the Company.

Directors' Interests in Contracts

None of the Directors or Supervisors of the Company had any direct or indirect beneficial interests in any contracts of significance entered into or subsisting during the year to which the Company or any of its subsidiaries was a party.

No Director or Supervisors of the Company has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

Code of Best Practice

The Company has complied with "The Code of Best Practice" set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2002.

Meetings of the Board

The Company held five Board meetings during the period under review, details of which are as follows:

1. On 29 March 2002, the eleventh meeting of the third session of the Board of Directors was convened. The meeting considered and approved the 2001 report of the Directors, the 2001 financial statements, the 2001 profit appropriation plan, the 2001 annual report, the 2001 summary of annual report, the Form 20F to be filed with the Securities and Exchange Commission of the United States of America, the resolutions proposed to be considered and approved upon at the 2001 annual general meeting, as well as the working report of the General Manager. The relevant announcement was published in the Shanghai Securities Journal, Chinese Securities Journal, South China Morning Post and Hong Kong Commercial Daily on 2 April 2002.
2. On 26 April 2002, the twelfth meeting of the third session of the Board of Directors was convened. The meeting considered and approved the first quarterly report for 2002, nominated candidates for the next session of the board of directors, and considered and approved the 2002 budget and investment plan. The relevant announcement was published in the Shanghai Securities Journal, Chinese Securities Journal, South China Morning Post and Hong Kong Commercial Daily on 29 April 2002.
3. On 18 June 2002, the first meeting of the fourth session of the Board of Directors was convened. The meeting elected the Chairman, Vice Chairman, confirmed the executive Directors and their powers, appointed the President, Vice-Presidents, Chief Financial Officer and Company Secretary and nominated the Board of Directors' securities representative. The meeting also considered and approved the self-inspection report on the establishment of modern enterprise systems for listed companies, and the Company's information disclosure and internal control system. The relevant announcement was published in Shanghai Securities Journal, Chinese Securities Journal, South China Morning Post and Hong Kong Commercial Daily on 19 June 2002.
4. On 21 August 2002, the second meeting of the fourth session of the Board of Directors was convened. The meeting approved the 2002 interim report and the 2002 interim profit distribution plan. The relevant announcement was published in Shanghai Securities Journal, Chinese Securities Journal, South China Morning Post and Hong Kong Commercial Daily on 22 August 2002.
5. On 23 October 2002, the third meeting of the fourth session of the Board of Directors was convened. The meeting considered and approved the third quarterly report for 2002. The relevant announcement was published in Shanghai Securities Journal, Chinese Securities Journal, South China Morning Post and Hong Kong Commercial Daily on 24 October 2002.

Shareholders' Meetings

2001 Annual General Meeting

The Company held its 2001 Annual General Meeting on 18 June 2002 in Jinshan District, Shanghai, PRC. The AGM was attended by 79 members of the Company in person or their proxies holding 4.615 billion shares, representing approximately 64.09% of the Company's total share capital, which formed a quorum of the meeting in accordance with the requirements stipulated by the Articles and the PRC Company Law.

The meeting approved the following seven resolutions:

1. The 2001 Report of the Directors;
2. The 2001 Report of the Supervisory Committee;
3. The 2001 Audited Accounts;
4. The 2001 Dividend Distribution Plan;
5. The re-appointment of KPMG Huazhen as the Company's domestic auditors for year 2002 and KPMG as the Company's international auditors for year 2002, and to authorized the Directors to fix their remuneration;
6. The election of a new session of the board of directors and a new session of the board of supervisors;
7. The Board of Directors was authorized to make amendments to the articles of association of the Company.

Resolutions of the Annual General Meeting were published in the Shanghai Securities Journal, Chinese Securities Journal, South China Morning Post and Hong Kong Commercial Daily on 19 June 2002.

MAJOR EVENTS

(1) *Profit appropriation plan for 2002*

Net profit of the Company for the year ended 31 December 2002 amounted to RMB908,965,000 under PRC Accounting Rules and Regulations and RMB916,365,000 under IFRS. After two transfers, each amounting to 10% of the profit after tax, or RMB90,897,000, were made to the statutory surplus reserve and the statutory public welfare fund respectively, profit available for distribution to shareholders amounted to RMB727,171,000 (or RMB734,571,000 under IFRS). Together with RMB573,281,000 (or RMB 644,478,000 under IFRS) brought forward from retained profits, profit available for distribution to shareholders was RMB1,300,452,000 (or RMB1,379,049,000 under IFRS). The Board of Directors proposed to declare a final dividend of RMB0.05 per share.

(2) *Material litigation*

The Company was not involved in any material litigation or arbitration in 2002.

(3) *Acquisitions and sale*

There was no significant acquisition or sale made by the Company in 2002.

(4) *Trust financial management*

During 2002, no trust financial management was made by the Company.

(5) *Major connected transactions*

1. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has confirmed that the conditional waivers (the "waivers") granted to the Company exempting it from compliance with certain ongoing disclosure and shareholders' approval requirements under the Listing Rules in relation to connected transactions as described in the prospectus of the Company dated 6 July 1993, would remain valid upon completion of the reorganisation of China Petrochemical Corporation ("Sinopec"), the former substantial shareholder of the Company. Following completion of the reorganisation of Sinopec, the connected transactions which were previously carried out between the Company and Sinopec and their respective associates under the waivers will be carried out between the Company and Sinopec Corp, and their respective associates. The Stock Exchange has confirmed that these connected transactions will be covered by the waivers on the basis that there is no change in the ultimate controlling shareholder of the Company.
2. The Company together with Sinopec Corp. and BP Chemicals East China Investments Limited ("BP") established a joint venture company in November 2001. The purpose of the joint venture company is to construct a 900,000 tons per annum petrochemical manufacturing facility. The amount of the total investment of the joint venture shall be RMB22.45 billion, and the registered capital shall be approximately RMB7.49 billion of which the Company should contribute 20%, Sinopec Corp. shall contribute 30% and BP shall contribute 50%.

Sinopec Corp. is the controlling shareholder of the Company and has beneficial interest of approximately 55.56% in the existing issued share capital of the Company. It is also the substantial shareholder of the joint venture company. Accordingly, under the Listing Rules, the Company's participation in the joint venture company constitutes a connected transaction of the Company. The above joint venture project was approved by the independent shareholders at the Company's 2001 Extraordinary General Meeting.

3. Receivables/payables from/to connected parties

	Amount due from		Amount due to	
	Net movement	Balance	Net movement	Balance
Connected parties	RMB'000	RMB'000	RMB'000	RMB'000
Sinopec Finance Company Limited	257,045	461,220	130,000	130,000
China International United Petroleum & Chemical Company Ltd. (Unipecc)	-	-	149,571	423,279
Sinopec Corp.	754	50,852	(184,037)	114,158
Other fellow subsidiaries	96,561	100,783	35,686	55,195
Total	354,360	612,855	131,220	722,632

Pricing principles of the connected transactions

The Board of Directors of the Company believes that the above transactions were entered into in the normal course of business and are conducted on normal commercial terms or in accordance with the terms of the relevant agreements. Such transactions have been confirmed by the non-executive directors of the Company.

(6) *Trust, sub-contract and leasing*

During 2002, the Group did not enter into any trust, sub-contract or lease arrangements relating to its own assets or the assets of any other company.

(7) *Auditors*

KPMG Huazhen and KPMG were the Company's domestic and international auditors respectively in 2002.

A resolution for the reappointment of KPMG Huazhen and KPMG as the domestic and international auditors of the Company respectively, is to be proposed at the forthcoming 2002 Annual General Meeting of the Company.

The only fees paid by the Company to KPMG and KPMG Huazhen are their audit fees as stated below:

	KPMG Huazhen	KPMG
	(domestic)	(international)
Audit fee for 2002	US\$60,000 (unpaid)	US\$490,000 (unpaid)
Audit fee for 2001	US\$60,000 (paid)	US\$540,000 (paid)
Travelling and accomodation expenses	Borne by the firm	Borne by the firm

(8) *Material contracts*

During 2002, the Company has no material contracts or contract for which the Company did not perform its obligations.

(9) *Controlling shareholder*

Sinopec Corp. is the controlling shareholder of the Company. It held 4 billion shares of the Company, representing 55.56% of the total share capital of the Company.

Sinopec Corp. is the largest company in Asia and China in terms of production, distribution and marketing of gasoline, diesel, coal and most of other major petroleum products. Sinopec Corp. is also the largest manufacturer and distributor of petrochemical products in China and the second largest explorer, developer and producer of crude oil and natural gas in China.

(10) *Tax rate*

The charge for PRC income tax is currently calculated at the rate of 15% (2001: 15%). The Company has not received any notice from the Ministry of Finance to the effect that the 15% tax rate will not continue to be applicable to the Company in 2003.

(11) *Deposits*

The Company did not have any designated deposit during 2002. As at 31 December 2002, the Company did not have any time deposit which could not be collected upon maturity.

(12) Guarantees

The outstanding guarantees issued by the Company as at 31 December 2002 were as follows:

Guaranteed entities	Date (Agreement signing date)	Guarantee amount (RMB '000)	Type of guarantee	Guarantee period	Guarantee expired	Guarantee for a connected party
Shanghai Golden Conti Petrochemical Company Limited	20 June 1998	47,230	Bank loan	20 June 1998-19 June 2003	No	Yes
Shanghai Golden Conti Petrochemical Company Limited	15 December 1998	48,000	Bank loan	15 December 1998-14 December 2003	No	Yes
Shanghai Golden Conti Petrochemical Company Limited	6 March 2002	48,000	Bank loan	6 March 2002-5 March 2003	No	Yes
Shanghai Golden Conti Petrochemical Company Limited	1 September 2002	31,200	Bank loan	1 September 2002-31 August 2003	No	Yes
Shanghai Golden Conti Petrochemical Company Limited	30 September 2002	16,800	Bank loan	30 September 2002-29 September 2003	No	Yes
Shanghai Golden Conti Petrochemical Company Limited	15 September 2002	20,160	Bank loan	15 September 2002-14 September 2003	No	Yes
Shanghai Jinsen Hydrocarbon Resins Company Limited	22 March 1999	40,000	Bank loan	22 March 1999-21 March 2004	No	Yes
Shanghai Jinsen Hydrocarbon Resins Company Limited	17 May 2002	14,600	Bank loan	17 May 2002-16 May 2003	No	Yes
Others		79,442	Bank loan	16 August 1995-18 December 2003	No	Yes
Amount signed in 2002 (Rmb'000)						130,760
Guarantee amount (Rmb'000)						345,432
Including: Balance of connected guarantee amount (Rmb'000)						345,432

(13) *Disclosure*

Save as disclosed above, in relation to major events, or discloseable matters referred to in Article 62 of the Securities Law of the PRC, Article 60 of the Provisional Regulations on the Administration of the Issue and Trading of Shares of the PRC and Article 17 of the Implementing Rules on the Disclosure of Information by Publicly Listed Companies (Trial Implementation), there was no major event or discloseable matter of the Group during the year under review.

(14) *Shareholders' commitment*

Neither the Company nor any shareholder with a shareholding above 5% of the total shares in issue has disclosed in the designated newspapers or websites any commitment with any party.

(15) During 2002, the Board and the Directors had not been investigated, administratively punished or publicly criticized by the China Securities Regulatory Commission or publicly reprimanded by the Shanghai Stock Exchange.

On behalf of the Board

Lu Yiping

Chairman

Shanghai, 26 March 2003