

## Compliance with Code of Best Practice

Non-executive directors are subject to retirement by rotation at Annual General Meetings in accordance with the articles of association, and are not appointed for a specific terms. Other than this, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## Purchase, Sale or Redemption of Securities

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## OTHER INFORMATION

### A. Corporate Governance

The Board of Directors (the "Board") of the Company is composed of twelve Directors, half of whom are external Directors in the Board. The Board has four Independent Directors, being one-third of the total number of Directors, with one of whom being a professional accountant. The Board has set up the Audit Committee and the Remuneration Committee, membership of which are mainly composed of Directors. The Supervisory Committee of the Company comprises seven Supervisors, over half of whom are external Supervisors and two of whom are staff representatives. The existing Articles of Association has been approved by the relevant ministerial commissions of the State subsequent to its approval by the Company and the 2002 Annual General Meeting. Rules of proceedings of the Company that are currently in effect include Rules of Proceedings for General Meetings, Rules of Proceedings for Board Meetings, Rules of Proceedings for Supervisory Committee Meetings and Rules of Proceedings for General Manager's Office Meetings.

### B. Interim dividend for 2003

The Board of Directors of the Company does not recommend any interim dividend for the six-month period ended 30 June 2003.

### C. 2002 Profit Appropriation Plan

The profit appropriation plan for 2002 was approved at the Company's 2002 Annual General Meeting. A dividend of RMB0.50 (tax included) per 10 shares will be distributed to shareholders, based on the total share capital of 7,200,000,000 shares at the end of 2002. Relevant announcement was published on Shanghai Securities News, China Securities Journal, South China Morning Post and Hong Kong Commercial Daily on 19 June 2003. On 30 June 2003, the Company has published the profit appropriation plan for A shares. In respect of the distribution of A-share dividend, the share right registration date was 3 July 2003, ex-dividend date was 4 July 2003. The dividend payment date for social public shares of A shares and H shares was 10 July 2003. Such profit appropriation plan has been implemented as scheduled.

### D. Material Litigation and Arbitration

The Group was not involved in any material litigation or arbitration during the reporting period.

## E. Acquisition and Sale

There was no significant acquisition and sale made by the Company during the reporting period.

## F. 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 are carried out between the Company and China Petroleum & Chemical Corporation, 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.

The Board believes that the transactions listed below were entered into in the ordinary course of business and on normal commercial terms or in accordance with the terms of the agreements governing these transactions.

- (2) (a) Loans with related party

Related parties	Loans to related parties		Loans from related parties	
	Amount	Balance	Amount	Balance
	RMB'000	RMB'000	RMB'000	RMB'000
Sinopec Finance Company Limited	-	-	25,000	105,000

- (b) The followings are the significant related party transactions relating to sales and purchases of goods and provision of services that occurred during six-month period ended 30 June 2003:

Type of transactions	Related parties	Percentage of total amount of the type of transaction	
		Amount RMB'000	%
Sales	Sinopec Huadong Sales Company	3,753,389	26.55%
	Other fellow subsidiaries	1,118,743	7.91%
Purchases	China International United Petroleum & Chemicals Co. Ltd. (Unipecc)	5,911,866	46.25%
	Other fellow subsidiaries	2,249,679	17.60%
Construction and installation fees	China Petroleum & Chemical Corporation	153,006	63.46%

The Group is of the opinion that the purchase of goods from the above related parties ensures a steady and secure supply of raw materials, and that sales to the above related parties ensure that the Group maintains important sales channels. The construction and installation fees were paid to China Petroleum & Chemical Corporation strictly in compliance with respective contracts. These connected transactions are beneficial to the Group.

### G. Trust, Sub-contract and Lease Arrangements

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

### H. Material Contracts

During the reporting period, the Company had no material contracts for which the Company did not perform its obligations.

### I. Guarantees

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	15 September 2002	57,600	Bank Loan	1 year	No	Yes
Shanghai Golden Conti Petrochemical Company Limited	6 March 2003	48,000	Bank Loan	1 year	No	Yes
Shanghai Jinsen Hydrocarbon Resins Company Limited	22 March 1999	40,000	Bank Loan	5 years	No	Yes
Shanghai Golden Conti Petrochemical Company Limited	15 December 1998	34,200	Bank Loan	5 years	No	Yes
Hanzhou Jinshan Real Estate Company	29 September 2002	24,800	Bank loan	1 year	No	Yes
Shanghai Golden Conti Petrochemical Company Limited	1 September 2002	23,890	Bank Loan	1 year	No	Yes
Shanghai Jinsen Hydrocarbon Resins Company Limited	17 May 2003	14,600	Bank Loan	1 year	No	Yes
Others	22 May 1997– 2 June 2003	56,642	Bank Loan	1-6 years	No	Yes
Amount signed in the reporting period (RMB'000)						81,600
Guarantee amount (RMB'000)						299,732
Including: Guarantee for connected parties (RMB'000)						299,732

**J. Commitments of the Company or any shareholder with a shareholding above 5% of the total shares in issue**

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.

**K. Deposits**

The Company did not have any designated deposit during the reporting period. As at 30 June 2003, the Company did not have any time deposit which could not be collected upon maturity.

**L. Trust Financial Management**

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

**M. Auditors**

KPMG Huazhen and KPMG were re-appointed as the Company's domestic and international auditors respectively for the year of 2003, as approved at the 2002 Annual General Meeting.

**N. Tax rate**

The charge for PRC income tax applicable to the Company is currently calculated at the rate of 15% (2002: 15%). The Company has not received any notice from the Ministry of Finance that the 15% tax rate will not continue to be applicable to the Company in 2003.

**O. 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 reporting period.

**P. Other Important Information**

1. On 27 March 2003, the Company released 2002 Annual Results Announcement, Resolutions of the Fourth Meeting of the Fourth Session of the Board of Directors and Resolutions of the Fourth Meeting of the Fourth Session of the Supervisory Committee, which were published on page 36 of Shanghai Securities News, page 18 of China Securities Journal and on the Shanghai Stock Exchange ("SSE") website [www.sse.com.cn](http://www.sse.com.cn) accessible by entering the Company's Code (600688) in the section headed "Listed Companies Information Search".
2. On 30 April 2003, the Company released 2003 First Quarter Report, Resolutions of the Fifth Meeting of the Fourth Session of the Board of Directors and the Notice of Annual General Meeting for the year 2002, which were published on page 56 of Shanghai Securities News, China Securities Journal and SSE website.
3. On 19 June 2003, the Company released the Resolutions of 2002 Annual General Meeting in Shanghai Securities News, China Securities Journal and on SSE website.
4. On 30 June 2003, the Company published the profit appropriation plan in Shanghai Securities News, on page 17 of China Securities Journal and SSE website.