

## DISCLOSURE OF SIGNIFICANT EVENTS

### 1 PERFORMANCE OF THE COMMITMENTS BY SINOPEC CORP. AND ITS SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL ISSUED SHARE CAPITAL, NAMELY, CHINA PETROCHEMICAL CORP., CHINA DEVELOPMENT BANK AND CHINA CINDA ASSET MANAGEMENT CORPORATION

(1) As at the end of the reporting period, the undertakings made by Sinopec Corp. include:

- i Carrying out the reorganization of its three wholly-owned 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 specified period of time;
- ii Changing the logo currently used at the petrol stations within a specified period of time;
- iii Setting up separate office buildings between China Petrochemical Corp. and Sinopec Corp. within a specified period of time; and
- iv 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 China Petrochemical Corp. include:

- i Complying with the agreements concerning connected transactions;
- ii Solving the issues arising from the land use rights certificates and property ownership rights certificates within a specified period of time;

- iii Implementing the Reorganization Agreement (defined in the Prospectus for the Issuance of H Shares);
- iv Granting licenses for intellectual property rights;
- v Avoiding competition within the industry; and
- vi Giving up 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 material commitments that they would not sell or transfer the shares of Sinopec Corp. held by them within a specified period of time.

Details of the above commitments were included in the preliminary prospectus published by Sinopec Corp. in China Securities, Shanghai Securities, and Securities Times on 22 June 2001.

In the period covered by this report, Sinopec Corp. did not breach and was not aware of itself or any of the above principal shareholders having breached the commitments.

### 2 PRELIMINARY PLAN FOR PROFIT APPROPRIATION FOR 2003

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 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).

### 3 USE OF PROCEEDS FROM ISSUANCE OF H SHARES AND A SHARES

The proceeds from the issuance of H shares of Sinopec Corp in 2000 amounted to RMB 25.802 billion. After deducting the issuance expenses, the net proceeds from the issuance of H shares amounted to RMB 24.326 billion, of which RMB 4.5 billion was used in 2000 for repayment of loans, RMB 13.735 billion was used in 2001, RMB 2.818 billion was used in 2002. In the period covered by this report, RMB 3.273 billion was used, of which RMB 2.373 billion was used for exploration and development and building up production capacity, RMB 540 million was used for the BASF-Yangzi Integrated Site Project, whilst RMB 360 million for the Shanghai Secco Project. As at the date of 31 December 2003, the proceeds from the issuance of H shares were all used up.

In 2001, the proceeds from the issuance of A shares of Sinopec Corp. amounted to RMB 11.816 billion. After deducting the issuance expenses, the net proceeds from the issuance of A shares amounted to RMB 11.648 billion, of which RMB 7.766 billion was used in 2001 mainly to acquire Sinopec National Star and to supplement the Company's working capital. In 2002, RMB 696 million was used mainly to cover the initial preparation cost of the southwest oil products pipeline project and to build the Ningbo-Shanghai-Nanjing crude oil pipeline. At the end of 2002, the remaining amount of the proceeds from the issuance of A shares was RMB 3.186 billion. In the period of this report, RMB 1.514 billion was used, of which RMB 700 million was used for building the southwest oil products pipeline project and RMB 814 million was used for building the Ningbo-Shanghai-Nanjing crude oil pipeline. As at the date of 31 December 2003, the remaining sum of the proceeds from the issuance of A shares was RMB 1.672 billion.

### 4 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 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.

### 5 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.

### 6 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.

### 7 MATERIAL LITIGATION AND ARBITRATION EVENTS

Sinopec Corp. has not involved in any material litigation or arbitration in the reporting period.

## DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

### 8 MATERIAL GUARANTEE CONTRACTS AND THEIR PERFORMANCE

Obligors	Date of occurrence (date of execution of agreement)	Amount RMB million	Type	Term	Whether performed or not	Whether for a connected party (or not)
Shanghai Secco Petrochemical Co., Ltd.	2002.2.9	2,930	Joint and several liability	2002.2.9-2021.12.20	No	Yes
Shanghai Secco Petrochemical Co., Ltd.	2002.2.9	4,062	Joint and several liability	2002.2.9-2013.12.20	No	Yes
BASF-YPC Co., Ltd.	2003.3.7	4,680	Joint and several liability	2003.3.7-2008.12.31	No	Yes
Yueyang Sinopec Shell Coal Gasification Co., Ltd.	2003.12.10	377	Joint and several liability	2003.12.10-2017.12.10	No	Yes
Others		358	Joint and several liability		No	
Total amount of guarantee provided by the Sinopec Corp. for its controlling subsidiaries					RMB 173 million	
Total amount of guarantee provided by Sinopec Corp. not in compliance with the requirements of (Zheng Jian Fa [2003] No.56)*					RMB 184 million	
Total amount of guarantee as a percentage of the Company's net assets					8%	
Total amount of guarantee provided					RMB 5,241 million	
Total amount of guarantee outstanding					RMB 12,407 million	
Of which: total outstanding amount of guarantee provided to connected parties					RMB 12,407 million	

\*Note: These guarantees were granted to a subsidiary and an associate of Sinopec Corp. Pursuant to "Notice on Certain Issues Relating to Regulating Fund Transfers between a Listed Company and Connected Parties and the External Guarantees of Listed Company" (Zheng Jian Fa [2003] No.56) promulgated by the China Securities Regulatory Commission (CSRC) 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 project loan, and the amount of guarantee was equal to RMB 6.992 billion. For relevant details, please refer to 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 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.

### **9 CHANGE OF DIRECTORS AND SUPERVISORS**

In the first half of 2003, the terms of both the first session of the Board of Directors and the first session of Supervisory Committee of Sinopec Corp. expired. On 22 April 2003, Sinopec Corp held the

First Extraordinary General Meeting of Shareholders for Year 2003, and elected members of Sinopec Corp.'s second session of the Board of Directors and supervisors from shareholders of the second session of the Supervisory Committee. The members of the Board of Directors are: Mr. Chen Tonghai, Mr. Wang Jiming, Mr. Mou Shuling, Mr. Zhang Jiaren, Mr. Cao Xianghong, Mr. Fan Yifei, Mr. Chen Qingtai, Mr. Ho Tsu Kwok Charles, Mr. Shi Wanpeng, Mr. Zhang Youcai, and Mr. Cao Yaofeng. Supervisors from shareholders are: Mr. Wang Zuoran, Mr. Zhang Chongqing, Mr. Wang Peijun, Mr. Wang Xianwen, Mr. Zhang Baojian, Mr. Kang Xianzhang, Mr. Cui Jianmin, Mr. Li Yonggui. Supervisors from employees are: Mr. Su Wensheng, Mr. Cui Guoqi, Mr. Zhang Xianglin, Mr. Zhang Haichao. At the Annual General Meeting of Shareholders for Year 2002 held on 10 June 2003, Mr. Liu Genyuan and Mr. Liu Keguo were also elected as directors of the second session of the Board of Directors of Sinopec Corp.

At the first meeting of the second session of the Board of Directors of Sinopec Corp. held on 22 April 2003, Mr. Chen Tonghai was elected as Chairman of the Board; Mr. Wang Jiming was elected as Vice Chairman of the Board; Mr. Wang Jiming was appointed as 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 concurrently appointed as Chief Financial Officer; Mr. Chen Ge was appointed as Secretary to the Board of Directors. The first meeting of the second session of Sinopec Corp.'s Supervisory Committee was held on the same date and Mr. Wang Zuoran was elected as Chairman of the second session of the Supervisory Committee of Sinopec Corp.

### **10 AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

At Sinopec Corp.'s First Extraordinary General Meeting of Shareholders for Year 2003 held on April 22, 2003, the new Articles of Association and appendices of Sinopec Corp. were approved. For details of the amendments to the Articles of Association and its appendices, please refer to the relevant 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 3 April 2003.

### **11 GENERAL MEETING OF SHAREHOLDERS**

In this reporting period, Sinopec Corp. convened and held four General Meetings of Shareholders, in strict compliance with the procedures of notification, convening and holding meetings as stipulated in the relevant laws and regulations and the Articles of Association of Sinopec Corp. For details, please refer to the section headed "Summary of Shareholders Meetings" on page 62 of this Annual Report.

### **12 TRUSTEESHIP, CONTRACT AND LEASE**

In this reporting period, Sinopec Corp. did not have any significant trusteeship, sub-contract or lease of any other company's assets, nor placed its assets to or under any other company's trusteeship, sub-contract or lease which were required to be disclosed.

### **13 ENTRUSTED MONEY MANAGEMENT**

In this reporting period, Sinopec Corp. did not entrust or continuously entrust any other party to carry out cash assets management for it.

### **14 ASSET MORTGAGE**

By 31 December 2003, the details regarding the Company's assets mortgaged have been listed in Note 28 to the Financial Statements prepared pursuant to IFRS in this Annual Report.

## DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

### 15 AUDITORS

At the Sinopec Corp.'s Annual General Meeting of Shareholders for Year 2002 held on 10 June 2003, KPMG Huazhen and KPMG were reappointed respectively as the domestic and international auditors of the Sinopec Corp. for the year of 2003 and authorized the Board of Directors to determine the remunerations for them. As approved at the seventh meeting of the second session of the Board of Directors of Sinopec Corp., the total audit fee for 2003 was HK\$ 55 million.

Beginning from the second half of Year 2000, KPMG Huazhen and KPMG have provided auditing services to Sinopec Corp. for a consecutive period of three and a half year, the first auditing service agreement was signed in March 2001.

Auditor appointed	KPMG Huazhen (Domestic)	KPMG (International)
Audit fee of Sinopec Corp. for Year 2003*	HK\$3,000,000 (unpaid)	HK\$52,000,000 (unpaid)
Other fees and other audit fees for Year 2003**	HK\$3,000,000 (unpaid)	HK\$2,000,000 (unpaid)
Audit fee of Sinopec Corp. for Year 2002 *	HK\$3,000,000 (paid)	HK\$52,000,000 (paid)
Audit fee of Sinopec Corp. for Year 2001	HK\$3,000,000 (paid)	HK\$57,000,000 (paid)
Travel expenses and other expenses	Borne by the firm	Borne by the firm

#### Notes:

\* Most of Sinopec Corp.'s subsidiaries listed in the PRC and/or overseas appointed KPMG Huazhen and KPMG as their auditors. However, some subsidiaries listed in the PRC and/or overseas appointed other firms as their auditors. Please refer to their respective annual reports for details about such subsidiaries' appointments and dismissals of auditing firms.

\*\* In the opinion of the Board, the other fees and other audit fees for 2003 do not affect the audit independence of the auditor.

### 16 OTHER SIGNIFICANT EVENTS

In this reporting period, neither Sinopec Corp., the Board of Directors of Sinopec Corp., nor the directors were subject to any investigation from the CSRC, nor was there any administrative penalty or circular of criticism issued by the CSRC, the Securities

and Futures Commission of Hong Kong and the Securities and Exchange Committee of the United States, nor any reprimand published by the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the New York Stock Exchange or the London Stock Exchange.

#### **17 INTERESTS OF DIRECTORS, SUPERVISORS AND OTHER MEMBERS OF THE SENIOR MANAGEMENT IN THE SHARE CAPITAL**

None of the directors, supervisors or senior managers or any of their spouses or children under the age of 18 had, during the period from 1 January to 31 March 2003, any interests in any shares of Sinopec Corp. (as defined under Securities (Disclosure of Interests) Ordinance) (“SDI Ordinance”) which are required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they have taken or are deemed to have taken under section 31 or Part 1 of the Schedule to the SDI Ordinance), nor any interests in any debentures which are required pursuant to section 29 of the SDI Ordinance to be entered in the register referred to therein, nor any interests in warrants to subscribe for shares in Sinopec Corp. which are required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions Entered by Directors of Listed Companies (Supervisors have to make similar disclosure, if any, as if they were directors).

None of the directors, supervisors or executive presidents or senior managers or any of their respective contacts had, during the period from 1 April to 31 December 2003, any interests and short positions in any shares or debentures or related shares of Sinopec Corp. or its associated corporations (as defined in Part 15 of the Securities and Futures Ordinance) which are required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part 15 of the Securities and Futures Ordinance or which are required pursuant to section 352 of the Securities and Futures Ordinance to be entered in the register referred to therein, or which are required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions Entered by Directors of Listed Companies as specified on the Listing Rules of the Hong Kong Stock Exchange (including those interests and short positions that are deemed to be such, or are regarded to be owned in accordance with the relative provisions under the Securities and Futures Ordinance).