

ABOUT THE REPORT

This is Sinochem Group's first report to use the name "*Sustainable Development Report*." Previously, Sinochem Group published a *Corporate Social Responsibility Report* in April 2004, June 2008, June 2009, and June 2010.

REPORT SCOPE

This report covers Sinochem's activities between January 1st, 2010 and December 31st, 2010. Parts of the content may reflect activities and data from previous years.

REPORT PUBLICATION CYCLE

This report is an annual report.

REPORT GUIDELINES

This report follows the guidance of *the Guidelines for Key State-owned Enterprises to Fulfill Corporate Social Responsibility*, the Ten Principles of the United Nations Global Compact, *the Sustainability Reporting Guidelines* of the Global Reporting Initiative (GRI G3.1), and *ISO 26000: 2010 Guidance on Social Responsibility*.

REPORT IMPROVEMENTS

Compared with last year's *Corporate Social Responsibility Report*, this report features the following improvements:

- Adds "serving people's livelihoods" as a new social responsibility issue, reflecting the company's practices in serving people and the State.
- Builds a corporate social responsibility matrix, showing the actions taken by Sinochem's five business sectors in fulfilling corporate social responsibility.
- Increases the breadth and depth of corporate social responsibility information disclosure, making the report more informative.

DATA SOURCES

The data used in the report are all from the company's official documents and statistical reports.

NOTE ON NAMES USED

For the convenience of expression and reading, "Sinochem Group" in this report is also referred to as "Sinochem," "we," and "the company."

OBTAINING COPIES OF THE REPORT

The report is available in both Chinese and English editions. To read or download the report, please visit the Sinochem Group's website at www.sinochem.com.



CONTENTS

PRESIDENT'S MESSAGE	04		
ABOUT US	06		
CORPORATE STRATEGY AND GOVERNANCE	08		
CSR MANAGEMENT	12		
<hr/>			
		1	SERVING THE NATIONAL ECONOMY AND PEOPLE'S LIVELIHOODS FOR MUTUAL PROSPERITY 16
			Safeguarding National Energy Security 17
			Protecting National Agricultural Security 20
			Serving to Improve Chinese People's Livelihoods and Happiness 22
			Creating Best Value for Shareholders 24
<hr/>			
		2	Providing Value-Added Services to Develop with Clients 26
			Expanding Our Oil Business Service Portfolio 27
			Establishing a Service System for "Agriculture, Countryside, and Farmers" 28
			Providing Comprehensive Chemical Business Service 31
			Developing Reliable and Efficient Financial Service 32
			Developing High-Quality Commercial Real Estates Services 33
<hr/>			
		3	Conducting Health Safety and Environment Management to Reach Harmony with Nature 34
			Further Improving our HSE Management System 35
			Occupational Health and Safe Production 37
			Environmental Protection 39
			Tackling Climate Change 41
<hr/>			
		4	Valuing People's Talent to Develop with Employees 42
			Protecting Employee Rights 43
			Realizing the Value of Employees 45
			Increasing Employee Sense of Belonging 46
<hr/>			
		5	Participating in Socially Beneficial Activities to Facilitate Social Progress 48
			Poverty Alleviation 49
			Donating to Charity 51
			Win-Win Cooperation 52
			Contributing to Community Development 53
<hr/>			
CSR FEATURE REPORT	54		
FUTURE OUTLOOK	57		
THIRD-PARTY COMMENT	58		
GLOBAL REPORTING INITIATIVE (GRI) INDEX	60		
FEEDBACK FORM	64		



President's Message

The basis of an enterprise's green and sustainable development is the recognition and support it receives from all of its stakeholders; creating harmonious relations between a company and its stakeholders requires the company to take the initiative in fulfilling its corporate social responsibilities (CSR). Sinochem Group is dedicated to creating value for the country and society, and delivers CSR through every link of its products and services, trying its best to integrate CSR into its daily operations, increase sustainability, and pursue a balance between company growth, social benefits, and environmental protection.

The year 2010 marked the 60th anniversary of Sinochem Group, and was also a milestone in Sinochem's development process. Under the guidance of the objectives for the company's "Third Long March" period, we completed the tasks given to us by the State-owned Assets Supervision and Administration Commission (SASAC) of the Chinese State Council, and realized sales revenue of 335.33 billion Chinese Yuan and net profit of 7.35 billion

Chinese Yuan, both historical highs. Last year, we strove to deliver our best CSR performance and achieved fruitful results; we relied on our service system improvements to increase core competitiveness and provide all-round professional services for our clients; we upheld the principle of "People First" by caring for our employees throughout their career development; we rolled out a top-down Health, Safety, and Environment (HSE) system with Sinochem characteristics, which helped us achieve zero major production accidents last year; we complied with legal requirements while conducting our day-to-day operations and vigorously participated in socially beneficial activities related to science and technology development, education, and environmental protection at home and abroad, making efforts to honor our global CSR commitments.

In the past year, the Sinochem Group has taken the Scientific Development Outlook as its guiding principle and sharpened its edge in its five major business segments, including energy, agriculture, chemicals, finance, and real estate. We have been building a long-term management mechanism guided by a culture of safety, a core of risk management, and systematic and long-term management. We endeavor to build a company with safe production, energy conservation, and environmental friendliness, making our contributions to social harmony and progress by embarking on a sustainable path.

The year 2011 is the first year for the rollout of China's "Twelfth Five-Year Plan." Driven by the initiatives of our "Third Long March," we are aiming at consolidating our industrial foundation, strengthening our industrial position, and pursuing industrial development with Sinochem characteristics. We will stick to our corporate philosophy of "Creating Value and Pursuing Excellence." As a good corporate citizen we keep CSR in mind in order to win the trust and support from all of our stakeholders and to become a great company that commands respect worldwide.

To achieve sustainable development requires that a company fulfill its responsibilities; fulfilling responsibilities requires communication; communication creates value. By publishing this CSR report, we hope to reflect the trust and support of all stakeholders, to enhance our communication with them, and to join our hands together to create an even brighter future.

Liu Deshu
President & CEO
Sinochem Group

ABOUT US

As a key state-owned enterprise, Sinochem Group has been on the Fortune 500 largest global companies list 19 times, ranking 203rd in 2010.

Since its establishment, Sinochem has dedicated itself to creating value for the country and society, unremittingly exploring the rules of business development, seeking advantages in growing large and growing strong, gradually transforming from a traditional state-owned trading company into an enterprise with advanced corporate philosophy, scientific management, and strong competitiveness. Sinochem Group's influence and strength in these industries has been greatly enhanced.

Sinochem Group's main business spreads across five areas: energy, agriculture, chemicals, finance, and real estate. Sinochem is China's fourth largest national petroleum company, largest integrated operator of agricultural inputs (fertilizers, pesticides, and seeds), the leading comprehensive service provider of chemical products, and at the same time has a strong presence in China's high-end commercial properties and non-bank financial service sectors.

Sinochem Group has over 200 subsidiaries and branches at home and abroad, and is the controlling shareholder of several listed companies including Sinochem International Corp. (600500.SH) (Sinochem International), Sinofert Holdings Limited (HK, 00297) (Sinofert), and Franshion Properties (China) Limited (HK, 00817) (Franshion Properties). On June 1st 2009, Sinochem Group made a major move to inject most of its assets into a joint-stock entity "Sinochem Corporation." With creative and pioneering spirit, Sinochem's more than 40,000 employees adhere to our corporate motto of "Creating Value and Pursuing Excellence," strive to achieve sustainable long-term development of the company, and try their best to build a great company that commands respect and influence worldwide.

Company Name: Sinochem Group	
Company Name:	Sinochem Group
Registered Capital:	10.17 billion Chinese Yuan (RMB)
Time of Establishment:	March, 1950
Asset Scale:	RMB 200.8 billion
Headquarters:	Central Tower, Chemsunny World Trade Center, 28 Fuxingmennei Street, Beijing

Energy Business	
Industrial Position:	<ul style="list-style-type: none">Sinochem Group is one of China's top four national oil companies. Having been engaged in the oil business for over 60 years, we have forged an operational and industrial landscape with our own characteristics. We enjoy a good reputation and exert a positive influence on the oil community at home and abroad.
Business Overview:	<ul style="list-style-type: none">Sinochem Group's oil business consists of six major segments, including exploration and production, crude oil, fuel oil, light oil, warehousing and logistics, and oil refining, which are respectively involved in oil and gas exploration and production; international crude oil trading; domestic and international fuel oil and light oil trading and distribution; the construction and operation of warehousing and logistic facilities; and the development and operation of refining projects.

Agriculture Business	
Industrial Position:	<ul style="list-style-type: none">Sinochem Group is China's largest fertilizer distributor and imported fertilizers supplier as well as one of China's biggest fertilizer producers.Sinochem is a domestic leader with global presence in the pesticides industry, which integrates pesticide R&D, production, trade and distribution. Its overall competitiveness ranks among the highest of domestic pesticide companies.Sinochem Group is the only national-level seed company champion and has been positioned at the first place on the Chinese Ministry of Agriculture's list of the top 50 Chinese seed companies twice in a row.
Business Overview:	<ul style="list-style-type: none">As China's largest fertilizer supplier, distributor and service provider, Sinochem Group has a strong foothold in China and obtains high-quality fertilizer resources from the global market, serving domestic agricultural production and contributing to grain security.Sinochem Group has made new efforts to streamline and consolidate its pesticide business. By doing so, we have strengthened our R&D and commercialization capacity. While we increase our domestic market share, we have also been developing the Southeast Asian market, with great results. Our pesticide imports and exports have been the highest in China for many years.As the only national-level state-owned company with seeds as a core business, Sinochem Group implements a strategy of highlighting R&D, increasing productivity, and promoting sales and marketing to further enhance core competitiveness and optimize the business structure. As a result, we have expanded our business scale and enhanced our operational quality, with our profit markedly higher year on year.

Chemicals Business	
Industrial Position:	<ul style="list-style-type: none">While maintaining its position as China's largest chemicals import and export service provider, Sinochem Group is dedicated to facilitating technological progress as well as safe, environmentally-friendly, and harmonious development of the chemicals industry.
Business Overview:	<ul style="list-style-type: none">Sinochem Group has a relatively complete industrial chain, an extensive product line, and strong presence in the fluorine chemical business.As an international natural rubber manufacturer and China's largest natural rubber marketer and distributor that integrates rubber planting, processing, marketing, and logistics, we boast the largest processing capacity among domestic enterprises.Sinochem Group owns the largest hazardous chemical fleet and ISO tank lorries in China, which use the strictest safety standards. We maintain a leading position in the market, with our HSE management reaching international levels.

Finance Business	
Industrial Position:	<ul style="list-style-type: none">Sinochem Group is a leading financial service provider in China.
Business Overview:	<ul style="list-style-type: none">Sinochem Group's financial business is a non-banking financial system made up of a full range of services and product categories, including financial leasing, trust management, securities investment funds, life insurance, internal financial companies, and financial futures. Through continuous business development and risk control, and owing to our enhanced market competitiveness and sector influence, our financial business is becoming increasingly profitable, and making more contribution to Sinochem's general development.

Real Estate Business	
Industrial Position:	<ul style="list-style-type: none">Sinochem Group is one of the key State-Owned Enterprises (SOEs) approved by SASAC to run real estate and hotel businesses. With our leading domestic market asset base and operational efficiency, we are among the largest domestic real estates companies running high-end commercial properties.
Business Overview:	<ul style="list-style-type: none">Sinochem Group's real estate business involves the development and operation of high-end commercial property and residential buildings in prime locations in China's first-tier cities. We are engaged in high-end commercial property development, property leasing, and hotel investments.

Cooperate Strategy and Governance

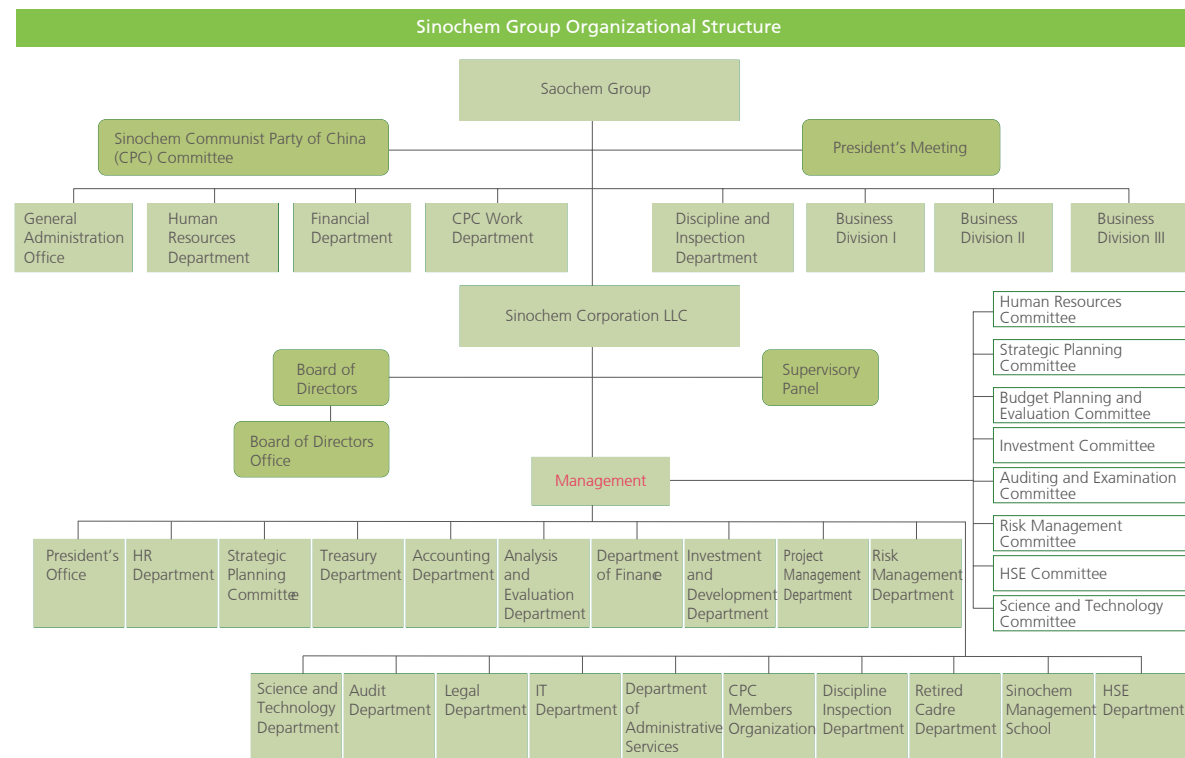
OUR MISSION:

- Become an industry role model in terms of innovative technology, resource consumption, and environmental protection;
- Become a strong pillar that supports China's energy and agricultural security as well as the development of chemical technologies;
- Become a company with a strong sense of social responsibility that commands respect and influence worldwide.

CORPORATE GOVERNANCE STRUCTURE:

Sinochem Group continuously upgrades operational mechanisms, rules, and regulations according to modern system requirements so as to improve our corporate governance and facilitate the company's sound and steady development.

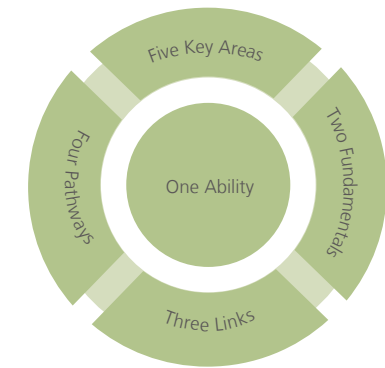
Sinochem Group adheres to the principles of collective decision-making and democratic centralism to improve decision-making mechanisms and to promote scientific and democratic decision-making within the organization. Our top executives at the group level are responsible for different segments of our business and different functional departments; we also fully leverage and continuously improve the Party Committee Meeting system and President's Meeting system. The Party Committee Meeting is responsible for deciding on major company issues concerning political requirements and the key changes in our business and key managers; the President's Meeting makes decisions for and supervises the implementation of the company's strategic moves and major operations management work. We also have specialized Committees in charge of specific areas of work that make proposals and suggestions for big events or projects.



OUR INDUSTRIAL SERVICE STRATEGY

We refer to our Industrial Service Strategy as the "One-Two-Three-Four-Five Strategy," which is an extended and deeper version of our previous "One-Two-Three Strategy."

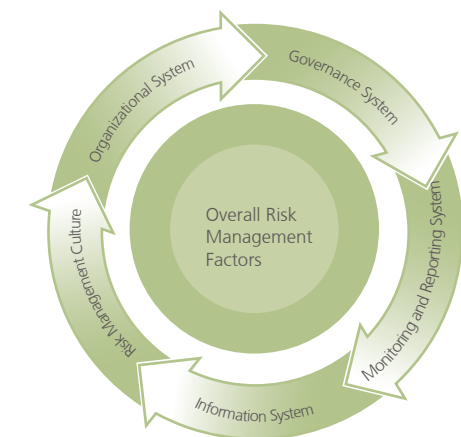
- "One Ability"—the ability to develop in a sustainable way;
- "Two Fundamentals"—internal management and external expansion;
- "Three Links"—resources, technology and the market;
- "Four Pathways"—innovation, integration, M&A, and collaboration;
- "Five Key Areas"—energy, agriculture, chemicals, finance, and real estate.

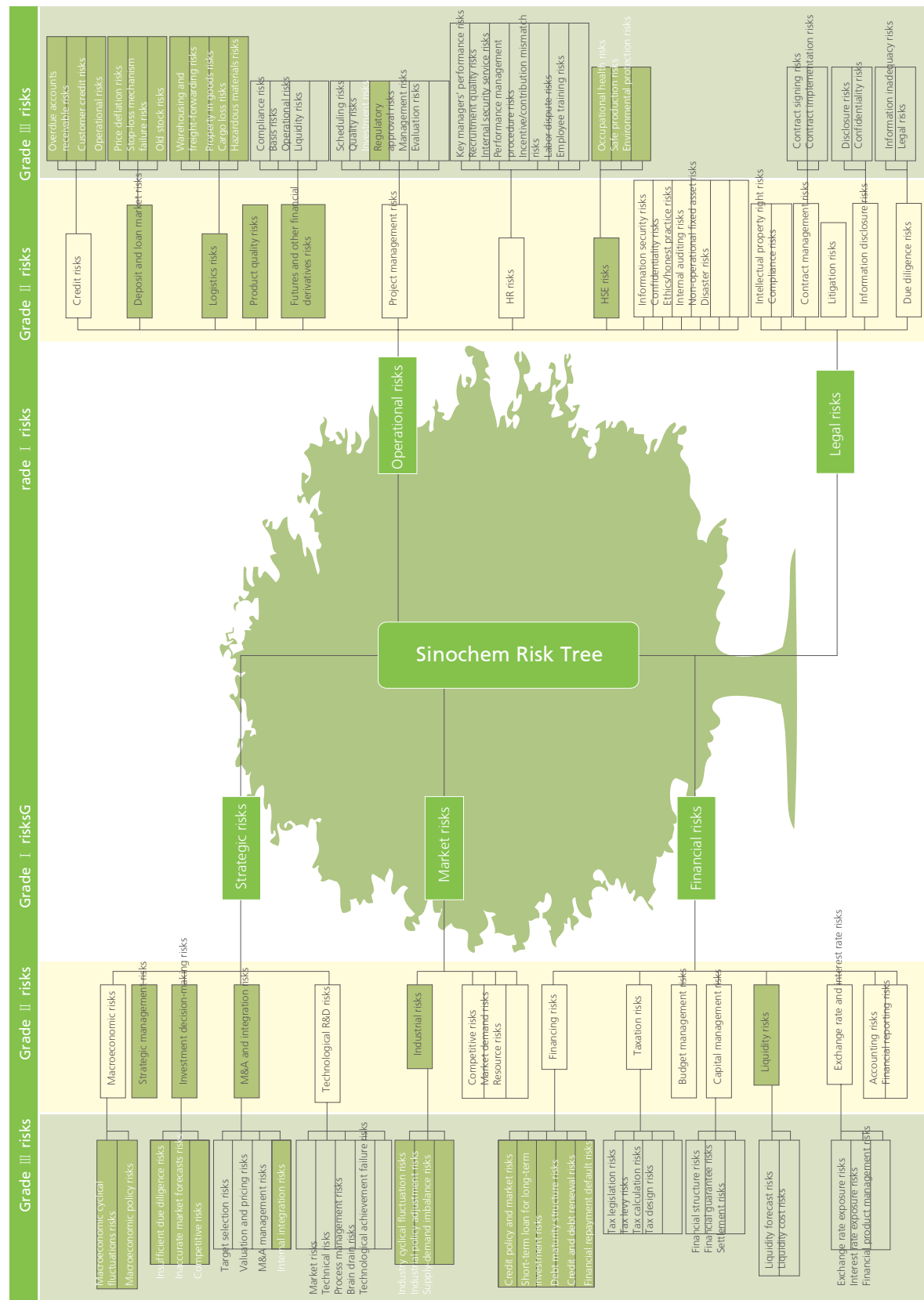


STRENGTHENING OVERALL RISK MANAGEMENT

Sinochem Group strongly emphasizes risk management and continues to build a comprehensive risk management system by improving risk management organizational systems, reporting, information systems, and by cultivating a culture of risk awareness. We embed risk management philosophy into the whole process of accident prevention, accident control, and post-accident evaluations.

In 2010, guided by the Key SOEs Risk Management Guidance published by SASAC as well as the targets of Sinochem Group's "Third Long March," we have established three systems, including the Annual Risks Recognition and Evaluation System, Daily Monitoring System on Major Risks, and the Reporting and Evaluation System on Overall Risk Management. Our company centered on strategic targets and operational plans to identify the major risks that affect the implementation of our strategies and our business development, categorized the risks into nine types such as M&A risks, project management risks, and HSE risks. We then monitor and assess these risks accordingly. Sinochem Group has studied and set up a key indicators monitoring system to regularly monitor major risks, and then applies these monitoring results to risk management decision-making processes. By so doing, we have improved our risk management capacity as well as early warning and analysis. Our overall risk management has become more systematic, responsive, and effective, which continues to ensure our operational quality and protect our assets.





ENHANCE ANTI-CORRUPTION EDUCATION AND TIGHTEN ANTI-CORRUPTION MEASURES

Wherever Sinochem Group's strategies go, our anti-corruption measures follow. We closely combine our anti-corruption measures with our need for company development. We have built up four defenses through education, an institutional "firewall," monitoring systems, and legal restrictions, focusing especially on strengthening the monitoring of the abuse of power in key areas. We have gradually established a comprehensive prevention system to control operational risks, management risks, ethics risks, and political risks. We continue diversifying our anti-corruption education, and integrate it with production operations, monitoring and supervision, as well as corporate culture to increase all employees' anti-corruption awareness and to provide strong support for Sinochem's "Third Long March" and sustainable development.

- We have cooperated with and completed the CPC Central Committee's Discipline Inspection work. By centering on promoting the sound and rapid development of the company, we have strengthened the anti-corruption system, which has earned high recognition from the inspection team.
- We have enhanced internal inspection. We have formulated *Responsibilities of Commissioned Inspectors and Discipline Inspection Work Flow* based on the *Central Government Discipline Inspection Ordinance* to carry out inspection on our subsidiaries.
- We have expanded our inspection coverage to bring our anti-corruption education and inspection work to overseas branches and joint ventures.
- We invited prosecutors and administrators of the Beijing Xicheng District People's Procuratorate to visit the Sinochem Quanzhou Petrochemical project site to conduct anti-corruption training. This activity was the first of its kind for Sinochem Group.

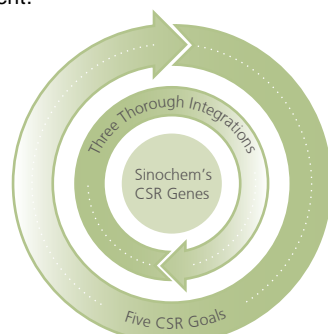
Sinochem Group's Major Anti-Corruption Measures and Results in 2010

Developed efficacy supervision programs.	39
Group-level executives signed 2010 CPC Anti-corruption Letter of Responsibilities.	12
General managers of Sinochem subsidiaries signed 2010 CPC Anti-Corruption Letter of Responsibilities.	44
Key managers signed 2010 CPC Anti-Corruption and Self-Discipline Commitment Letter.	218
Discipline Inspection Department of Sinochem Group gave opinions on the appointment and removal of key managers.	117
Conducted anti-corruption training for new employees.	1,266
Conducted anti-corruption and self-discipline training and education across the Group.	21

CSR Management

CSR STRATEGY

Sinochem Group considers CSR to be part of the company's genes. We integrate CSR into our values, mission, and vision, as well as in all business operations and embedded in cooperation with our stakeholders, allowing us to realize an organic combination of CSR and business management.



- Sinochem's CSR Genes
- Three Thorough Integrations :
 - Integration with our values, mission, and vision;
 - Integration with our five business operations;
 - Integration in Sinochem-stakeholder cooperation.
- Five CSR Goals:
 - To provide good returns and generate value for our shareholders and the State;
 - To win the trust of clients by conducting mutually-beneficial cooperation;
 - To become a company that people love to work for by caring for our employees and growing with them;
 - To achieve sustainable development by protecting the environment and conserving energy;
 - To command respect from society by adhering to laws, valuing ethics and working for the greater good.

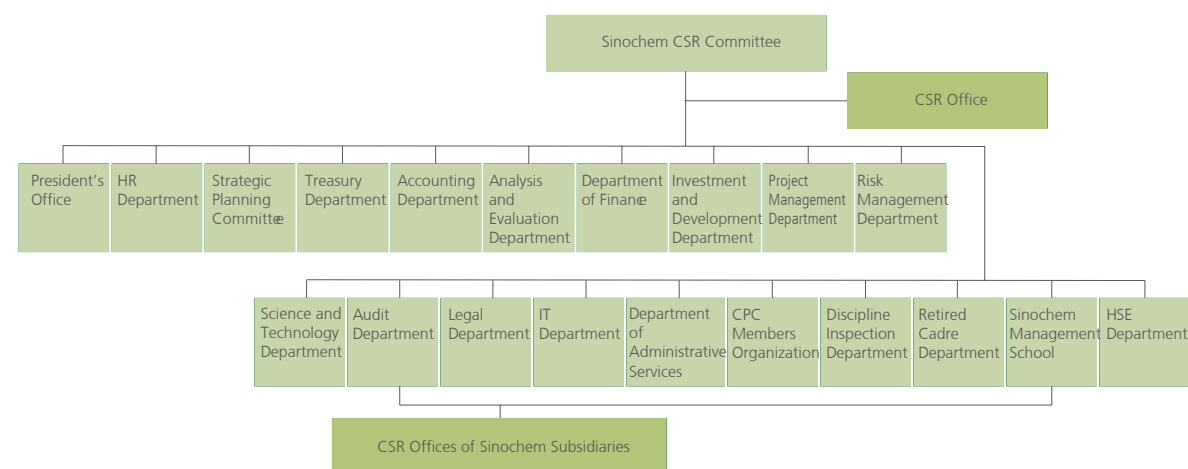
CSR MANAGEMENT SYSTEM

Sinochem Group attaches great importance to CSR work, and has set up a CSR management system that covers Sinochem headquarters and our subsidiaries, which attempts to incorporate CSR management into our day-to-day operation.

Sinochem has established a CSR Committee to administer overall CSR work of the whole group, such as reviewing CSR plans and management mechanisms, and discussing major CSR items. This Committee consists of senior executives and heads of functional departments. Under the Committee, there is a CSR Office in charge of management systems, making CSR work plans, organizing CSR activities and external CSR exchange and communication, and compiling and publishing the Sinochem Sustainable Development Report.

Sinochem pays high attention to communication with our stakeholders. Through setting up a CSR column on our company website and releasing the Sinochem Sustainable Development Report, we have enhanced the disclosure on our CSR work, trying our best to build positive and interactive relations with our stakeholders. By analyzing the significance of CSR items for our company and our stakeholders, we can identify key items to better meet stakeholder expectations.

We are also actively promoting our subsidiaries' CSR work. Sinochem International and Sinofert have been publishing their CSR reports for many years, and will continue to do so in the future. Other subsidiaries are preparing to compile their CSR reports.



Sinochem [I translated this section] is a member of the United Nations Global Compact (UNGC). Starting in 2010, Sinochem has started delivering its statement of progress toward the UNGC principles. In August of 2010, given the important nature of the company's CSR report in communicating stakeholder information and progress toward meeting UNGC principles, Sinochem's 2009 CSR Report won the 2010 UNGC "Chinese CSR Model Report Special Style" award.

Progress on Sinochem's Implementation of the UN Global Compact		
Items	Principles	Sinochem's Progress
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;	<ul style="list-style-type: none"> Sinochem protects female employees' rights, continuing to increase their comprehensive capabilities, organize an activity called "Sinochem Women Model Employees," and enhance the development of the women's union; Adopts many measures to protect employees' personal safety and property in overseas business operations; Has never been complicit in human rights abuses.
	Principle 2: Make sure that they are not complicit in human rights abuses.	
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<ul style="list-style-type: none"> Sinochem continues to optimize its democratic management mechanisms, makes public its business operations, and protects all employees' rights. Sinochem makes sure employees are informed and participate in major operational decision-making, targets, and goals, as well as big programs that are directly related to employees' rights. Sinochem works to enhance employees' sense of belonging to increase the cohesion of the company; Strictly follows national and local labor laws and regulations, and standardizes labor management; Treats every employee equally, upholds the principle of equal pay, and prevents issues like child labor and forced labor; Diversifies our team with a rational gender, geographic, and ethnic structure of employees working in harmony, which strongly supports our company development.
	Principle 4: The elimination of all forms of forced and compulsory labour;	
	Principle 5: The effective abolition of child labour;	
	Principle 6: The elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> Sinochem is actively building an HSE system with Sinochem characteristics. We have rolled out the system from the top managers, conducted HSE training, and established and optimized our safety culture, which help us to maintain our record of zero major production accidents; Combines climate change action with our business, and takes the initiative to promote the development of the fluorine chemical industry; Advocates "Green Real Estate," and adopts many green technologies such as ground source heat pumps and central ventilation system.
	Principle 8: Undertake initiatives to promote greater environmental responsibility; encourage the	
	Principle 9: Development and diffusion of environmentally friendly technologies.	
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> Sinochem has built up four defensive lines against corruption, including education, systems, monitoring, and legal restrictions, especially strengthening monitoring of the abuse of power in key areas. We have gradually established a comprehensive prevention system to control operational risks, management risks, ethical risks, and political risks; Continues diversifying anti-corruption education to integrate it with production operations, monitoring and supervision, as well as our corporate culture to increase all employees' anti-corruption awareness; Has formulated Responsibilities of Commissioned Inspectors and Discipline Inspection Work Flow and conducted internal inspections.

Sinochem's CSR Matrix					
Responsibilities Areas	Serve the National Economy and People's Livelihoods for Mutual Prosperity	Provide Value-Added Services to Develop with Clients	Conduct HSE Management to Reach Harmony with Nature	Value People's Talent to Develop with Employees	Participate in Socially Beneficial Activities to Facilitate Social Progress
The Group	Sinochem serves the national economy, helps realize state-owned asset preservation and growth, and creates value for shareholders to become what the State regards as a satisfactory company;	Sinochem creates value for clients by providing value-added services, and becomes a reliable company by having mutually-beneficial cooperation with our clients;	Sinochem regards human resources as the most important resource, protects employees' rights, keeps our employment system in accordance with labor laws, and upholds the principles of equality and democratic management so as to allow employees to grow with the company and become a company loved by its employees;	Sinochem views HSE as an important part of the company's CSR work, and is the foundation for the company's sustainable development;	Sinochem abides by laws and business ethics, aims to serve the greater good, actively participates in socially-beneficial activities, upholds the win-win principle to grow with our partners, and facilitates society's harmonious progress with its own sustainable development;
Energy	<ul style="list-style-type: none">• Ensure the national energy supply;• Shoulder the responsibility to build the national strategic oil reserve;	<ul style="list-style-type: none">• Expand the service coverage of our oil business;• Diversify the oil business portfolio;	<ul style="list-style-type: none">• Build an international business team with people coming from different areas and backgrounds serving for local benefit;	<ul style="list-style-type: none">• Highlight HSE in production and transportation;• Protect the environment;	<ul style="list-style-type: none">• Help spur regional economic development;• Support the development of overseas communities;
Agriculture	<ul style="list-style-type: none">• Ensure fertilizer supply; Develop and promote environmentally-friendly pesticides;• Safeguard the security of the national seed industry;	<ul style="list-style-type: none">• Optimize the system serving agriculture, the countryside, and farmers;	<ul style="list-style-type: none">• Provide an environment for employees to have professional development;• Optimize the HR training mechanism that covers recruitment, appointment, cultivation, and preservation processes;	<ul style="list-style-type: none">• Protect the agricultural environment;	<ul style="list-style-type: none">• Help to increase farmers' incomes;• Facilitate agricultural development;• Facilitate the construction of the New Socialist Countryside;
Chemical					
Finance	<ul style="list-style-type: none">• Serve basic necessities of people's life;	<ul style="list-style-type: none">• Become a specialized comprehensive chemical products marketer and service provider;	<ul style="list-style-type: none">• Provide tailored training and development for our employees;	<ul style="list-style-type: none">• Ensure HSE throughout product life cycles;• Facilitate the circular/recycling economy;	<ul style="list-style-type: none">• Promote the development of our partners;• Lead the development and transformation of the industry;
Real Estate	<ul style="list-style-type: none">• Improve the quality of people's livelihoods by serving health care and education causes;	<ul style="list-style-type: none">• Build goodwill and provide efficient financial services;	<ul style="list-style-type: none">• Educate employees to have professional ethics;	<ul style="list-style-type: none">• Promote environmental protection and energy conservation;	<ul style="list-style-type: none">• Promote industrial development and upgrading;
	<ul style="list-style-type: none">• Beautify city landscapes.	<ul style="list-style-type: none">• Build a premium high-end commercial property business.	<ul style="list-style-type: none">• Cultivate the core competitiveness of our employees.	<ul style="list-style-type: none">• Green construction; Green property management.	<ul style="list-style-type: none">• Promote the development of our partners.

Key CSR Items Related to Our Stakeholders				
CSR Goals	Stakeholders	Expectations and Demands	Communication and Act	
Serve the National Economy and People's Livelihoods for Mutual Prosperity	Government	<ul style="list-style-type: none">• Comply with laws, promote fair competition;• Serve the development of China's economy and people's livelihoods;	<ul style="list-style-type: none">• Tax compliance;• Report our work regularly;• Participate in policy research and government planning making;	
	Shareholders	<ul style="list-style-type: none">• Increase profitability;• Optimize the corporate governance structure;• Fulfill information disclosure obligations;• Ensure value preservation and increases of state-owned assets;	<ul style="list-style-type: none">• Hold general meetings of shareholders;• Report our work regularly;• Publish annual reports;	
Provide Value-Added Services to Develop with Clients	Clients	<ul style="list-style-type: none">• Abide by business ethics;• Improve service quality;• Provide marketing support services;• Meet diverse demands;	<ul style="list-style-type: none">• Collect clients' advice and suggestions;• Address clients' complaints;• Conduct client satisfaction surveys;	
	Partners/Suppliers /Industry	<ul style="list-style-type: none">• Promote industry technology upgrading;• Improve industry management levels;• Extend the industrial chain and explore service areas;	<ul style="list-style-type: none">• Enhance R&D capacity;• Conduct supply chain management and collaboration;• Participate in industrial development forums;	
Conduct HSE Management to Reach Harmony with Nature	Employees	<ul style="list-style-type: none">• Offer fair remuneration and employee benefits;• Highlight career development and training;• Create a good working environment;	<ul style="list-style-type: none">• Hold Staff Congress meetings;• Organize employee training and collect feedback;• Collect and study employees' advice and suggestions;	
Value People's Talent to Develop with Employees	Environment	<ul style="list-style-type: none">• Make the best use of resources;• Conserve energy and reduce emissions;• Develop the low-carbon economy;• Optimize HSE management;	<ul style="list-style-type: none">• Keep in touch with environmental protection authorities and NGOs;• Study and exchange good practices inside and outside China;	
Participate in Socially Beneficial Activities to Facilitate Social Progress	The Public/ Communities	<ul style="list-style-type: none">• Participate in socially-beneficially activities;• Serve community development.	<ul style="list-style-type: none">• Keep in touch with related government departments and important NGOs.	

Serving the National Economy and People's Livelihoods for Mutual Prosperity

Sinochem Group has continuously dedicated itself to creating value for the country and society, vigorously developing its five major business segments, including energy, agriculture, chemicals, finance, and real estate, seeking a bigger and stronger market presence, and making contributions to improving people's livelihoods while safeguarding national energy and agricultural security. We have continuously upheld the goal of "becoming an SOE that satisfies the State" as one of our CSR goals, and combined the company's development needs with the demands of the State and society. We are trying to develop new breakthroughs in our strategic transformation process while continuing to enhance our core competitiveness and play a backbone role as an SOE in China's national economic development and social progress.



The Group: We have been consistently serving the national economy, helping to realize state-owned asset preservation and growth, and creating value for shareholders;

Energy: We have been consistently constructing our energy industrial chain, ensuring market supply, and promoting the implementation of the national strategic oil reserve;

Agriculture: We have consolidated our fertilizer production capacity and built a strong distribution network and strategic alliance of suppliers; we research and develop efficient, low-toxicity and low-residue pesticides; we have set up the China Seed Life Science and Technology Center;

Chemical: We have been enriching our product portfolios to meet people's demands for daily basic necessities and set up a global anti-infective medicine joint venture, serving healthcare industry development;

Finance: We have been consistently serving county-level hospitals and the healthcare system and promoting healthcare development in areas that lack medical care while serving educational development needs, such as helping to improve the conditions of middle schools and elementary schools' in poverty-stricken areas.

Real Estate: We have built high-quality buildings and helped to beautify the city landscape.

SAFEGUARD NATIONAL ENERGY SECURITY

As the fourth largest national oil company, Sinochem Group is accelerating strategic we have accumulated in both domestic and foreign markets. We have been strengthening our capability for resource acquisition, ensuring oil and gas supply, and trying our best to develop our refining business, making our contribution to building a diverse supply system for crude oil and oil products for China, as well as the construction of China's national strategic oil reserve.



Major Indicators for Sinochem Group's Energy Business

	2007	2008	2009	2010
Crude oil trading volume (million metric tons)	36.84	37.46	48.02	52.88
Equity crude oil production (million barrels of oil equivalent)	7.27	9.77	13.74	1773
Light oil sales (million metric tons)	3.82	3.08	4.61	1.52
Oil storage capacity (million cubic meters)	1.93	2.50	2.91	4.34
Oil refining capacity (million metric tons)	—	—	—	5.00

Complete the Energy Industrial Chain

Sinochem Group has sped up the completion of its oil industrial chain, creating coordinated development among different links in the industrial chain, and continued to enhance its capacity to safeguard national energy security. We have actively extended our oil industrial chain to the upstream and downstream areas, and realized synchronized development between our industrial scale and the economy and society, playing a more and more important role in China's energy sector.

In terms of oil exploration and production, we have been vigorous in new oil and gas assets acquisition, which has rapidly expanded our oil and gas reserve and asset base. We have achieved a major leap from being a non-operator to becoming deeply involved in the industry, covering areas from oil production to exploration, from oil to gas fields, from onshore to offshore capacity. In 2010, the Sinochem Group signed an agreement with Statoil ASA to acquire 40% equity of its Peregrino oil field in Brazil, which has not only expanded and enhanced our strategic presence in South America, and also increased our oil and gas output and reserve remarkably.

In the area of oil trading, Sinochem Group uses the benefits its integrated foreign and domestic operations as well as "the two markets and two resources" at home and abroad to set up good cooperation relations with oil producing countries and large oil companies. Through increasing our footprint inside and outside China, strengthening our long-term cooperation with world-renowned oil products producers, and combining long-term contracts and spot trading, we have shaped stable and extensive global purchasing channels. By so doing, we have enhanced our capacity to acquire oil resources and made our contribution to protecting China's national energy security.

In 2010, Sinochem Group achieved several breakthroughs in oil refining: Sinochem's Quanzhou Petrochemical Refining Project progressed well, which provided favorable conditions for production to begin in 2013; Sinochem Group signed a cooperation agreement with Shandong

Hongrun Petrochemical to become the controlling shareholder of the Shandong Hongrun Petrochemical through capital injection. These steps helped us to complete key links in our oil industrial chain.

Regarding our warehousing and logistics business, we enhanced our project development and construction processes. We launched new projects or started renovations and expansion projects in Zhuhai of Guangdong Province, Yangzhou of Jiangsu Province, Tianjin Port, and Quanzhou of Fujian Province, which marked the completion of the initial layout of our petrochemical warehousing and logistics network along the coastal and riverside areas.

Currently, counting both existing facilities and projects under construction (including Zhoushan National Oil Reserve Facilities), Sinochem Group has a total storage capacity of approximately 13 million cubic meters.

Our petrochemical storage network covers the Yangtze River Delta, Pearl River Delta, and the Bohai Bay Area, as well as other coastal and riverside regions in China.

This storage and logistics network is served by a network of ports and jetties whose handling capacity range from 3,000 to 300,000 metric tons.

Phase I of the Tianjin Storage Project was put into operation, becoming a top-notch international commercial petrochemical storage base in the Bohai Bay Area.

Phase II of the Zhuhai Project was completed, creating the largest oil product storage and transportation base in southern China.

As to distribution and sales, we actively explore the end-use market and stabilized market supply. Sinochem continued to construct its refined oil distribution network, and initially formed a network covering northern China, eastern China, and southern China; cooperated with the Total Group to develop gas stations in the Bohai Bay area and eastern China, with part of the distribution network taking shape; and vigorously promoted the construction of our own gas station network in Fujian Province.

Case: Stabilizing Market Supply

In the fourth quarter of 2010, China suffered from an acute shortage of diesel. In order to balance the market supply and demand and meet the urgent energy need in parts of China, Sinochem Group took swift action by coordinating its supply resources and getting more import quotas, and promptly imported 130,000 metric tons of diesel, which greatly eased the tension of diesel shortages in many areas of China.

Shouldering the Responsibility of Building the National Strategic Energy Reserve

Building the national strategic oil reserve is an important part in the national energy security system. Enjoying the advantages of practicing international trading and having a large petrochemical storage capacity as well as a complete warehousing and logistics system, Sinochem Group makes efforts to provide purchasing services for the national crude oil reserve and offer storage and replacement services for the national refined oil reserve. We also actively participate in research and planning for China's energy development, providing advice and suggestions on the national oil reserve and giving our support for national energy policy making.

In 2010, Phase I of Zhoushan National Oil Reserve passed the State's acceptance exam, while Phase II is progressing well. It further enhanced the company's ability to protect the national oil security.

Case: Phase I of Zhoushan National Oil Reserve Passed the State's Acceptance Exam

Zhoushan National Oil Reserve project is the one of the first batch of the national oil reserve bases. NDRC (National Development Reform Commission) commissions Sinochem Group to build and manage the project. During its construction, Sinochem applied the latest-developed technologies and met the State's demands on project management, safety, schedule, and budget control through close cooperation with the design, construction, and quality monitoring and inspection units. Since the commissioning of the project, it enjoyed a safe and sound operation with all its economic and technological indicators meeting the design requirements. Therefore, it got the Silver Medal for National High-Quality Projects.

In 2010, Phase I of the Zhoushan project passed the acceptance exams conducted by NDRC, National Energy Bureau, Ministry of Finance, Ministry of Land and Resources, as well as Ministry of Environment Protection. This project has further completed the national oil reserve system, and made contribution to protecting the national oil reserve security.



SAFEGUARDING NATIONAL AGRICULTURAL SECURITY

Agricultural security is a foundation of national security. China's agricultural industry has a rather weak foundation and competitiveness, so its agricultural security is facing many challenges. Sinochem Group fully supports China's agricultural development by increasing R&D input, and building an integrated agricultural inputs (including fertilizers, pesticides, and seeds) business model. Sinochem has made significant contributions to enhancing China's agricultural competitiveness and protecting China's national agricultural security.

Stabilizing the Supply of Fertilizer Products

Sinochem Group's fertilizer business takes "distribution" as its core, while extending our industrial chain to both upstream and downstream areas. We try to develop diverse purchasing channels across the globe, take the initiative to participate in the development of domestic mineral fertilizer resources, continue improving our fertilizer industrial chain, provide quality products for our customers, and ensure supply for China's fertilizer market.



Fertilizer Industrial Chain	Specific Steps
R&D	<ul style="list-style-type: none">We own three provincial-level business technology centers, and are preparing to set up two more centers, namely, the Engineering Research Center for Phosphate Compound Fertilizers, and the Crop Nutrition and Protection Technology Center.
Production	<ul style="list-style-type: none">We have established the Compound Fertilizers Operation Center, consolidating compound fertilizer production companies; and completed work entrusted by Sinochem's eastern and Shandong Province units.
Distribution	<ul style="list-style-type: none">We signed long-term proxy agreements with international major fertilizer suppliers, such as the Potash Corporation of Saskatchewan, so as to make contributions to stabilizing the potash supply;Our distribution network covers the major agricultural provinces in China. The network gives us advantages for enhancing supply capacity.

Major Indicators for Sinochem Group's Fertilizer Business Operation

Year	2006	2007	2008	2009	2010
Total capacity (millions of metric tons)	3.03	7.85	10.16	10.34	10.34
Total sales volume (millions of metric tons)	12.57	15.16	16.22	15.23	15.51
Total distribution outlets	1,375	1,672	2,010	2,036	2,106

Developing and Promoting Environmentally Friendly Pesticides

Sinochem Group consolidates and draws upon R&D resources both home and abroad to develop more efficient and environmentally-friendly pesticides. We try to achieve coordinated development among different links in the pesticide industrial chain, strengthen the commercialization of R&D results, and promote the application of safe, efficient, and environmentally-friendly pesticides, aiming at serving China's agricultural development.



Pesticide Industrial Chain	Specific Steps
R&D	<ul style="list-style-type: none">The Key National Laboratory for New Pesticide Development has passed the acceptance test of the Ministry of Science and Technology;We have developed highly-efficient, low-toxicity, and low-residue environmentally-friendly pesticides, reducing negative impacts on soil and ensuring the quality of agricultural products;
Production	<ul style="list-style-type: none">We have three pesticide production bases in Shenyang, Nantong, and Lianyungang, with total production capacity exceeding 100,000 metric tons, which ensures pesticide supply;
Distribution	<ul style="list-style-type: none">We have over 4,100 distribution outlets across China, covering major agricultural provinces, allowing us to meet pesticide demand for agricultural production.

Safeguarding National Seed Security

By implementing the "One-Two-Three-Four-Five" strategy, the China National Seed Group (hereafter referred to as China Seed), a Sinochem Group subsidiary, continues to increase its core competitiveness in every link of the seed industrial chain. It has laid a solid foundation for China Seeds to become the "Number one seed company in China, and a top-notch player in the world," while protecting national seed security.

Seed Industrial Chain	Specific Steps Taken
R&D	<ul style="list-style-type: none">We have set up the China Seed Life Science Technology Center, brought in high-caliber researchers, and built a high-end seed-breeding R&D platform;Completed two key projects of the Twelfth Five-Year Plan's technology support plan, including a "key technology and industrialization crop scoping seed preparation project" and "key vegetable plant sterile breeding key technology and good seed industrialization project." We also led organization and completion of a seed industry technology innovation strategy alliance in the Twelfth Five-Year Plan, including program reporting work.
Production	<ul style="list-style-type: none">We have set up four major production bases in northwest, southwest, south, and central China;The first phase project of the Yunnan Shilin Seed Processing Center was put into production, which has strengthened our breeding, production, and processing capacity for crop seeds;
Distribution	<ul style="list-style-type: none">We have sped up the establishment of provincial-level distribution centers, and have set up four companies in Chengde, Henan, Jiangxi, and Yunnan;We have enhanced the supporting role of acquisition, demonstration and promotion, technological service, customer management, and production sales.

Case: Accelerating the Consolidation of the Seed Industry

China National Seed Group has specified the orientation of its M&A targets, and conducted cooperation with colleges and research institutes to promote win-win collaboration among companies, colleges, and research institutes. In 2010, it acquired Guangdong Jindao Seed Co., Ltd. and Hunan Dongting High-tech Seed Co., Ltd.; it also signed strategic cooperation agreements with the Academy of Agricultural Science of Guangdong Province and Yueyang Agricultural Research Institute of Hunan Province respectively; at the same time, it became the second largest shareholder of the Anhui Wanken Seeds Company by capital injection.

Case: Key National Laboratory and Safety Assessment Center Passes Government Tests

In May, 2010, the Safety Assessment Center of the Shenyang Research Institute of the Chemical Industry was approved by the Ministry of Agriculture to become one of the first six "Pesticides Good Practice Model Laboratories." In June, the Shenyang Institute's Key National Laboratory for New Pesticides Development passed the Ministry of Science and Technology's acceptance test.

SERVING TO IMPROVE CHINESE PEOPLE'S LIVELIHOODS

Sinocem Group's core businesses are closely related to people's livelihoods. For meeting people's demands for basic necessities and improving the infrastructure of health care and the education system, Sinochem draws upon different characteristics of different businesses to make contributions to bettering people's livelihoods.

Clothing:

Chemicals: our products such as PTA, MEG, AN, and caprolactam are raw materials for making polyester, acrylic, and nylon, which are all key clothing components. Our dyestuffs are extensively applied in textile and apparel manufacturing.

Food:

Agriculture: plentiful rice, multiple varieties of vegetables; our food additives help improve food quality.

Housing:

Chemicals: our polyurethane products can improve the energy efficiency of construction materials; plastic raw material such as PP and PVC are applied in making pipes, doors, windows, etc. Real estate: we aim at building high-quality buildings, which become beautiful urban scenery and inject vitality into cities.

Transportation:

Chemicals: every year, we provide plastic raw materials as well as rubber products for tire manufacturing for around three million cars in China, meeting demands of the automotive industry. Energy: we have sped up the building of our gas station network, providing stable diesel and gasoline to satisfy people's transportation needs.

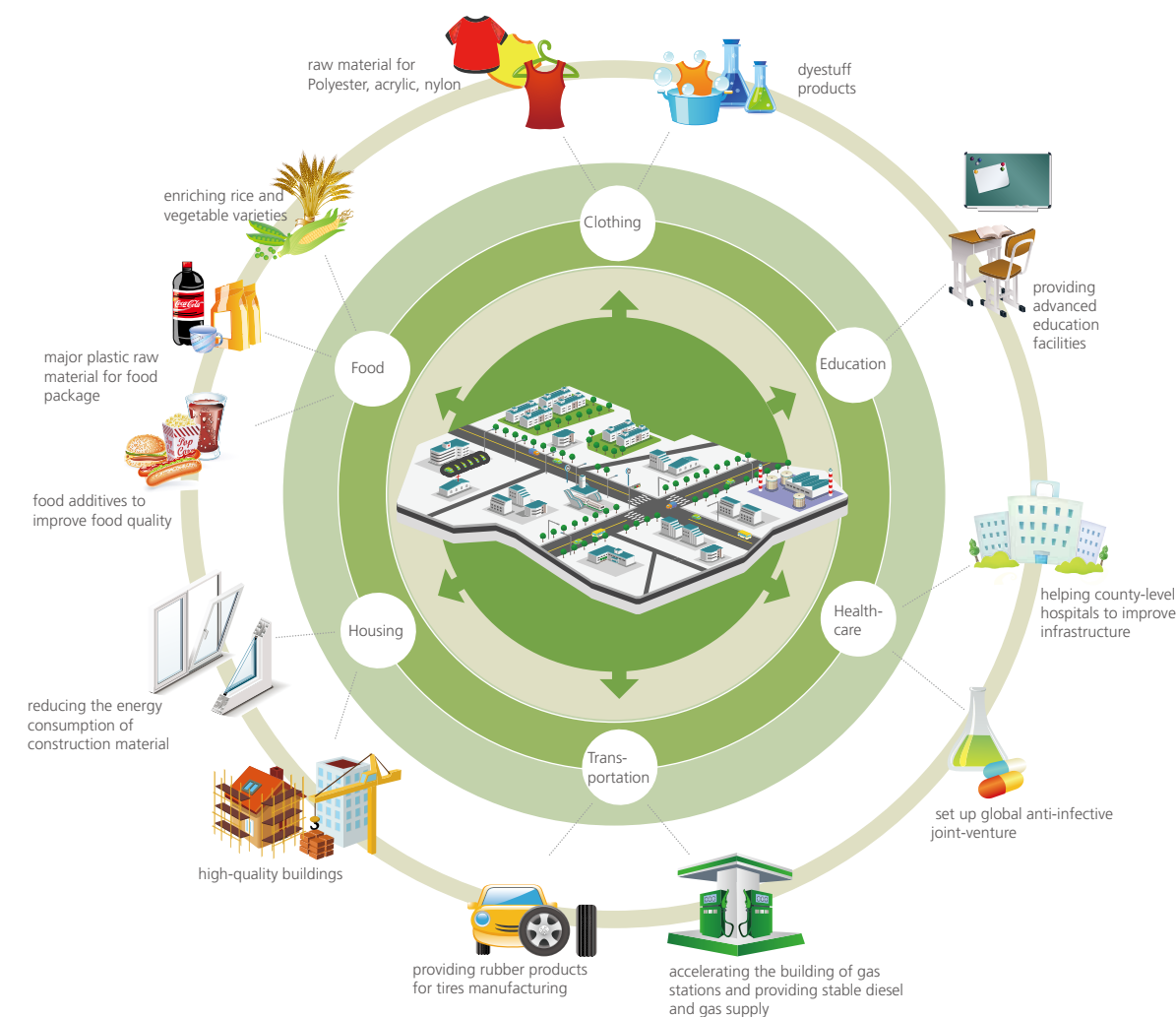
Healthcare:

Finance: we have helped county-level hospitals improve their infrastructure and promote healthcare development in those regions lacking healthcare systems. By the end of 2010, Far East Horizon had provided services for 1,089 hospitals. Chemicals: Sinochem Group established a global anti-infective medicine joint venture with Royal DSM N.V., aiming at improving the technology of the anti-infective medicine industry and serving healthcare development.

Education

Finance: we provide advanced education facilities, improve the elementary and middle school conditions in poor regions, and help to narrow the gap between developed regions and less developed regions. By the end of 2010, we helped to improve the education conditions in 76 universities, 133 vocational schools, and 42 high schools.

SINOCHEM IS BESIDE YOU



CREATE THE HIGHEST VALUE FOR SHAREHOLDERS

As a state-owned enterprise, Sinochem Group shoulders the responsibilities of preserving and growing state-owned assets, and creating satisfactory returns for the State. By implementing lean management, technological innovation, and information systems, we try to create the highest value for our shareholders. In 2010, both our operating revenue and net profit achieved historical highs according to major operations indicators. By the end of 2010, Sinochem Group has been named a Grade-A Enterprise for six consecutive years by SASAC ever since SASAC began conducting these performance assessments on key state-owned enterprises.

Major Operations Indicators of Sinochem Group (Unit: billions of RMB)

Year	2006	2007	2008	2009	2010
Operating revenue	184.79	229.73	308.98	243.03	335.33
Net profit	3.73	5.75	6.45	5.22	7.35
Total assets	69.61	108.74	135.50	171.60	211.46
Shareholders' equity	26.43	40.76	47.86	66.72	76.38

Implementing Lean Management

Sinochem Group implements lean management, and cultivates lean mindsets and habits in all its employees. We continuously improve our lean culture to increase the company's competitiveness, and create more value for shareholders through cost reduction, quality enhancement, and improving capital inputs.

In 2010, continued exploring our potential in every aspect of our operations management, reduced our cost and expenditures, and received favorable results particularly in purchasing and production cost reduction, energy conservation, and cutting logistics and project construction expenditures.

203

In 2010, 203 group-level lean projects were completed.

2,300

In 2010, around 2,300 subsidiary-level projects were completed.

RMB 293.000.000

In 2010, we cut total expenditures by 293 billion RMB.

- Every unit under Sinochem Group established lean projects in alignment with their strategic tasks and business goals. We have completed 203 group-level projects, over 2,300 subsidiary-level projects, and reduced expenditures by approximately RMB 293 million during the year.
- We followed through with the Economic Value Added (EVA) assessment method, and broke down EVA assessment indicators to embed them in evaluating subsidiaries and branches, enhancing awareness of the cost of capital and value creation. We successfully fulfilled our performance targets based on EVA assessment indicators.
- At the point when the yield rate of American national debt hit historical lows, we sold USD 1.5 billion in five-year overseas bonds and USD 0.5 billion in 30-year overseas bonds, providing sufficient capital for our business development and reducing our financing costs.
- The Sinochem Oil Center started a project called "Controlling Gas Station Losses" by adopting measures to control and reduce losses from gas station operations. We effectively reduced losses by 43% per metric ton of oil.
- Sinochem International launched a project called "Saving Electricity in the Production Process of the Jinghong Rubber Plant." By applying a series of methods, we cut electricity consumption by 16.31% per metric ton of product.

Promoting Technological Innovation

Sinochem Group promotes technological upgrading in a comprehensive manner, aiming to achieve strategic transformation through technological progress. We have formed a top-down technology management system and governance structure. Our Twelfth Five-year Plan includes technological development. We have earmarked capital for technology upgrading and launched a reward scheme for technology development. We have also further standardized the centralized management of intellectual property rights (IPR).

In 2010, Sinochem Group actively participated in the government's "Pilot Innovation-Based Enterprise Plan." For the first time, Sinochem promoted assessments and rewards for technological breakthroughs. The company focused on investing and building national-level technology innovation projects such as the National Engineering (Technology) Research Center and the National Key Laboratory. Sinochem earmarked RMB 558 million for technological progress. We were responsible for 57 provincial- or-above level projects, filed 131 patent applications, and were granted 17 awards at the provincial level of above. Sinochem attaches great importance to brand cultivation and IPR protection, and was named a "Model Company for IPR Protection in China" and a "Model Company for Trademark Strategy Implementation."

Strengthening Information Systems Processes

Sinochem Group put forward the philosophy of "don't create information systems just for the sake of creating information systems," changed our information system approach, and continues to uphold the principle that "wherever the company's strategy goes, our IT services will follow" to closely match information systems with our strategic development. We have consolidated and improved our current IT system, and set up a new management system, providing valuable information and services for company executives and business departments, so as to create value by using IT.

- We have adjusted working units in charge of information systems, expanded the scope of working members, set up an Information Systems Office, and specified the responsibilities of each unit;
- We have developed a "Plan for Information Systems Strategy," which includes the Headquarters and five major business units of Sinochem Group;
- We have set up an Information and Knowledge Management Platform as well as our HR Management System to strengthen the supportive role of IT system in improving corporate strategic decision making and internal controls.



Providing Value-Added Services to Develop with Clients



Through providing value-added services, Sinochem Group creates value for clients, wins trust from clients, and achieves common development with clients. We implement a "client-centered" marketing and service model. Through international trading, professional marketing, and lean management, we have realized the transformation from trading-based company to a marketing and service-based company that meets the demands of both upstream and downstream clients, increases core competitiveness by building and improving its service system, and offers comprehensive professional services through differentiated business segments.

Sinochem Group: a "client-centered" marketing and service model
 Energy: providing reliable national oil reserve service
 Agriculture: establishing professional agro-technology promotion teams
 Chemicals: offering green resources for our clients
 Finance: abiding by business ethics and upholding the principle of "Clients First"
 Real estate: serving the World Expo

EXPANDING OUR OIL BUSINESS SERVICE PORTFOLIO

By leveraging the advantages of our complete industrial chain in the petrochemical field, Sinochem Group enriches its oil business service portfolio, keeps expanding the oil business scope, and makes efforts to provide premium oil reserve services and services for end consumption of refined oil products.

Provide Reliable National Oil Reserve Services

Based on conditions, Sinochem Group has summarized its experiences in national oil reserve services, clarified the work in every link of the national oil storage, standardized operational flows, done its best to ensure the quantity and quality of the oil in the national reserve, and provided reliable service.

- We have real-time supervision on the national oil reserve, regularly check the inventory, test and compare the quality of the oil, and complete a national reserve oil report on a regular basis;
- We provide remote network services to monitor and check information such as the temperature, size, and quality of the cargo in the national reserve oil tanks for supervision units;
- We establish and keep a complete specialized log book and information documentation for the cargo to accurately record such information as the sources, quality control reports, invoices, warehouse entries, etc.

Complete Sales Service Network for End Customers

In 2010, Sinochem Group sped up the development of its petrochemical products distribution and retail business. We set up distribution networks in the major petrochemical markets in China to cover provinces in north, east, central, and south China, and formed stable distribution channels. We provided our domestic end customers a complete range of services, including a stable refined oil supply, distribution agency service, and after-sales service. We have also continued to improve our gas station operations, enhancing gas station capacity to serve end customers.



ESTABLISH A SERVICE SYSTEM FOR “AGRICULTURE, THE COUNTRYSIDE, AND FARMERS”

Aiming at serving Chinese agriculture and farmers, and drawing upon its business advantages, Sinochem Group is enhancing the development of its technological service system, and building a Service System for “Agriculture, the Countryside, and Farmers.”

Offering Scientific Fertilization Services

Sinochem Group is promoting the scientific use of fertilizer among farmers through many channels such as onsite lectures, radio broadcasts, TV programs, and newspapers, meeting the demand of farmers at different levels.

In 2010, we organized 3,500 events, including agrochemical lectures and technology promotion fairs to disseminate agrochemical knowledge, benefitting over 40 million farmers. Additionally, we also provided a free telephone hotline service and invited experts to answer farmers’ online questions. By the end of 2010, the hotline program had received over 1.7 million phone calls, with more than 1.2 million farmers directly benefitting. We also rolled out an event called the “Gold-Quality High-Tech Farmer 2010 Sinochem Agricultural-Use Potash Benefit”, providing services for farmers according to their specific technological and knowledge needs.



40

We disseminate agrochemical knowledge, benefitting 40 million farmers.

3,500

We organized 3,500 events, including agrochemical lectures and technology promotion fairs.

Major Projects and Cooperation for Agrochemical Knowledge Dissemination in 2010

Cooperation Partners	Cooperation Projects	Content
Ministry of Agriculture	Provided agro-technology services for 1,108 Sinofert Pilot Villages for Scientific Fertilization;	<ul style="list-style-type: none">Printed and distributed 12,000 copies of our Technical Instruction Manual;Distributed 910,000 “Premium Membership Cards for Adopting Agriculture Technology;”
Major agricultural media such as Farmer’s Daily, and Agricultural Guide	Started special agrochemical service columns to disseminate fertilization knowledge, etc.;	<ul style="list-style-type: none">Published agrochemical experts’ articles on popular science to teach farmers about scientific fertilization;
CCTV-7 Agricultural Channel	Broadcasted a program named “Sinofert Agricultural Express;”	<ul style="list-style-type: none">Delivered major policies, news, and information on new agricultural products and technologies to farmers;
The Central People’s Broadcasting Station	Cooperated on a program called “Sinochem Agricultural Classroom.”	<ul style="list-style-type: none">Invited agricultural experts in China to teach farmers how to fertilize scientifically;Broadcasted 248 episodes of the series and had a total of 400 million views.

Case: Providing Value-Added Service on Soil Testing

By making use of our soil testing laboratory and our professional advantages, and according to the “Soil Testing Formula Recommended Expert System,” Sinochem Group provided soil testing services for grass-roots distributors and farmers. By the end of 2010, we offered more than 50,000 soil tests and advised farmers on fertilizer types, quantity, and fertilization methods according to the testing results and the fertilizers available in the local areas, thus better meeting farmers’ demands for soil testing, fertilizer purchases, and fertilization processes.



Case: Fert-Mart Extended Our Agrochemical Services

Since its opening in June, 2010, Fert-Mart has adopted many ways to popularize agrochemical knowledge among farmers. Every month, we held three to four agricultural lectures based on the farming season and gave farmers responsive information on farming. Our professional agricultural technicians answered farmers’ questions on planting and farming twenty-four hours a day and seven days a week through free service hotlines. Fert-Mart solved farmers’ problems face to face and one by one, which showcased an expansion and refinement of our service as well as the materialization of our philosophy on serving agriculture, the countryside, and farmers.



Onsite Instructions on the Scientific Application of Pesticides

Sinochem International has continuously provided long-term grassroots technological services, popularizing crop-protection technology and environmental-protection knowledge. Sinochem International has a team of around 100 people for sales and crop-protection technology promotion. The team members have expert knowledge of pesticides and the crop situations in different regions of China. They go to rural areas to get firsthand information and popularize pesticide knowledge among retailers and farmers through distributing the Pesticides Application Manual and holding lectures. They also teach farmers pesticides application skills through text messages, instructing them on scientific ways to use pesticides.



Providing Satisfactory Seed Sales Services

China National Seed Group has enhanced its service system and variety demonstration strength. It has organized various new seeds variety demonstration events, and provided farmers with free demonstrated seeds. It also explored new cooperation models for seed ordering, making efforts to give clients satisfactory seeds services. Through its toll-free customer hotline, they answer customer questions on seeds purchasing and product verification, and settled customers' complaints, resulting in positive responses from customers.



- We held technology demonstration events, which included 21 varieties of corn, and had 1,456 technology application households that could enjoy free demonstration seeds.
- We held new seeds varieties exhibitions. Our rice business arm organized exhibitions of new varieties in different cities based on different characteristics of the planting regions they were in and existing varieties they were growing. By doing so, we introduced these new varieties to grassroots distributors and farmers.
- The "Clients to Clients" strategy. China Seeds set up a cooperation model by asking our downstream company clients to direct orders to our farmer clients so as to help our farmer clients find buyers. For example, we asked downstream food processing companies to direct orders to our farmer clients on sunflower seeds. We gradually explored this procurement model with more companies. This kind of "Finding Clients for Clients" practice helped solve farmers' concerns about selling their products. While helping farmers, we also facilitated the sale of our own products, realizing a win-win result.

Case: Building a Comprehensive Base for the Development of Better Crip Varieties

On Jun 21st, 2010, China Seed's Flagship Exhibition Center for Vegetable Varieties was unveiled. This is a comprehensive development base, whose functions include new variety introduction, seed breeding, experimentation, exhibition, and demonstration. As an innovative model for new variety promotion, the exhibition center has effectively solved the disconnect between variety promotion, R&D, and testing caused by the fragmented industrial landscape. While providing an efficient variety testing and selection platform, the Center also offers distributors and farmers a new channel to choose good varieties.

PROVIDE COMPREHENSIVE CHEMICAL BUSINESS SERVICE

Sinochem Group upholds the management philosophy of "taking quality as its core" and strengthens quality control in day-to-day business operations, aiming at providing high-quality products and services and achieving win-win development with our clients.

Professional Chemicals Distributor and Service Provider

Sinochem Group's service model and business strategy are highly client-oriented with tailored R&D and production. We continuously improve our distribution network, distribution teams, operations systems, and technological platforms. We provide the distribution services for liquids, gases, and solid chemical raw materials for end customers, and offer prompt, comprehensive, and thoughtful chemical services.

Case: Sinochem Lantian's Annual Client Meeting

In 2010, Sinochem Lantian held its first annual client meeting after its reorganization, reporting its operation results for year 2009 to business partners, focusing especially on introducing its sales plan, industrial layout, fluorine chemicals production development strategy, and at the same time having face-to-face exchange with clients on market trends and the sales of refrigerants. The meeting deepened mutual understanding and trust between Sinochem Lantian and its clients.

Rubber Business: Wherever Business Extends, Services Follow

In terms of rubber, Sinochem Group's strategy makes distribution its business locomotive to drive the planting and purchasing of upstream resources as well as the processing of final products. We have been consistently improving product quality to meet the differentiated demands of customers, and to provide green resources for customers.

We invited international tire manufacturers to make quality assessments in our processing plants. Then our technical department would record clients' opinions and requirements for sample testing processes. Our production and testing departments would make formulations for improvements based on client requirements. We would also revisit our key clients on a regular basis, solve their problems within two days, and collect their feedback in a timely manner.



DEVELOPING RELIABLE AND EFFICIENT FINANCIAL SERVICES

Sinochem Group's financial services cover financial leasing, trusts, security investment funds, life insurance, finance companies, and financial futures, which constitute a rather complete non-banking financial business development framework. Through our diversified products and professional market operations, we create greater value for our clients.

A Financial Leasing Business that Serves Industrial Development

Sinochem Group uses a business model that combines financial leasing services with industrial development, focuses on serving China's basic industries, and provides customized client solutions such as financial leasing, consultation, trade agents, etc., meeting clients' diversified and differentiated needs.

While providing financial leasing services, we try to understand clients' needs, provide a high-level communications platform to drive exchange among different industry areas, help clients increase their competitiveness, and enhance the whole industry's development and competitiveness.

A Trust Business that Puts Clients First

Sinochem Group adheres to the philosophy of "Clients First" by providing comprehensive financial services, helping them to analyze their financial needs, and offering tailored financial solutions, gradually realizing a transformation from a product seller to a wealth management service provider. We combine our wealth management with China's traditional Five Element Theory. While we grow our financial investment service, we also give our clients thoughtful service in terms of health, children's education, investment collections, as well as high-end sports.

Throughout the year, we issued collective trust products worth of RMB 31.2 billion, up 872% compared with 2009. Among these products, the products issued on our own exceeded RMB 2.8 billion, triple the amount of 2009. Our qualified investment clients reached over 1,700, increasing 74% compared to the end of 2009. Thus, our ability to serve clients was remarkably enhanced.

High-Quality Tendering Service

By drawing upon our business advantages and complying with business ethics, Sinochem Group provides tendering agent services. We have in-depth cooperation with our clients in areas ranging from tendering agents, supplier selection, and project management. On the one hand, we help our clients to purchase the highest-quality products and services at reasonable prices; on the other, we offer such value-added services as auditing and documentation.

Sinochem International Tendering Company has compiled a unified quality reference manual with supporting procedures covering the tendering business, import and export agents, and project cost management. In 2010, we conducted a customer satisfaction survey, and summarized experience through clients' complaints and advice so as to improve our services.

DEVELOPING HIGH-QUALITY COMMERCIAL REAL ESTATES SERVICES

World-Class Service for the Shanghai World Expo

During the Shanghai World Expo, several Franshion Properties hotels provided high-quality accommodations and information services. By setting up two volunteer service stations for the World Expo, we provided information services in over 5,000 instances. As a "Designated Accommodation Hotel for the 2010 Shanghai World Expo," Grand Hyatt Shanghai received 34 batches of VIP visitors from across China and all over the world, and provided services for 66 large events related to the World Expo for over 19,450 people. Due to its good service and performance during the World Expo, the Shanghai Jin Mao Group was named as an "Outstanding Service Provider for the World Expo" by SASAC, with one of its staff given the title of "Outstanding Individual Serving the World Expo."

Premium Property Management

Franshion Properties attaches great importance to better satisfying clients' needs, and upholds a client-centered philosophy throughout its service operations. Focusing on the "preservation and increase of property value" and "improving clients' degree of satisfaction," Franshion Properties fully draws upon its experience in the high-end hotel business to increase its properties' operational efficiency, establishing a set of service standards for its residential property business.

Case: Chemsunny World Trade Center Won the Title of "Five-Star Unit among Beijing Office Building Management Pilot Projects"

In order to comply with property service criteria and improve its service quality, Franshion Properties follows Beijing Office Building Management Standards in its day-to-day operations. In the 2010 Contest for Beijing Office Building Management Pilot Projects, Chemsunny World Trade Center was labeled as a "Five-Star Unit."



Conduct HSE Management to Reach Harmony with Nature

Sinochem Group has taken occupational health, production safety, and environmental protection as important parts of its corporate social responsibility, and an integral constituent of its sustainable development strategy. Through implementing systematical, professional, and lean HSE management, Sinochem is aiming at building a safe, green, and energy-conserving company, and realizing harmonious development with nature.

Group: introduced the Guidebook for the Sinochem HSE Management System

Energy: marked the 1,000th day of safe production in its offshore oil fields

Agriculture: continued to improve its HSE management system

Chemical: produced ODS substitutes and reduced ozone depleting gas emissions by 27,224 metric tons

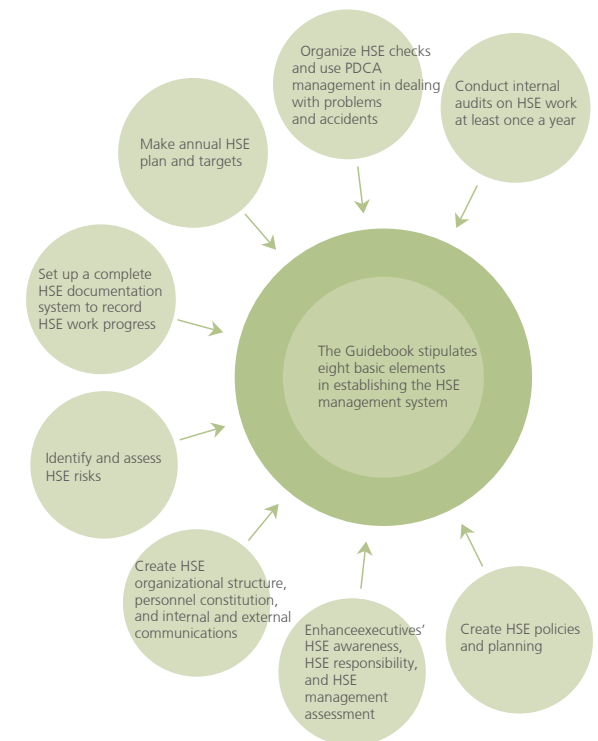
Real Estate: held an "Environmental Protection, Energy Conservation, and Emission Reduction" Forum

FURTHER IMPROVING OUR HSE MANAGEMENT SYSTEM

Based on HSE achievements over the past few years, Sinochem Group has integrated advanced HSE concepts, governance, and measures introduced from both home and abroad into its business diversity, and formulated the Guidebook for the Sinochem HSE Management System (hereafter referred to as the Guidebook), which provides guidance for all Sinochem subsidiaries and branches to set up a standardized HSE management system. By adopting a top-down approach to implement risk controls, precautionary measures, systematic management, and continuous improvement, we have a scientific HSE management, thus setting up an HSE management system that matches Sinochem's industrial position and with Sinochem characteristics.

System Building and Improvement

In 2010, Sinochem improved its HSE management system at three levels, including the group, tier-two subsidiaries, and all grassroots companies. Based on the Guidebook and their own business characteristics, Sinochem's tier-two subsidiaries issued their own HSE management handbooks to direct their HSE work, and conducted monitoring, management, control, and assessment on the establishment and operations of their subsidiaries' HSE systems. All the grassroots production entities follow the Guidebook. On the one hand, they set up and optimize their own HSE management systems according to their own conditions; on the other, they regularly check their HSE system based on the Guidebook to make improvements accordingly.

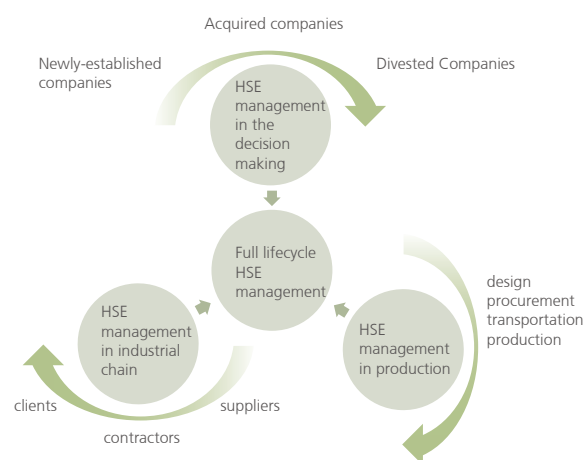


HSE System Establishment and Improvement
of Sinochem's Key Tier-two Subsidiaries for the Year 2010

Gas Stations	Sinofert	Sinochem International	Franshion Properties
<ul style="list-style-type: none"> Completed HSE management systems; Increased operational efficiency of its HSE management system; Increased employees' HSE awareness; Promoted production safety standardization. 	<ul style="list-style-type: none"> Adjusted the organizational structure and personnel; Set up HSE Quarterly Meeting system to provide a platform for experience exchange; Introduced job hazard analysis (JHA) and hazard and operability analysis (HAZOP) management measures and techniques; organized HSE training. 	<ul style="list-style-type: none"> Optimized HSE management structure; Enhanced the capacity of the HSE management team; Set up a comprehensive HSE management system, and improved the HSE performance assessment system; Enhanced the company's ability to cope with emergencies; Held frequent and comprehensive onsite HSE checks and technological support for industrial subsidiaries and ships; Participated in HSE sector work exchanges and industry standard setting. 	<ul style="list-style-type: none"> Initiated an HSE management system for its real estate business; Issued its HSE Management Manual and 21 HSE management procedures; Published Document Compilation Guidebook for Real Estate Company HSE Systems; Established HSE Working Meeting regime; Improved its HSE team's capacity; Enhanced safety supervision over contractors.

Full Lifecycle HSE Management

Sinochem Group implements multidimensional, complete lifecycle HSE management for its business operations, which includes HSE management in its decision making, production, as well as all links in its industrial chain.



Raising Awareness and Capacity

Sinochem emphasizes the enhancement of employees' HSE awareness, and improves their safe production operating abilities through training. In 2010, the company organized activities to strengthen all employees' HSE legal compliance and risk awareness. By compiling and publishing the Sinochem Employee HSE Manual as well as organizing various HSE promotion activities, we promoted HSE concepts in a comprehensive manner and through many channels to enhance employees' HSE awareness.

In 2010, we also enhanced HSE training on management teams by conducting training for managers at all levels in areas of HSE management philosophy; laws and regulations; due diligence; and crisis and emergency management, etc.



OCCUPATIONAL HEALTH AND SAFE PRODUCTION

Centering on the principles of "Putting Safe Production First, Prioritizing Precautionary Measures, and Promoting Comprehensive Governance," Sinochem Group emphasizes safe production obligations for all management levels, takes firm precautionary measures, and ensures the safety of employees and production. In 2010, we had zero major accidents attributable to production safety issues.

Occupational Health

In 2010, Sinochem enhanced the building of the employee occupational health management system, and set up an occupational health management accountability structure. We have designated specific people to take charge of occupational health management, identified the key companies and posts with hazardous resources and accordingly made improvements to eliminate the hazards. We organized health checks for our employees ahead of taking posts, during service at posts, and after leaving, as well as building occupational health files. We also conducted occupational hazard assessments during due diligence processes in M&A projects as well as in new project construction and existing project renovation and expansion.

Safe Production Standardization

Sinochem Group promotes safe development and conducts safe production standardization to eliminate or reduce accidents related to production safety. In 2010, we reviewed and assessed

11 subsidiaries on employee operations and equipment standards compliance. We supervised non-compliant subsidiaries to ensure improvement plans, addressed issues, then tracked their follow-up work accordingly.

Case: The 1,000th Day of Safe Production for the UAE Offshore Gas Field

In the UAQ project located in a United Arab Emirates offshore gas field, Sinochem Group continuously optimized the safe production management system and emergency response mechanisms. We strictly followed offshore operation rules, set up a preventive maintenance system for the platform facilities, and determinedly implemented safe production accountability measures. By January 27th, 2010, this project had been safely operating for 1,000 days, reaching a 100% operational rate in 2010.

1,000

Safe production for 1,000 days on the offshore gas field

100%

The gas field's operational rate reached 100%



- The domestic operations center implemented HSE management in its M&A projects. It conducted HSE due diligence on potential M&A targets by inviting professional third-party agencies to systematically identify HSE risks and obligations of the M&A target companies in order to avoid acquiring a company with huge HSE risks.
- Sinochem International paid attention to the HSE work in companies it divested from. During the transfer and handover period, Sinochem took the initiative to have prompt communication with the employees to stabilize their situations, helped ensure the successful handover of their work, and also took interim measures to guarantee the continued normal operations of facilities and prevent HSE accidents.
- Sinochem Plastics integrated the whole supply chain into their HSE management system, clarified the management structure, enhanced staff awareness, enhanced HSE supervision on their logistics service providers, and strengthened their HSE service capacity in the whole supply chain, including shipping, storage tanks, transportation, and receiving and unloading. In 2010, Sinochem Plastics realized its target of zero annual HSE accidents.
- Sinochem Lantian conducted HSE management in its production processes, integrated environmental-protection concepts into its R&D and product designs, purchased green raw materials, reduced impacts on the environment from production, and explored green logistics methods. While supplying environmentally-friendly products to society, it realized a transformation towards a low-carbon production model.

Management to Eliminate Hidden Hazards

Sinochem Group has made hidden hazard inspection and elimination a systematic task. In 2010, we set up a Production Safety Inspection Board to monitor our chemical subsidiaries, mines (tailing reservoirs), and labor-intensive locations in terms of their accountability systems for safe production, safe production training, as well as their safe production management systems and emergency management systems. Through subsidiaries' own self-inspections, spot checks by managing units, and supervision by the Group, we found and eliminated a total of 10,541 hidden hazards, effectively lowering the likelihood of production accident risks.

Emergency Management

Sinochem Group has adopted active emergency management and established and continuously improved our emergency rescue system. We set up emergency response command organizations at multiple levels and had them take precautionary measures, draw up contingency plans, organize emergency response trainings, conduct emergency drills, set up emergency rescue teams, and improve emergency information management platforms to ensure a swift response and efficient management of all kinds of emergencies, and to reduce personnel and economic losses and improve social impacts.

In 2010, we held a total of 561 emergency drills, with 49,940 people involved.

Case: "Tiger" Emergency Drill

In 2010, Sinochem for the first organized a group-level emergency drill code named "Tiger." The drill involved an accident scene with headquarters reacting. The drill simulated a hydrogen fluoride leak situation causing personnel injury and death. By the joint reaction of the Group, the tier-two subsidiaries, and the grassroots companies, we promptly transported rescue teams and equipment to the accident scene, and evacuated people in an orderly and safe way. Through the drill, we improved our "three-level" (the Group, the tier-two subsidiaries, and the grassroots companies) emergency response command organizations, amended the emergency management structure and responsibilities in the Group's contingency plan, added emergency response offices, public relations functions, financial functions, logistics functions, legal and insurance functions, and personnel rehabilitation functions to stipulate responsibilities in detail.



ENVIRONMENTAL PROTECTION

Sinochem Group focuses on developing an energy-conserving and environmentally-friendly company. We are developing and adopting low-energy-consumption and green technologies, developing a recycling economy, and working to reach international level in terms of environmental protection, energy consumption, and material consumption, so as to realize coordinated development between the company's profitability and environmental protection and energy conservation.

Energy Conservation and Emissions Reduction

Sinochem attaches great importance to energy conservation and emissions reductions, and continues increasing investments in building a better monitoring and assessment system as well as the application of energy conservation technologies, experience exchange, and internal publications and knowledge dissemination. Based on our lean management philosophy, we have optimized our techniques and procedures, production processes, and operational efficiency, and reduced the energy consumption used in production. In 2010, the industrial companies under Sinochem consumed energy totaling 2.04 megatons of standard coal, saving energy equal to 781.30 kilotons of standard coal. Through adopting advanced techniques and equipment, improving management, and recycling, we promoted clean production in our operations, and greatly reduced or avoided waste production and discharge throughout our production process. In 2010, we conducted clean production reviews on our 23 subsidiaries.

- Sinochem Gas Stations conducted a lean management study on tank cleaning, which effectively reduced the need for cleaning frequency as well as the water consumption and wastewater discharge for each cleaning.

- Sinochem Fuling renovated its power generation plant as a clean development mechanism (CDM) project, creating waste heat from its 4x300kt per annum sulphuric acid production.

- Sinochem International continued improving its fuel and shipping structure and strengthened its fuel system maintenance, which reduced its energy consumption per ten thousand nautical miles from 500.70t to 478.00t.

2.04

In 2010, Sinochem's industrial subsidiaries' total consumption of standard coal

718.30

In 2010, Sinochem's industrial subsidiaries reduced energy consumption by a total of 718.30kt of standard coal



Resource Use

Sinochem Group adopted numerous technologies and measures to enhance resources use. Sinochem Exploration and Production Company recycles natural gas during oil E&P, which increases energy supply and at the same time reduces the air pollution from natural gas emissions. It built a natural gas power generation plant in its Yemen project, with the annual power generation volume reaching 570 million kwh, meeting the electricity demand of the oil fuel E&P as well as the surrounding communities. At the Zhaodong oil field, they built a natural gas pipeline, which can deliver 0.15-0.20 million cubic meters of natural gas every day, reducing carbon discharge by more than 100kt per year.

Franshion Properties adopted advanced technologies such as a ground source heat pump system, which can retrieve heat from underground heat-exchanging pipes for household water heating. In the winter, the heat retrieved from the heat-exchanging pipes is transported to houses; every one kwh of power can generate heat equaling three kwh. In the summer time, the system transfers the heat back to the soil through a closed water cycle; by doing so, it saves 30-40% of the energy used in normal air-conditioning.

Ecological Protection

Sinochem Lantian uses a green philosophy to develop mines. It set up a rational value system for its mine resource development. During the fluorspar mining process, it pays attention to the protection of plants and animals. After mining, they bury the ores and rehabilitate the ecosystem, which aligns their mining development with ecological protection, and helps them realize their goal of being a green mining operation.

Sinochem International Tendering participated in urban ecological protection activities. Drawing on their own business strengths, they sped up wastewater treatment and solid waste treatment plant construction projects, and enhanced the city's capacity to dispose of trash.



Green Offices

Sinochem advocates green offices. We encourage staff to conduct video meetings and print on both sides of paper, installed sensor faucets, and have encouraged staff to cultivate such good habits as turning off the lights when leaving the room. Through improving the Office Automation (OA) system, we are promoting a paperless office. We have also formulated rules on car use for company business, and enhanced the management of fuel use and car maintenance to reduce exhaust emissions.

In 2010, through conducting video meetings, we reduced flight mileage by 1.10 million km, and cut CO2 emissions by around 193.80 kt.

1.10

In 2010, we reduced flight mileage by 1.10 million km through conducting video meetings.

193.8

In 2010, we cut CO2 emissions by around 193.80 kt.

TACKLING CLIMATE CHANGE

Climate change impacts every country in the world, and has attracted universal attention from the international community. Sinochem Group has combined the work to tackle climate change with our own business, and is taking the initiative to promote the development of the fluorine chemical industry as part of a recycling economy so as to reduce the negative impacts on our climate.

Facilitating Progress of Environmental Protection

Sinochem has focused on developing its fluorine chemical business, with products covering everything from ODS substitutes, fluoride polymerization, and other fluoride-related chemicals, among which ODS substitute represents a green refrigerant to replace ozone-depleting substances, greatly reducing ozone damage. Through cultivating an environmental protection philosophy, enhancing management, and injecting capital, Sinochem Group has helped Sinochem Lantian become a company with the most extensive range of ODS substitutes in China, and taken the lead in the world in terms of production and sales capacity, among which its HFC-based substitutes capacity ranks highest in Asia and third in the world.

Developing a Recycling Economy

Sinochem has facilitated the development of a recycling economy, and reduced CO2 emissions. Sinochem Plastics uses a "resource-production-product-consumption-waste-recycling-renewable resource-product" recycling economy concept. It recycles and reprocesses plastic waste bottles to reproduce new materials, and uses recycled bottle polyester chips for manufacturing new bottles.

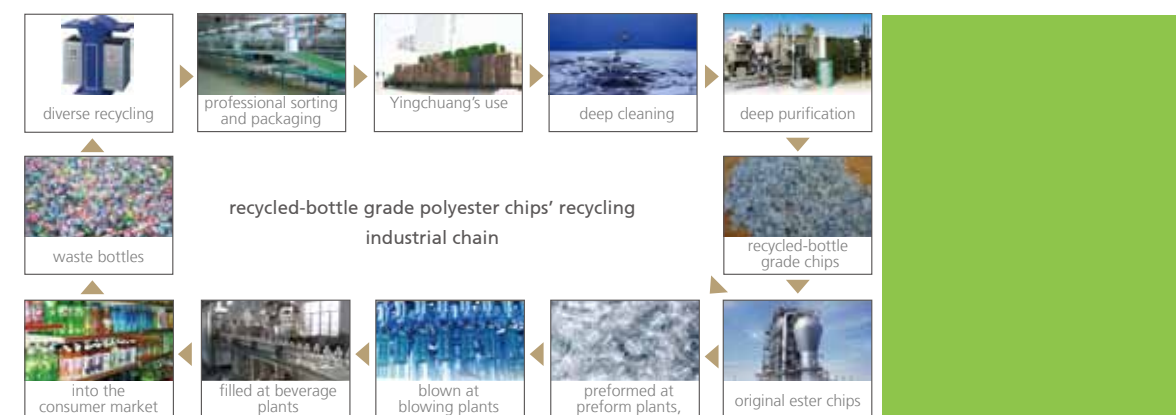
In 2010, Sinochem Plastics sold 30 kt of such chips, and directly reduced CO2 emissions by 160 kt.

Leading Green Real Estate Development

In our real estate development, Sinochem actively promotes green buildings. Franshion Properties takes full consideration of environmental protection factors during building design, adopts advanced techniques to reduce the impact on the environment when a building is under construction, and also takes the initiative to use bio-fuels and renewable energy to replace power generation from coal and natural gas, constructing zero-emission buildings.

Franshion Properties applied ground source heat pump and capillary network technologies to reduce energy consumption and CO2 emissions, adopted rainwater recycling systems to effectively reduce water waste; cooperated with Shanghai Tongji University on the "Chongming Low-Carbon Economic and Industrial Development Model and Key Technology Research and Application" project, which won high recognition from the Ministry of Science and Technology, and receive a green earmark of RMB 5 million.

In 2010, Franshion Properties held its "Environmental Protection, Energy Conservation, and Emissions Reduction Forum," calling on real estate developers and their suppliers to take action together. The Forum put forward the idea that while implementing green standards and green procurement, real estate developers should take "Environmental Protection, Energy Conservation, and Emissions Reductions" as important indicators to assess and select their suppliers, building an environmentally-friendly supply chain, and facilitating the green development of the real estate industry.



Valuing People's Talent to Develop with Employees

Sinochem Group adheres to the philosophy that "the human resource is the NO.1 resource, and a company's value should grow with that of its employees,". As such, it treats employees as our most valuable resource, as the support pillars for our business development, and the driver for our "Third Long March." Our caring for employees penetrates our entire process, from the first day when they join Sinochem until the day they retire, thus realizing common development between the company and our employees.

Group: awarded the "Outstanding Company for Business Transparency" title three times in a row

Energy: facilitating the integration of diverse cultures in its overseas operations

Agriculture: building an employee development platform through diverse training opportunities

Chemical: conducting tailored employee training and education

Finance: protecting employees' physical and psychological health in a comprehensive way

Real Estate: advocating frank communication and cooperation, and regularly collecting employee comments

PROTECTING EMPLOYEE RIGHTS

Sinochem Group pays great attention to protecting employees' rights, abides by labor laws, ensures employees' rights in equal employment and democratic management, and promotes diverse development for employees, thus providing solid support for the company's sustainable development.

Rights Protection

Sinochem Group strictly follows the labor laws and regulations of China and wherever our business operations take us. We regulate our labor management, clarify employment types, respect employees' wills, and protect employees' privacy, all to provide comprehensive employee rights protection. In 2010, we received no administrative penalties for labor law breaches. We adopted a labor contract system for employment and signed labor contracts with 100% of our employees.

Sinochem treats all our employees equally regardless of their nationality, race, or gender. The company also adheres to the principle of "equal post, equal pay" and has never used child labor or forced labor. Nor has the company brought about labor disputes. We attach great importance to protecting female employees' rights, especially those during pregnancy, on maternity leave, and during breast feeding periods, creating a good environment for female employee development.

31%

Sinochem totally has 43,780 employees, among which 31% are female.

5.3%

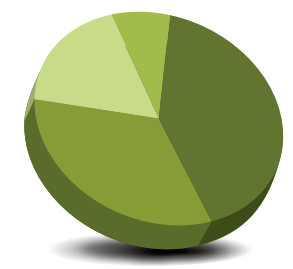
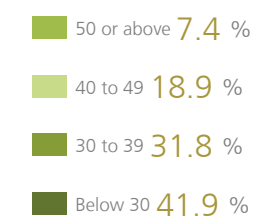
Female managers

17%

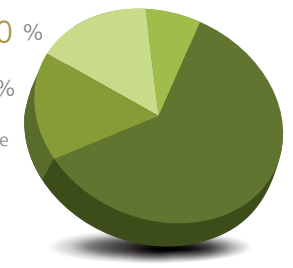
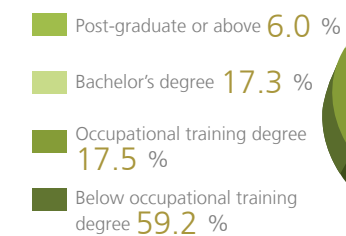
Foreign employees

By the end of 2010, Sinochem had a total of 43,780 employees, with an average age of 33, among which 31% were female employees, 5.3% were female managers, and 17% were from foreign countries.

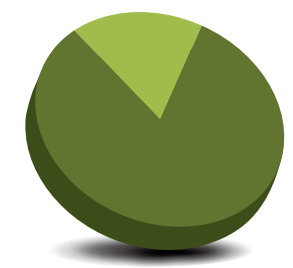
Employee Age Structure



Employees' Education Structure

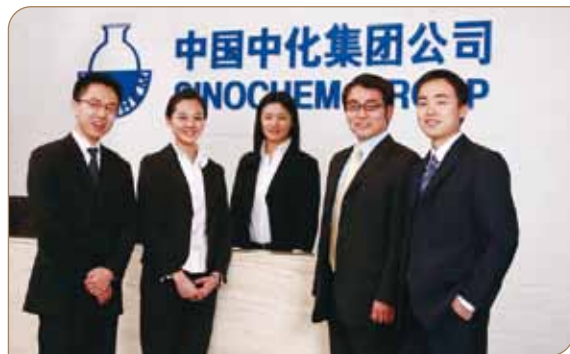


Employee Post Structure



Democratic Management

Sinochem Group continues to improve our democratic management mechanisms and promote business transparency. We fully guarantee our employees' rights to be informed and participate in the company's major business decisions as well as the plans directly related to their rights, to make them feel a sense of ownership of the process. Business transparency enhances democracy at the grassroots level, improves internal monitoring mechanisms, and strengthens the company's cohesion. Through the Key Managers Meeting, Sinochem Today newspaper, the Sinochem LAN, publicity kiosks, and ERP, we make our business more transparent, which has helped us win the title of "All-China Outstanding Company for Business Transparency" three years in a row.



Business Transparency Measures	
Requirements	Measures
One "standard"	<ul style="list-style-type: none"> Take employees' satisfaction degree as our standard;
Two "ensures"	<ul style="list-style-type: none"> Ensure published business information is true and reliable; Ensure employees to get information in a timely manner, and participate in company work;
Six "musts"	<ul style="list-style-type: none"> Major business decisions, guidelines, and goals must be reviewed and approved by the Staff Congress before they are adopted; Major plans directly related to employees' rights must be reviewed and passed by the Staff Congress before they are adopted; The study of major items and projects must have the participation of employees; Procurement and project tendering must have the supervision of the functional departments; High-ranking managers must be evaluated by employee representatives; The results of major projects must be published to all employees.

We continue improving the democratic management system of our Staff Congress, enriching the content and inventing new structures for the Staff Congress, and making the best of the Staff Congress in our daily democratic management. We highlight the protection of employees' rights, improvement of their capacity, and stress common development between the company and employees. We listen to employees' voices, care about their lives, and try our best to solve their problems.

Case: "Good Life, Good Health" Project Organized by the Labor Union of Far East Horizon

The labor union of Far East Horizon organized the "Good Life, Good Health" project to protect their employees' physical and psychological health. Through cooperation with relevant institutes, the labor union introduced H-EAP, which was an employee health management program that includes a health hotline service, psychological consultation, medical care services, etc. They care about their employees, starting from identifying and tracking employee health hazards, easing their life and work pressure, and satisfying their various kinds of needs for health, which has become a pioneering pilot for protecting employee health.

Remuneration and Employee Benefits System

Based on job evaluations and performance assessment results, Sinochem has set up a market-oriented and competitive remuneration system, which fully reflects the value of employees.

In 2010, we conducted a survey on all employee remuneration, and analyzed the payment of 17 benchmark posts in 33 subsidiaries. Based on the results, we established an HR cost analysis model for 21 subsidiaries in the five major business sectors, which improved our remuneration system and standards.

We complied with government regulations on social welfare and employee benefits, providing basic employee benefits such as social insurance, providence fund, and paid annual leave, based on which we have a comprehensive employee benefit package. We also provide employees with commercial insurance, additional medical care insurance, and property and life insurance, as well as setting up an insurance fund for major illnesses.

REALIZING EMPLOYEE VALUE

Sinochem has been enhancing the training and education for our employees to improve their business capabilities, explore their career development potential, and maximize their value.

Diverse Training

We believe in that "employee quality determines business quality." Sinochem highlights the improvement of employees' professional skills and comprehensive capacities, in order to help them grow with the company.

We provide different training according to employees' different needs. For newcomers, we prepare corporate culture training to help them rapidly join the new work environment; for grassroots-level workers, we have professional skills training to help them enhance their skills; for managers at all levels, we conduct leadership training to help them to improve and make the best of their leadership capacity. In 2010, 183 people from Sinochem headquarters participated in various kinds of leadership training, with an average training time of 16.5 hours for each.

The Sinochem Management School is a corporate college established rather early among China's large SOEs. It is responsible for training key managers and backup talent. The School leverages both internal and external teaching resources to provide training on corporate culture and management philosophy. It has set up a complete system of training from grassroots managers to group-level executives, and designed corresponding training activities for managers at all levels. It has made significant contributions to preparing leaders for our corporate transformation as well as capacity enhancement for key managers.

Optimizing Development Channels

Sinochem continues to provide more and more opportunities for employee career development, and set up a two-way choice system between employee and Party post, exploring employees' potential to the maximum extent.

We continue to strengthen the compilation of professional information to help employees decide on which of the three development channels to choose, including management, sales, or technical, based on their own experience, capacity, and preferences.

We also promote internal recruitment, and have made it a standard HR mechanism. In 2010, based on internal recruitment organized by Sinochem headquarter, 17 employees received new assignments.

We continue to optimize our management system with senior experts. We select senior experts in such areas as energy, agriculture, and chemicals, and provide them with more favorable benefits in terms of rank, payment, and working conditions, offering employees more professional development channels.



Case: Diverse Employee Training Programs

Unit	Training Highlights
Sinochem International	Provided tailored training programs, requiring executives and employees to have performance training and feedback on a regular basis, and provided specific guidance and help accordingly, which facilitated a sound development of their teams;
Sinofert	Conducted diverse employee training, had morning training every day, themed training regularly, collective training annually, as well as field experiments, E-learning, experience training, book reading and reports, etc., which covered various content, including industrial development trends, business knowledge, and common skills;
Sinochem International Tendering	Organized employee training on business ethics and self-discipline. On the one hand, it helped employees to transform their knowledge on business ethics into their own business ethics beliefs; on the other, it taught employees to comply with laws and regulations when dealing with stakeholders; From 2008 to 2010, eight sessions of new employee training were completed, with 83 employees participating. In 2010, they organized two batches of new employees to visit the Anti-Corruption Base in the suburbs of Beijing.

INCREASING EMPLOYEE SENSE OF BELONGING

Sinochem Group upholds the philosophy of “Putting People First,” enhances corporate culture building, shows full care for employees, and works to increase their sense of belonging.

Corporate Culture Building

Sinochem Group has strengthened the corporate culture of being “Honest, Cooperative, and Good at Learning; Diligent, Innovative, and Pursuing Excellence,” gradually integrating its corporate culture into every part of production and management.

Care for Employees’ Daily Lives

Sinochem tries to create a harmonious working environment for our employees, and gives them all kinds of care and support so as to enhance company cohesion. For example, we celebrate big festivals and employee birthdays, extend a helping hand to employees in need, help employees obtain park visitors’ cards and movie cards, and organize English speaking contests, football matches, and basketball games to enrich their lives.



Case: Employee Assistance Plan (EAP)

Sinochem Oil Center has made an Employee Assistance Plan (or EAP for short), aimed at solving employees’ problems and easing their pressure, and helping them to face their work in the best possible state. EAP helped around 290 employees in and around Beijing, as well as 100 employee family members.

The EAP Program Mainly Includes:

- Visiting employees every month to make work improvements accordingly;
- Sending gifts to employees at their birthdays, weddings, children’s births, and retirement; giving relief funds to those employees whose families were hit by disasters;
- Improving annual health checks for employees, and inviting experts to have lectures on health to enhance their health care awareness;
- Offering a “Parents-Children Activity Card” to employees with children under 17 years old, recommending good parent-children activities, and providing special funding for them to take part in those activities;
- Paying visits to the family members of employees dispatched to other places, providing emergency assistance, organizing summer camps for their children, and offering assistance to their aged parents.

Case: Assistance to Employees in Need

Far East Horizon upholds a principle called “assist those in need, and help each other.” It has set up the “Far East Horizon Labor Union Charitable Fund” to provide assistance to employees in need. It has organized many events to help its employees, including “Leave Your Love,” “Upload Your Smile,” and others. In 2010, the Fund raised a total of RMB 220 million and assisted seven employees.

Case: Various Corporate Culture Development Events

Unit	Events
Sinochem Exploration and Production	Promoted diverse cultural development in the company by organizing foreign employees from UAE and Columbia to visit our Beijing headquarters, to let them experience our corporate culture in person;
Far East Horizon	Upheld the philosophy of “Gentle but Perseverant; Humble but Courageous,” emphasized that “talent speaks,” and the importance of “agreeing to disagree,” “fair rewards and punishment,” and “equality and justice.” In the past ten years, it has focused on team building, and has built a high-caliber and innovative team that is good at learning;
Franshion Properties	Advocated a corporate culture based on honest communication. It encouraged harmonious and simple personal relations as well as effective communication between employees and the company and between employees. Through anonymous surveys, it collected employees’ feedback on business, management, and the HR system on a regular basis to gain knowledge of employees’ degree of satisfaction.

Care for Retired Employees

Sinochem Group appreciates the great contributions that retired employees have made to the company’s growth; therefore, we take many measures to share our development fruits with them based on our business performance. We continue giving retired employees thoughtful care and support and organize various forms of cultural activities, such as a singing competition, the “Sinochem and Me” party, and Chinese painting and calligraphy exhibitions. In 2010, our work on caring for retired cadres had three firsts.

We developed the first system for retired cadres. The system specifies the basic principles for our management on retired employees, and provides guidance from things like service management to living conditions improvement management.

We convened the first special meeting on retired cadre issues. The meeting provided a platform for participants to exchange their experience in managing retired employee work and expanded their horizons in this area.

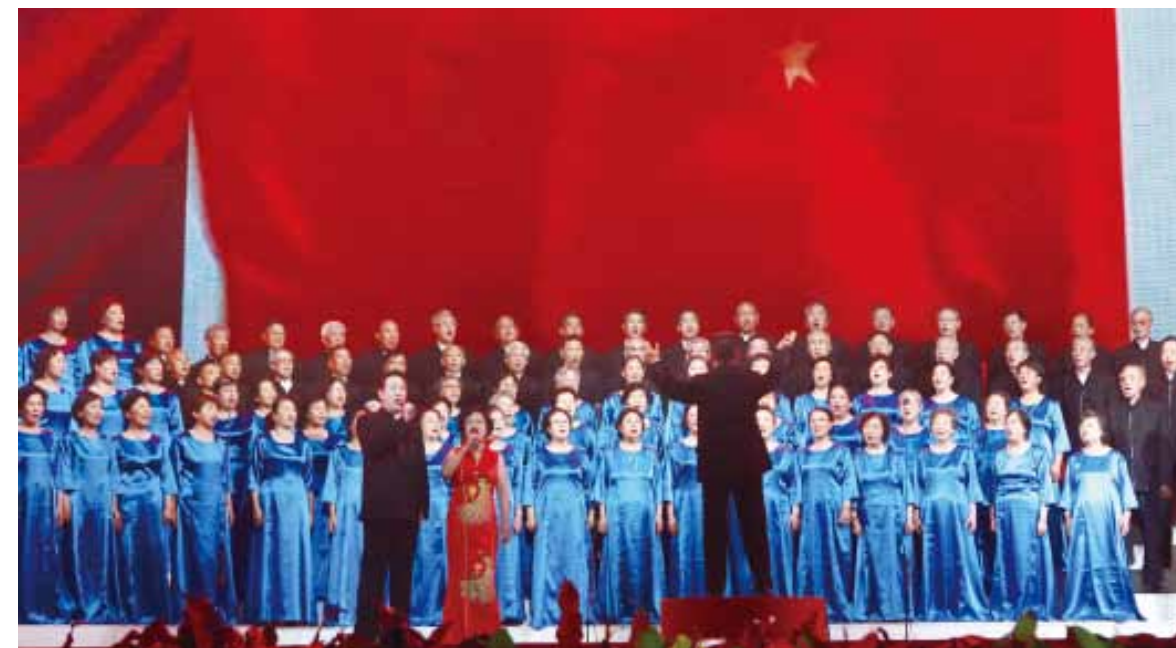
For the first time, we organized retired employees to visit our subsidiaries and shared with them Sinochem’s achievements in the past few years.

Case: Shenyang Research Institute for Chemical Industry Solved the Pension Benefit Issue of Employees Retired before the Institute’s Reform

Before the reform of Shenyang Institute, the retired employees’ pension benefit was based on the uniform standards of Ministry of Finance. After Ministry of Technology and Science released the detailed rules of the subsidy standards and fund allocation for retired employees, Shenyang Institute promptly granted supplementary subsidies to its retired employees.

Case: China National Seed Group Showed Their Care for Retired Employees

China National Seed Group created a mechanism for the management of retired employees by maximizing retired people’s abilities to take care of themselves when they can and helping them when they cannot. The company shared their business results with retirees, and provided them subsidies based on the company’s business performance. They regularly had phone calls with or paid visits to retired employees, and also held meetings with them. The company offered particular care for retirees with illnesses or living in hospitals, and sent condolences after the death of retirees.



Participating in Socially-Beneficial Activities to Facilitate Social Progress

Sinochem Group abides by laws, complies with business ethics, and serves the greater good by actively participating in socially beneficial activities. Upholding the win-win principle and aiming at common development with our partners, we promote social harmony and progress with our own sustainable development.



Group: changed from “providing assistance” to “helping them to develop” while extending a help hand to areas in need

Energy: vigorously participated in socially-beneficial activities for overseas communities and helped them to develop

Agriculture: took active part in the building of the Socialist New Countryside program

Chemical: actively supported health care development

Finance: facilitated industrial upgrading

Real Estate: worked with contractors to show care for migrant workers

POVERTY ALLEVIATION

Sinochem Group is active in poverty alleviation causes, and continuously improves forms of assistance and expands assistance channels, trying to change from “providing assistance” to “helping them to develop” when we extend a helping hand to areas in need. We also undertake work to improve farmers’ production and living conditions and facilitate the economic and social progress of local areas.

Fixed-Point Poverty Alleviation

Sinochem attaches great importance to poverty alleviation work in specific areas, and adheres to the guideline of “work close to farming areas, focus on the farming industry, and serve farmers” to help the local people alleviate poverty and create wealth. Since 2002, we have contributed a total of RMB 53.50 million to help Qingshuihe County and Helinger County of Inner Mongolia. In 2010, we sent out assistance teams and injected RMB three million to carry out a project combining economic help, technological support, and educational assistance. The money went to improving electricity facilities, drinking water, and transportation, and also helping with crop planting and livestock care, which helped the local economy to grow.



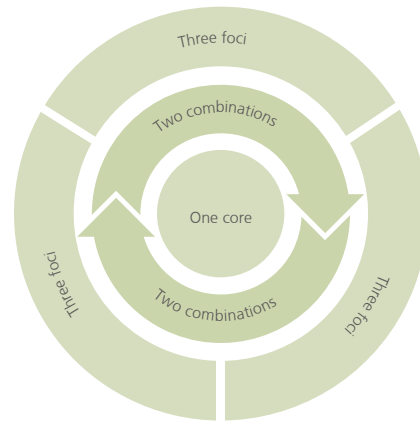
Sinochem's Assistance to Qingshuihe County and Helinger County of Inner Mongolia for 2010

Project	Location	Social Benefit	Capital Input (million RMB)
Migration	Qingshuihe County	Helped 87 households with 267 people to migrate, and improve their living conditions;	1.5
Migration and Poverty Alleviation	Helinger County	Helped poor households to migrate from backward hinterlands to the project location, improved their electricity, drinking water, and transportation conditions, and helped them to develop crop planting and livestock care techniques;	0.7
Potato Technology Demonstration Project	Helinger County	Helped poor households to migrate from backward hinterlands to the project location, and helped them to develop crop planting and livestock husbandry, increased their per capita income by over RMB 2,000 annually;	0.5
Migration	Helinger County	Helped poor households migrate to improve their living conditions.	0.3

One-to-One Assistance

Sinochem stresses the importance of its one-to-one assistance and effective delivery of our commitments. Since 2002, we have provided one-ton-one assistance to Gangba County in Tibet. In 2010, we continued improving our assistance to Tibet, adhering to the “one core, two combinations, and three foci” guideline.

We have dispatched four assistance teams to Tibet since 2002, and contributed a total of RMB 45 million, including RMB 6.5 million in 2010. We helped the local people to improve irrigation, education, health care, transportation, and housing conditions. We also enhanced technological training to help them improve economic development in line with their own characteristics. This assistance greatly improved local farmers’ production and living conditions and facilitated the growth of the local economy.



- One core: we take increasing farmers’ income as the core issue and deliver our assistance to farming regions and to the most-needy areas, helping the local economy to take off.
- Two combinations: we combine our assistance with project construction and intellectual investments; we combine our help with a goal of changing the thinking of the local people.
- Three foci: based on the actual conditions, we focus on improving infrastructure to upgrade farmers’ production and living conditions, focus on holding training projects to enhance farmers’ ability to increase their income, and focus on demonstration projects that help to change farmers’ thinking.

Key Sinochem Projects for 2010 One-to-One Assistance

Project	Assistance Area	Results	Capital Input (million RMB)
Education Service Center of Gangba County	Infrastructure	Improved their office conditions for education services	1.38
Grassland Building and Wetlands Protection for Gangba County	Infrastructure	Improved the environment and protected the ecological system	0.86
Jiru Pond Improvement for Gangba Town	Infrastructure	Improved the water facility's efficiency, as well as the infrastructure of the farming areas to help them enhance their own development capacity	0.78
Muxiong Pond Improvement for Zhike Town	Infrastructure	Expanded irrigation areas, increased crop and livestock production, and improved the environment	0.77
Water Infrastructure Improvement Project for the Water Service Center of Gangba County	Infrastructure	Improved the administrative condition for the water service work	0.82

CHARITABLE DONATIONS

In the aftermath of great disasters, Sinochem Group, as a key SOE, bears the duty of helping the State and the people to get through hardships. At the same time, through donations we also make contributions to medical care development and projects like “Technology Rejuvenates the Country.”

Disaster Relief

When natural disasters such as the Southeast China draught, Qinghai Yushu Earthquake, and Hainan flood hit China in 2010, Sinochem Group extended aid and organized employees to donate to the disaster-struck regions, helping the local people to overcome difficulties and get through hardships.

Case: Assistance to Yushu

After a severe earthquake hit Yushu in Qinghai, Sinochem extended help to the area and donated RMB 20 million. Our employees also took action to support Yushu, and made contributions to the rehabilitation and recovery of the disaster-hit people.

Donations for Medical Care and Educational Development

We are very attentive to China’s medical care and education development. We take the initiative to make donations to help poor regions improve their medical care system, and educational infrastructure.

Helping to Build Village Medical Care Stations

Sinochem International participated in the “Red Cross Angel Program” launched by the Chinese Red Cross Fund. Whenever we sold one bottle of pesticide, we would donate one cent to the program, thus helping to build ten village medical care stations in poverty-stricken regions, including Chenzhou of Hunan; Hongan, Macheng, and Xiangfan of Hubei; Shangrao and Yichun of Jiangxi; Xuancheng, Huainan, and Bozhou of Anhui; as well as Yuping of Guizhou. The first phase of donation reached RMB 0.55 million. By the end of 2010, the ten stations had been completed and put into use, which greatly improved medical care in these regions.

Donations to Elementary School in Huangjun City

In 2010, Sinochem Exploration and Production Company's Zhaodong Project team made donations to the Paihe Elementary School at the location of Zhaodong Project, Huangjun City, to help the school maintain and renovate their teaching buildings and dormitories. They also donated school supplies and stationary to the students, helping them to improve their infrastructure and overall conditions for education.



WIN-WIN COOPERATION

While delivering our own CSR goals, Sinochem Group also helps our cooperation partners fulfill their CSR commitments, promote industrial progress and local development, and realize win-win results with our stakeholders.

Enhancing Our Contractors' CSR Commitments

We actively promote our CSR philosophy to our contractors, join hands with them to care for migrant workers, and firmly work to increase contractors' CSR awareness and capacity.

Case: Joining Hands with Contractors to Care for Migrant Workers

With the assistance of the Franshion Properties' Jinmao Mansion Project team, contractors provided a ground heat pump air-conditioning system for workers in their living areas. This was the first project to have such a system for construction workers, which provided summer air conditioning and winter heating for migrant worker, and offered them a nicer living environment.

Spurring Industrial Progress

By drawing upon our own advantages, Sinochem Group views service targets as being related to people's basic needs, thus actively providing a communication and exchange platform for our clients so as to facilitate industrial progress.

Case: Far East Horizon Spurring Industrial Progress

Far East Horizon understands the needs of its clients and promotes exchange and communication in many areas so as to promote the progress of the entire industry.

- Set up the "Far East Horizon Education Experts Alliance" to give advice and suggestions on China's educational development;
- Organized the "Far East Horizon High-Level Forum for Ship-Building and the Shipping Industry," helping to train high-caliber financial experts for China's shipping and ship-building industries;
- Set up the Mingliu Club and the Shijia Alliance to create a "Mutual Trust, and Win-Win" industrial exchange environment. In the areas of medical care facilities and industrial equipment, they joined hands with major manufacturers inside and outside China to set up a manufacturers' alliance that helps to facilitate industry progress.

CONTRIBUTING TO COMMUNITY DEVELOPMENT

Sinochem Group actively organizes and participates in various events for community development, helping to facilitate our contributions to community growth.

Contribution to Community Development

Sinochem sticks to the philosophy of "win-win development" and takes the initiative to fulfill our CSR commitments wherever our business is located.

Case: Sinochem Exploration and Production Company's Help to Overseas Community Development

Sinochem E&P conducted numerous activities to help overseas communities grow. In 2010, they increased their input for local development.

In Yemen, the company gave USD 1.7 million to help develop local communities, of which USD 0.75 million went to an agricultural rehabilitation project mainly including introducing improved goat varieties and drilling wells for irrigation. USD 0.70 million went toward setting up scholarships and making donation to students in need. The rest (USD 0.25 million) was earmarked for sustainable development projects.

In Ecuador, the company donated a total of USD 0.3 million to set up a social welfare fund to help children suffering from brain disabilities gain both in-classroom and virtual education. The company also helped foster economies of scale and develop the market for crop planting such as cocoa, as well as providing micro-loans for aboriginal women. In Syria, the company gave a total of USD 0.77 million to set up a social fund to provide assistance to disabled people. It also built bridges and roads in Columbia to help develop the local transportation system.

Case: Singapore GMG Company's Overseas Community Development Programs

Singapore GMG, controlled by Sinochem International, is developing rubber businesses in African countries like Cameroon. It employed 5,500 workers according to the local laws and UN practices. It not only ensures workers' safety and security, but also provides them with occupational training that has worked to increase their employment opportunities.

Since 2008, GMG has injected USD 2.20 million every year for local community development, including providing assistance to hospitals and schools. It made donations in total to 17 schools, including kindergartens, elementary schools, and high schools; it also set up medical care stations in 15 villages where it had business operations. After it introduced information on the AIDS virus to the local areas in 2002, it once again helped to organize activities to raise local communities' awareness on malaria and cholera, benefiting many local people through these programs.

Volunteer Activities

Sinochem Group regards each employee's participation as an important part of delivering the company's CSR commitments. Therefore, we encourage and support employees to take part in volunteer activities, and view this as an important part of enhancing the company's cohesion and for guiding employees to have a life of responsibility, gratefulness, and contribution. Our volunteer activities have received good responses from society.



Case: Help 450 Poverty-Stricken Senior Citizens Regain Their Sight

Since 2004, Sinochem-Manulife Insurance organized "Care for Society" activities. In 2010, they launched a program called "37 Degrees Warm" together with the Disabled People's Welfare Fund of Sichuan Province. With the efforts of nearly ten thousand company employees, they sold around 30,000 "love nightlights" and donated the money collected to help 450 senior citizens in Guangan, Guangyuan, Nanchong, Mianyang, and Suining of Sichuan Province have cataract surgery to regain their sight.



CSR FEATURE REPORT

ENSURING THE ENERGY SUPPLY

ENDEAVORING TO BE A WORLD-CLASS PETROCHEMICAL COMPANY

Project Review

Sinochem Quanzhou Petrochemical Co., Ltd. (hereafter referred to as Quanzhou Petrochemical) was established in September, 2006. It is building Sinochem Group's 12mt/y oil refining project in the Huiquan Petrochemical Industrial Park in the Meizhou Bay Petrochemical Base of Fujian Province. The project takes up an area of 266.67 hectares and consists of two systems: those inside the plant area and those outside the plant area, which includes storage and transportation. The 19 major process units in the interior area include atmospheric and vacuum distillation, residue hydrotreating, hydrocracking, catalytic cracking, continuous catalytic reforming, aromatic extraction, delayed coking, sulfur, and polypropylene. Meanwhile, the storage and transportation facilities are composed of jetties, crude oil and refined oil tank farms, and oil pipelines. The project is expected to be completed and put into production in 2013.

Ensuring the Energy Supply, and Propelling the Economy of the Western Taiwan Strait Region

The Quanzhou Petrochemical project aims to ensure the energy supply through market-based instruments and by making the best use of international oil resource. Its process route is based on the world-class process scheme of "residue hydrotreating + delayed coking + hydrocracking," with its hydrogenation capacity reaching 11.50mt per annum. The ratio of hydrogenation capacity to the primary crude oil process capacity is the highest in China. The project has great capacity for processing heavy and low-grade crude oil, and is able to make full use of crude oil resources. Upon the

completion of the project, it will be able to produce nearly 9mt of gasoline, diesel, and aviation fuel, which would be a great supplement to the supply volume and supply channels in the domestic refined oil market.

Sinochem Group aims at building the Quanzhou Petrochemical project into a "domestically-leading and internationally-advanced" refining project. By drawing upon the experience of utilizing similar units and benchmarking with petrochemical leaders at home and abroad, we are taking the lead in the industry in terms of single-train unit capacity, for example the 12mt/y atmospheric and vacuum unit, 3.75mt/y liquid-phase hydrogenation unit, 3mt/y residue hydrotreating unit, and 2.6mt/y hydrocracking unit. The diesel/gasoline ratio can be flexibly adjusted within a range of between 1.2 and 2.4. Our diesel and gasoline quality will meet Euro IV standards, with parts of the products reaching Euro V standards. The project will propel industrial upgrading for China's petrochemical industry.

When the Quanzhou Petrochemical project is put into production, its tax contributions to the State and local government will amount to RMB 11.5 billion. Apart from taking Fujian province as the major distribution market, we will also distribute our products in the surrounding provinces and on the international market. While making contributions to China's economic development, our business will also strongly support Fujian's development into a large modern petrochemical base in China, and facilitate the growth of the western Taiwan Strait region. For the construction of the project, Quanzhou Petrochemical has hired many local people to manage the transportation, property, and dining after receiving pre-job training; all the construction contractors also hired a great amount of local labor, which promotes the local economy and has enhanced local people's labor market competitiveness.

Case: Co-building the Ducuo Seawall and Realizing Win-win Cooperation

When designing the project's pipe enclosure, Quanzhou Petrochemical, together with the local government and local villagers visited the construction site many times. Through discussions, we decided to co-build a seawall in Ducuo Village. After the construction for the Ducuo Seawall is completed, the Quanzhou project's pipe will pass through the land side of the seawall. This design is safer and more convenient for maintenance than a pipe directly built over the sea, and this design also cut construction costs by around RMB 27 million. The seawall also brings convenience to local villagers, for the land side of the seawall forms space of nearly 40,000 square meters, providing extra place for fishermen to fix their boats and dry their fishing nets. The local government also remade their plans for Ducuo Village's development, and built a four-lane 15m-wide two-way road in the backfilled area on the land side of the seawall, creating convenient transportation access for the local people.



"Because of the seawall, we are not worried about typhoons and high waves any more. It not only makes us live more peaceful, but also brings convenience."

Clean Production and Harmonious Coexistence with Nature

Sinochem Group is actively exploring new models for the sustainable development of a large oil refining company. In terms of environmental protection management, we have integrated the philosophy of clean production into the whole Quanzhou project, from production control to the products' whole lifecycle, including "planning, design, production, and end product." We are continuing to improve our management to cut pollution from the very beginning, reduce energy use and emissions in the production process, increase the efficiency of resource use, reduce or avoid pollution production and discharge in production and service processes, and reduce or eliminate damage to local people and the environment.

As to environmental protection and energy conservation, Quanzhou Petrochemical insists that the design, construction, and commissioning of environmental-protection facilities and processing units are developed in parallel. In order to enhance clean production, the project has injected over RMB 2 billion for environmental protection technology and unit improvement, which amounts to approximately 7% of the total capital input. The project also uses a series of clean techniques in its process design that increase product quality and deepen the processing of crude oil, and reduce pollution to the maximum extent. The fuels used in the project are all clean gas fuels with desulfurization treatment, making Quanzhou Petrochemical a petrochemical company that uses clean energy throughout its production, thus realizing an air pollutant concentration rate much lower than the national emissions standard. For four of the 19 units in the 12mt/y refining project, we have brought in internationally advanced technology; the remaining 14 units' capacity and technologies are leading in China. In order to reduce pollutant discharge, the project has adopted the most

environmental-friendly technology in the world, which can reduce the emissions of SO₂, NO_x, and smoke to a level much lower than that of other advanced units in China, and at the same time eliminate the alkali residue produced by traditional processes. In order to reduce sulfur emissions to the air, the project increased its capital input to purchase the world-leading Claus sulfur recovery unit, thus increasing the sulfur recovery rate to 99.8%. In terms of water treatment, the project has a domestically-leading wastewater treatment plant to treat the oily wastewater and salty wastewater produced by production units and supplementary systems, as well as the ballast water for ships, with the wastewater recovery rate reaching over 80%. For railway and highway loading, the project has advanced oil and gas recovery systems to recover the oil and gas evaporated in the loading process, with a recovery rate reaching over 95%.

Quanzhou Petrochemical project's units and facilities for environmental protection maximize reuse of four resources, including water, gas, byproducts from oil refining, and solid resources, thus transforming the economic model from the conventional "resource-product-pollutant discharge" to an advanced "resource-product-renewable resource" model.

Chart 1: Indicators of Project Resource and Energy Use

	Grade-1	Grade-2	Grade-3	Grade-4	Grading
Comprehensive energy consumption (kg standard oil/t crude oil)	≤ 80	≤ 85	≤ 95	62.83	Reaching grade-1 standard
Water intake (t water/t crude oil)	≤ 1.0	≤ 1.5	≤ 2.0	0.45	Reaching grade-1 standard
Reuse rate of treated water (%)	≥ 65	≥ 60	≥ 50	68.9	Reaching grade-1 standard

Chart 2: Indicators of Project Pollutant Production

	Grade-1	Grade-2	Grade-3	Grade-4	Grading
Oil type (kg/t crude oil)	≤ 0.025	≤ 0.2	≤ 0.45	0.024	Reaching grade-1 standard
Sulfide (kg/t crude oil)	≤ 0.005	≤ 0.02	≤ 0.045	0.004	Reaching grade-1 standard
Volatile phenol (kg/t crude oil)	≤ 0.01	≤ 0.04	≤ 0.09	0.003	Reaching grade-1 standard
COD (kg/t crude oil)	≤ 0.2	≤ 0.5	≤ 0.9	0.19	Reaching grade-1 standard
Industrial wastewater production by processing pure crude oil (twater/t crude oil)	≤ 0.5	≤ 1.0	≤ 1.5	0.43	Reaching grade-1 standard

Strictly Conducting Process Control and Implementing Comprehensive Risk Management

Quanzhou Petrochemical project involves large capital investment, a long construction cycle, extensive professional outlays, and many uncertainties. In order to deliver our commitments to the State, environment, and community, Sinochem Group is implementing a comprehensive risk management during project construction so as to manage the uncertainties in a comprehensive, scientific and systematic manner, trying to reach a balance between risk control and work efficiency, and guarantee a successful completion of project construction.

In 2010, Quanzhou Petrochemical further improved the company charter, basic rules, special rules, and detailed implementation rules; made 42 company management rules, published an engineering pamphlet (including 24 management rules) an HSE pamphlet (including 26 management rules) of the Project Management Manual, issued Risk Management Requirements and Risk Management Procedure Guidance, and improved the Quanzhou Petrochemical Project Risk Checklist for 2011. These measures were aimed at meeting the demand for system risk management and governance, as well as the operations and management requirements in different phases of project construction.

In addition, the Quanzhou Petrochemical project integrates the management of suppliers, discipline inspection, auditing, and internal system building into the risk management system to have a continuous and dynamic monitoring of project risks.

In the management of the four major areas of the project, including progress, quality, cost, and HSE, Quanzhou Petrochemical enhanced their ability to identify risks, made corresponding measures for each item, and relied on information systems to strengthen their risk management capacity. For example, for HSE management, during the construction period, the ratio of Quanzhou Petrochemical project's HSE management budget to the entire construction budget leads among domestic projects. They also took measures to control wastewater treatment, smoke prevention, and solid waste disposal, effectively reducing the impacts of the construction upon local people and the environment. At the same time, they enhanced contractor HSE management, and worked with the local authority to urge the contractors to make improvements on HSE matters. In 2010, the accident rate per million working hours of the contractors for Quanzhou Petrochemical project was 0.15, a leading level in the industry.

FUTURE OUTLOOK

In the year 2011, the first year for China to implement its Twelfth Five-year Plan, Sinochem Group will center on the goals, tasks, and requirements of its "Third Long March," integrate CSR philosophy into our development strategies and production operations, improve the company's ability to develop sustainably, and do our best to create more value for our stakeholders.

We will enhance our management system and increase our corporate governance capacity. We will continue optimizing management systems at all levels, along with management efficiency, so as to meet our operations targets.

We will strengthen our capability to safeguard China's energy and agricultural security, and help to improve people's livelihoods. Aiming at becoming a company that satisfies the State, we will combine the company's growth with the demand of the country and society, promote national economic development and social progress, and make even greater contributions to the improvement of Chinese people's lives.

We will increase our capacity to innovate, to market, and to serve our clients. By adhering to the marketing and service model that takes clients as our core, we will do our best to create more value for our clients, meet clients' demands, and achieve common development with our clients.

We will accelerate the building of our HSE management system, and create a healthier, safer, and greener working environment. Based on the reality of the continuous expansion of our industrial scale, we will enhance our management of production safety, highlighting safe management on key areas and links. We will also improve our capacity to reduce energy consumption and greenhouse gas emissions, doing our best to meet SASAC's binding targets.

Treasuring talent and helping our employees to develop with the company. We take the refinement of leadership as our core goal, the introduction of high-caliber people as our guidance, and institutional innovation as our guarantee to building a high-quality team with rational structure and size, the required capabilities, and is comprised of energetic members. We will fully utilize the value of our employees and try to achieve the goals of our "Third Long March" together with them.

We will actively participate in socially-beneficial activities based on our own business. We combine the characteristics of our five main business segments, including energy, agriculture, chemical, finance, and real estate with our ability to undertake socially-beneficial activities, making our contribution to social harmony and progress.



Third Party Commentary

I have read through the Sinochem Group 2010 Report on Sustainable Development (hereafter referred to as the Report), and made the following comments:

This is the first time Sinochem has issued its sustainable development report after publishing its CSR report for four consecutive years. Generally speaking, the Report has the following features:

Firstly, it is in line with the disclosure requirements of COP (Communication on Progress) Policy of the United Nation Global Compact (UNGC). The Report has fully published Sinochem's progress on the UNGC's Ten Principles in 2010, particularly disclosing progress in the following aspects: the company's compliance with state and local labor laws and enhancement of labor management; its business operations transparency and protection of employees' rights; its particular protection of the rights of female employees and improvement of female employees' capacities; a top-down Sinochem HSE system; its tightened supervision on key areas and the abuse of power, and its comprehensive corruption prevention system; and education on employees to have self-discipline and business ethics, all of which are aligned with UNGC's COP disclosure requirements.

Secondly, the philosophy of sustainable development runs through the Report. According to the Report, Sinochem integrates sustainable development philosophy into its corporate operations and governance, which is reflected in Sinochem's day-to-day business operations and the daily work of every employee. It has established a responsible corporate image that has a harmonious coexistence with the economy, society, and the environment, and endeavors to pursue sustainable development.

Thirdly, the Report has a wide range of content with distinct characteristics. It discloses that Sinochem has combined CSR with its five core business segments, including energy, agriculture, chemical, finance, and real estate. The Report shows Sinochem's understanding and practice on CSR both at the group level and in the five main business sectors, which fully demonstrates the company's highlights and features in meeting CSR requirements.

Comment on the Report

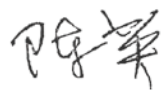
The Report is informative, logical, and highly readable. It meets UNGP's latest requirements on annual communication on progress, and is a well-made report.

Advice on Improvement

I have the following advice to give Sinochem in terms of further improvement on the Report:

First, the company may enhance its disclosure on the inner connection between the content of each chapter and Sinochem's realization of sustainable development, highlighting the practice of sustainable development philosophy in Sinochem's day-to-day operations;

Second, it may enhance its disclosure on both internal and external stakeholders' comments on Sinochem's CSR work, so as to further increase the credibility of the Report; Third, Sinochem may make best use of its international platform and enhance its participation in both the domestic and international CSR matters to increase its right to speak in international operations, and improve the company's soft power.



Chen Ying
Former Director of the Board of the United Nations Global Compact
Director of Beijing Rong Zhi Institute of Corporate Social Responsibility
Director of Global Compact Network China

May, 2011

Third Party Commentary

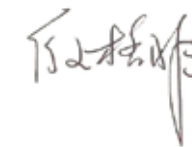
This is Sinochem Group's first edition of its Sustainable Development Report (hereafter referred to as the Report) after releasing four CSR reports in a row. The Report demonstrates the features of a conglomerate in realizing CSR targets, and is a model for Chinese enterprises that run diverse businesses in disclosing their performance on achieving sustainable development. The Report has the following highlights:

First, the content of the Report is very informative. It discloses that facing all stakeholders, including the State, clients, environment, employees, and society, how Sinochem Group understands CSR concepts, and translates the concepts into specific measures that yield results, which is evident in the extensive coverage of the Report; it also has an in-depth report on Sinochem's CSR highlights in response to each stakeholder's concerns. For example, the "client-centered" marketing and service model, Sinochem's continuously-optimized HSE management system, and the caring scheme for retired employees all demonstrate the depth of its information disclosure. The report includes a Feature Report on the outstanding CSR practices in constructing the company's key project—the Quanzhou Petrochemical Refining Project -- which reflects Sinochem's CSR focus.

Second, the Report builds a Sinochem CSR Matrix Chart that systematically demonstrates Sinochem's CSR practices in each of its five main business sectors. Based on Sinochem's diverse business operations, the Report builds this CSR matrix to summarize the key content of the five business segments' practices in CSR. On the one hand, it responds to the expectations of all stakeholders; on the other, it is convenient for each stakeholder to understand Sinochem's work to fulfill CSR targets.

Third, the Report has particular disclosure on how Sinochem's involvement improves people's lives, which is also a demonstration of Sinochem's service to society and the people. It reports on Sinochem's contributions to providing people a happier life by meeting their demands for basic necessities, and by improving their medical care, education, and infrastructure. For instance, the Report shows how the company's plastics products and dyestuffs diversify people's clothing and how the development of its agricultural products improve people's livelihoods, all of which are highlights of Sinochem's CSR practices.

We are looking forward to seeing how Sinochem will integrate CSR into its daily business operations during its "Third Long March" period; fulfill its mission of "becoming a great company that abides by its corporate social responsibility and commands respect worldwide;" enhances its sustainable development capacity; and builds a continuously sustainable business.



Yin Gefei
Vice President, China WTO Tribune
Director, International Research Center for Social Responsibility & Sustainable Development, Peking University

May, 2011

[illegible][illegible]



FEEDBACK FORM

In order to improve Sinochem Group's CRS work, we look forward to your feedback, which will be an important basis for our improvement. We hope to receive your valuable advice on our Report and our work.

Your Information:

Name: _____

Company: _____

Telephone: _____

E-mail: _____

Your Comments:

In your opinion, the Report is:

Very Good Good Medium Bad Very Bad

In your opinion, the disclosure in the Report's is:

Very Informative Informative Medium Somewhat Informative Not Informative

In your opinion, the quality of the information disclosure in the Report is:

Very High High Medium Low Very Low

In your opinion, the structure of the Report is:

Very Good Good Medium Bad Very Bad

In your opinion, the layout design of the Report is:

Very Good Good Medium Bad Very Bad

Your thoughts and suggestions on Sinochem Group's CSR work as well as on the compilation and publication of its sustainable development report:

Contact:

General Administrative Office

Sinochem Group

Address: Central Tower F11, Chemsunny World Trade Center, Fuxingmennei Street 28, Beijing, China

Post Code: 100031

Telephone: +86 10 59568926

Fax: +86 10 59568890

E-mail: songyang02@sinochem.com