CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
November 15, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of November, 2004

China Petroleum & Chemical Corporation
A6, Huixindong Street,
Chaoyang District Beijing, 100029
People's Republic of China
Tel: (8610) 6499-0060

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F X Form 40-F _____

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ____ No X

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-__________.)

N/A

This Form 6-K consists of:

Annoucement on Connected Transactions and Continuing Connected Transactions of China Petroleum & Chemical Corporation (the "registrant") made on November 6, 2004 in English by the registrant.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

IF YOU ARE IN DOUBT as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

IF YOU HAVE SOLD OR TRANSFERRED all your shares in China Petroleum & Chemical

Corporation, you should at once hand this circular together with the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for delivery to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes norepresentation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is solely for the purpose of providing shareholders with certain information in connection with an extraordinary general meeting of China Petroleum & Chemical Corporation and is not an offer to sell or a solicitation of an offer to buy any securities. Any sale of China Petroleum & Chemical Corporation's securities in the United States will be made only by means of a prospectus relating to such securities.

[LOGO GRAPHIC OMMITED]

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(STOCK CODE: 386)

CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to
China Petroleum & Chemical Corporation

[CICC LOGO GRAPHIC OMMITED]
China International Capital
Corporation (Hong Kong) Limited

Independent Financial Adviser to the
Independent Board Committee and Independent Shareholders

[ROTHSCHILD LOGO GRAPHIC OMMITED]

N M Rothschild & Sons (Hong Kong) Limited

A letter from the Independent Board Committee of China Petroleum & Chemical Corporation is set out on pages 53 to 54 of this circular. A letter from N M Rothschild & Sons (Hong Kong) Limited containing its advice to the Independent Board Committee is set out on pages 55 to 82 of this circular.

A notice convening an extraordinary general meeting of China Petroleum & Chemical Corporation to be held at Beijing Crowne Plaza Park View Wuzhou Hotel, No. 8 Beisihuan Zhong Road, Chaoyang District, Beijing, PRC on 21 December 2004 at 9:00 a.m. is set out on pages 162 to 164 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the meeting.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

6 November 2004

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DEFINITIONS

In this circular, unless otherwise indicated in the context, the following expressions have the meaning set out below:

"Acquisition"	the proposed acquisition by Sinopec Corp. of th Assets (including the Petrochemical Assets, the the Gas Station Assets) under the Acquisition A
"Acquisition Agreements" collectively:	1. the sale and purchase agreement in respec Petrochemical Assets, which was entered i Sinopec Corp. and Sinopec Group Company 2. the sale and purchase agreement in respec Assets, which was entered into between Si Sinopec Group Company 3. the sale and purchase agreement in respec Station Assets, which was entered into be Corp. and Sinopec Group Company
"associates"	has the meaning ascribed to it in the Listing R
"Authorising Entities"	the subsidiaries of Sinopec Group Company which Sinopec Group Company to enter into the Acquisi their behalf, and the subsidiaries of Sinopec C authorised Sinopec Corp. to enter into the Disp their behalf
"Aoda Technology"	Beijing Aoda Petrochemical New Technologies Dev which was established under the laws of the PRC
"Board"	the board of directors of Sinopec Corp.
"Changling Plant"	the catalyst plant of Changling Refinery
"Changling Refinery"	Sinopec Group Changling Refinery and Chemical C was established under the laws of the PRC
"CICC"	China International Capital Corporation (Hong K which was previously registered with the Securi Commission as an investment adviser and is deem licensed to carry out Types 1, 4 and 6 regulate the SFO, being the financial advisers to Sinope of the Acquisition, the Disposal and the Contin Transactions
"Company"	Sinopec Corp. and its subsidiaries
"Completion Date"	31 December 2004, or a later date agreed upon b writing

"Continuing Connected Transactions"	the continuing transactions between the Company arising as a result of the Acquisition and the
"CSRC"	China Securities Regulatory Commission
"Directors"	the directors of Sinopec Corp.
"Disposal"	the proposed disposal by Sinopec Corp. of the r Assets, namely the Downhole Operation Assets, u Agreement
"Disposal Agreement"	the sale and purchase agreement in respe Operation Assets, which was entered into betw Sinopec Group Company

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"EGM"	the extraordinary general meeting of Sinopec Co 21 December 2004 for Independent Shareholders t approve, amongst other things, the Acquisition Acquisition Agreements), the Disposal (includin Agreement)
"Guangzhou Petrochemical"	Sinopec Group Guangzhou Petrochemical General P established under the laws of the PRC
"Henan Oilfield Branch Company"	China Petroleum & Chemical Corporation Henan Oi Company, which was established under the laws o
"HK$"	Hong Kong Dollar, the lawful currency of Hong K
"Hong Kong"	The Hong Kong Special Administrative Region of Republic of China
"Huabei Branch Company"	China Petroleum & Chemical Corporation Huabei B which was established under the laws of the PRC
"Huadong Branch Company"	China Petroleum & Chemical Corporation Huadong which was established under the laws of the PRC
"Independent Board Committee"	being the committee comprising all the independ directors of Sinopec Corp. namely Mr. Chen Qing Kwok Charles, Mr. Shi Wanpeng and Mr. Zhang Yoc Independent Shareholders in connection with the (including the Acquisition Agreements), the Dis the Disposal Agreement) and the Continuing Conn (including the New Continuing Connected Transac Agreement) and are not interested in the Acquis
"Independent Shareholders"	the shareholders of Sinopec Corp. other than Si Company and its associates
"Jianchang Petrochemical	Hunan Jianchang Petrochemical Joint-Stock Limit was established under the laws of the PRC

"Jianghan Oilfield Branch Company"	China Petroleum & Chemical Corporation Jianghan Company, which was established under the laws o
"Jiangsu Oilfield Branch Company"	China Petroleum & Chemical Corporation Jiangsu Company, which was established under the laws o
"Land Use Rights Lease Agreement"	the land use rights lease agreement dated 3 Jun amended)
"Latest Practicable Date"	1 November 2004, being the latest practicable d publication of this circular for ascertaining c referred to in this circular
"Listing Rules"	The Rules Governing the Listing of Securities o of Hong Kong Limited
"Luoyang Petrochemical"	Sinopec Group Luoyang Petrochemical General Pla established under the laws of the PRC
"Maoming Petrochemical"	Sinopec Group Maoming Petrochemical Company, wh established under the laws of the PRC
"MOF"	Ministry of Finance of the PRC

"Nanjing Nanlian"	laws of the PRC
"New Continuing Connected Transactions Adjustment Agreement"	means the continuing connected transactions adj dated 31 October 2004 entered into between Sino Sinopec Group Company in respect of the Continu Transactions
"Ongoing Connected Transaction Adjustment Agreement"	the agreement dated 11th June 2001 providing fo amendments to the terms of the terms of the ong transactions between Sinopec Corp. and Sinopec
"Payment Date"	Within 20 days after the Completion Date
"PRC"	the People's Republic of China
"PRC Independent Valuers"	independent valuers with PRC securities qualif Sinopec Corp. to value the Target Assets
"Properties Lease Agreement"	The Property Lease Agreement, which was dated 3 entered into between Sinopec Corp. and Sinopec
"Prospectus"	the prospectus of Sinopec Corp. dated 9 October the offer and sale of Sinopec Corp.'s H shares
"PTA"	Pure Terephthalic Acid
"Purchaser"	in relation to the Acquisition, Sinopec Corp. i Disposal, Sinopec Group Company

"PX"	Pare-xylene
"Qilu Plant"	the catalyst plant of Qilu Petrochemical Compan established under the laws of the PRC
"RMB"	renminbi, the lawful currency of the People's R
"Rothschild"	N M Rothschild & Sons (Hong Kong) Limited, an i registered with the Securities and Futures Comm out Types 1, 4, 6 and 9 regulated activities un the independent financial adviser appointed by advise both the Independent Board Committee and Shareholders as to whether the terms of the Acq Disposal are fair and reasonable so far as the Shareholders are concerned and whether the Acqu Disposal are in the interest of Sinopec Corp. a shareholders as a whole and to advise Sinopec C shareholders on how to vote in respect of the A Disposal
"SASAC"	The State-owned Assets Supervision and Administ under the State Council of PRC
"Shanghai Research Institute"	Sinopec Group Shanghai Petroleum & Chemical Res which was established under the laws of the PRC
"Shanghai Lide"	Shanghai Lide Catalyst Co., Ltd., which was est laws of the PRC
"Shengli Oilfield Company Limited"	China Petroleum & Chemical Corporation Shengli Limited, which was established under the laws o

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"Sinopec Corp."	company incorporated in the PRC with limited li
"Sinopec Group"	Sinopec Group Company and its subsidiaries (oth
"Sinopec Group Company"	China Petrochemical Corporation, the controllin Sinopec Corp.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	The members of the supervisory committee of Sin
"Target Assets"	1. the Tianjin Business, Luoyang Business, M Guangzhou Assets and the 93.51% equity in Zhongyuan Petrochemical (the "Petrochemic 2. the 81% equity interest in Jianchang Petr equity interest of Aoda Centre, the 60% e Shanghai Lide, Changling Plant, Qilu Plan Development Centre, Shanghai Research Cen Plant (the "Catalyst Assets")

	3. the 1,023 gas stations and 54 oil depots Group (the "Gas Station Assets") 4. the d assets and associated liabilities of Shen Company, Zhongyuan Oilfield Branch, Henan Jianghan Oilfield Branch, Jiangsu Oilfiel Branch, Huadong Branch and Xinan Branch (Operation Assets")
"Technologies Development Company"	China Petroleum & Chemical Technologies Develop which was established under the laws of the PRC
"Tianjin Petrochemical"	Sinopec Group Tianjin Petrochemical Company, wh established under the laws of the PRC
"Valuation Date"	30 June 2004 for the Petrochemical Assets and C May 2004 for the Gas Station Assets; and 31 Jul Downhole Operation Assets
"Vendor"	in relation to the Acquisition, Sinopec Group C Authorising Entities, in relation to the Dispos and the Authorising Entities
"Xinan Branch Company"	China Petroleum & Chemical Corporation Xinan Br which was established under the laws of the PRC
"Zhongyuan Oilfield Branch Company"	China Petroleum & Chemical Corporation Zhongyua Company, which was established under the laws o
"Zhongyuan Petrochemical"	Zhongyuan Petrochemical Co., Ltd., which was es the laws of the PRC

LETTER FROM THE CHAIRMAN

[LOGO GRAPHIC OMITTED]

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 386)

Directors:	Registered Office:
Chen Tonghai	A6, Huixindong Street
Wang Jiming	Chaoyang District
Mou Shuling	Beijing, 100029
Zhang Jiaren	People's Republic of China
Cao Xianghong	
Liu Genyuan	
Gao Jian	
Fan Yifei	

Independent Non-Executive Directors:
Chen Qingtai
Ho Tsu Kwok Charles
Shi Wanpeng
Zhang Youcai

Employee Representative Director:

Cao Yaofeng

6 November 2004

To the Shareholders

Dear Sir or Madam,

Connected Transactions
and
Continuing Connected Transactions

1. Introduction

On 1 November 2004, Sinopec Corp. announced that the Board considered and approved the "Proposal in respect of the acquisition of petrochemical assets from Sinopec Group Company", "Proposal in respect of the acquisition of catalyst production assets from Sinopec Group Company, "Proposal in respect of the acquisition of gas station assets", "Proposal in respect of the disposal of downhole operation assets to Sinopec Group Company" and "Proposal in respect of the New Continuing Connected Transactions Adjustment Agreement" (together the "Resolutions") at the 12th meeting of the second session of the Board held on 31 October 2004. Pursuant to the Resolutions, Sinopec Corp. will (i) acquire the assets including petrochemical assets, catalyst production assets and gas station assets (together the "Acquiring Assets") from Sinopec Group Company and its subsidiaries, and (ii) dispose the downhole operation assets (the "Disposal Assets") to Sinopec Group Company.

The Board also approved the entering into of the Acquisition Agreements, the Disposal Agreement and the New Continuing Connected Transactions Adjustment Agreement between Sinopec Corp. and Sinopec Group Company.

According to the valuation reports prepared by the PRC Independent Valuers in respect of the Acquiring Assets, as at the Valuation Date, the aggregate asset value amounted to RMB17,154 million (which is equivalent to approximately HK$16,183 million), the liabilities amounted to RMB12,734 million (which is equivalent to approximately HK$12,013 million) and after the deduction of minority interests which amounted to RMB205 million (approximately HK$193 million), net asset value amounted to RMB4,215 million (which is equivalent to approximately HK$3,976 million).

According to the valuation report prepared by the PRC Independent Valuers in respect of the Disposal Assets, as at the Valuation Date, the aggregate asset value amounted to RMB2,147 million (which is equivalent to approximately HK$2,025 million), the liabilities amounted to RMB399 million (which is equivalent to approximately HK$376 million) and net asset value amounted to RMB1,748 million (which is equivalent to approximately HK$1,649 million).

The consideration for the Acquisition is RMB4,578 million (which is equivalent to approximately HK$4,319 million) while the consideration for the Disposal is RMB1,748 million (which is equivalent to approximately HK$1,649 million). The balance of the consideration after offsetting in the sum of RMB2,830 million (which is equivalent to approximately HK$2,670 million) will be payable in cash by Sinopec Corp. to Sinopec Group Company.

1.1 Connected Transactions and Continuing Connected Transactions

The Acquiring Assets are owned by Sinopec Group and Sinopec Group Company, on behalf of itself and other members of the Sinopec Group, entered into the Acquisition Agreements with Sinopec Corp. The Disposal Assets are owned by the Company and Sinopec Corp., on behalf and other members of the Company, entered into the Disposal Agreement with Sinopec Group Company.

Sinopec Group Company owns 47,742,561,000 shares in Sinopec Corp., representing 55.06% of its total issued share capital. Recently, Sinopec Group Company had entered into share transfer agreements with Sinopec Corp.'s shareholders, the China Development Bank and China Cinda Asset Management Corporation pursuant to which the China Development Bank agreed to transfer its 6,143,000,000 state-owned shares (representing 7.085% of the total issued share capital), and China Cinda Asset Management Corporation agreed to transfer its 5,000,000,000 state-owned shares (representing 5.767% of the total issued share capital), to Sinopec Group Company. The SASAC and MOF have approved the transfers. Sinopec Group Company is still required to apply for a waiver from making a general offer with CSRC. If the transfer is completed, Sinopec Group Company will in total hold 58,885,561,000 shares of Sinopec Corp., representing approximately 67.917% of the issued share capital of Sinopec Corp. Sinopec Group Company, being a substantial shareholder of Sinopec Corp., is a connected person under Rule 14A.11(1) of the Listing Rules. Consequently, the Acquisition and Disposal will constitute connected transactions under Rule 14A.13 of the Listing Rules and the applicable provisions of the Shanghai Listing Rules.

A number of continuing connected transactions will be entered into between the Sinopec Group and the Company as a result of the Acquisition and Disposal. Further details of such transactions are set out in section 6 below.

1.2 Impacts on Sinopec Corp.

From the strategic perspective, the transactions contemplated under the Acquisition Agreements and Disposal Agreement effectively broaden Sinopec Corp.'s core businesses through significant expansion of the scale of its petrochemical facilities, improvement to the operation and retail network of oil products, consolidation of the catalyst business and adoption of international management structure and practice for the upstream business. Upon completion of the transactions, Sinopec Corp.'s management structure will further systematise, resulting in more efficient management of operations, investments and resource allocation.

There will be further reduction in both continuing connected transactions and industry competition between Sinopec Corp. and Sinopec Group Company upon the completion of the Acquisition and Disposal.

1.3 Notes to the Investors

(1) Pursuant to the Listing Rules and Shanghai Listing Rules, the transactions contemplated under the Acquisition Agreements and Disposal Agreement constitute connected transactions for Sinopec Corp. The Acquisition and Disposal are subject to the approval of Independent Shareholders at the EGM. Sinopec Group Company, a connected person of Sinopec Corp. under the Listing Rules, will abstain from voting in respect of the Resolutions at the EGM. Any vote of the Independent Shareholders at the EGM shall be taken by poll.

(2) The financial data were prepared and provided for in accordance with the PRC Accounting Rules and Regulations. In respect of the Acquiring Assets and Disposal Assets, there is no material difference between the related

financial data prepared under the PRC Accounting Rules and Regulation and those prepared in accordance with International Financial Reporting Standard.

(3) Each of the transactions contemplated under the Acquisition Agreements and Disposal Agreement is independent from each other. If any of the said transactions is not completed, the remaining transactions shall not be affected.

(4) The Acquisition and Disposal are subject to the approval of SASAC and the asset valuation reports are to be filed with SASAC. Furthermore, the effectiveness of such transactions are also subject to the satisfaction of all conditions precedent under the Acquisition Agreements and Disposal Agreement.

1.4 Independent Financial Adviser

Rothschild has been retained as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition and the Disposal are in the interest of Sinopec Corp. and its shareholders as a whole and to advise Sinopec Corp.'s shareholders on how to vote in respect of the Acquisition and the Disposal. The Independent Financial Adviser will also set out the reasons as to why the duration of the Land Use Rights Lease Agreement and the Properties Lease Agreement is in excess of three years and their confirmation that it is normal business practice for contracts of these types to be of such duration. The advice of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders is included in pages 55 to 82 of this circular.

1.5 EGM

The Acquisition and the Disposal require the approval of the Independent Shareholders at the EGM at which Sinopec Group Company and its associates will abstain from voting. Any vote of the Independent Shareholders at the EGM shall be taken by poll. The notice of the EGM setting out the ordinary resolutions proposed to be approved thereat is included in pages 162 to 164 of this circular.

1.6 Financial Adviser

CICC is the financial advisers to Sinopec Corp. in respect of the Acquisition, the Disposal and the Continuing Connected Transactions.

The purpose of this circular is to provide you with further information relating to the Acquisition (including the Acquisition Agreements), the Disposal (including the Disposal Agreement) and the Continuing Connected Transactions (including the New Continuing Connected Transaction Adjustment Agreement).

2. The Acquisition and the Disposal

2.1 The Acquisition

(1) The Petrochemical Assets

Date:	31 October 2004
Parties:	
Vendors:	Sinopec Group Company (on its own behalf and on behalf of the Authorising Entities)
Purchaser:	Sinopec Corp.
Assets to be purchased:	(i) The principal ethylene and synthetic fiber monomers and polymers production facilities of Tianjin Petrochemical and related liabilities
	(ii) The principal synthetic fiber monomers and polymers products production facilities of Luoyang Petrochemical and related liabilities
	(iii) 93.51% equity interest in Zhongyuan Petrochemical held by Sinopec Group Company
	(iv) the 5,000,000 tonnes per year AVD unit, the 1,400,000 tonne per year catalytic cracking unit of Maoming Petrochemical
	(v) Certain power generation facilities of Guangzhou Petrochemical and related liabilities

According to the valuation reports prepared by the PRC Independent Valuers, as of the Valuation Date, the results of the valuation of the Petrochemical Assets are as follows: total assets were RMB13,904 million (approximately HK$13,116 million); the liabilities were RMB11,699 million (approximately HK$11,037 million); after the deduction of minority interest of RMB42 million (approximately HK$40 million), net assets were RMB2,163 million (approximately HK$2,040 million). Consideration is RMB1,977 million (approximately HK$1,865 million).

(2) The Catalyst Assets

Date:	31 October 2004
Parties:	
Vendors:	Sinopec Group Company (on its own behalf and on behalf of the

	Authorising Entities)
Purchaser:	Sinopec Corp.
Assets to be purchased:	(i) Primary assets owned by the Changling Plant (ii) The 81% equity interest in Jianchang Petrochemical (iii) Primary assets of Qilu Catalyst (iv) Primary assets owned by the Technology Development Company (v) The 50% equity interest in Aoda Technology (vi) The 60% equity interest in Lide Catalyst (vii) Primary assets of the Shanghai Research Institute (viii) All the assets owned by Nanlian Catalyst and related liabilities

According to the valuation reports prepared by the PRC Independent Valuers, as at the Valuation Date, the results of the valuation of the Catalyst Assets are as follows: total assets were RMB1,885 million (approximately HK$1,778 million); the liabilities were RMB1,024 million (approximately HK$966 million); after the deduction of minority interest of RMB163 million (approximately HK$154 million), net assets were RMB698 million (approximately HK$659 million). Consideration is RMB720 million (approximately HK$679 million).

(3) The Gas Station Assets

Date:	31 October 2004
Parties:	
Vendors:	Sinopec Group Company (on its own behalf and on behalf of the Authorising Entities)
Purchaser:	Sinopec Corp.
Assets to be purchased:	the assets, interests and certain related liabilities of 1,023 gas stations and 54 oil depots owned by Sinopec Group Company and the Authorising Entities

According to the valuation reports prepared by the PRC Independent Valuers, as at the Valuation Date, the results of the valuation of the Gas Station Assets are as follows: total assets were RMB1,364 million (approximately HK$1,287 million); the liabilities were RMB11 million (approximately HK$10 million); net assets were RMB1,353 million (approximately HK$1,276 million). Consideration is RMB1,881 million (approximately HK$1,775 million).

2.2 The Disposal

Date:	31 October 2004

Parties:

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LETTER FROM THE CHAIRMAN

Vendor:	Sinopec Corp. (on its own behalf and on behalf of the Authorising Entities)
Purchaser:	Sinopec Group Company
Assets to be disposed:	Downhole Operation Assets, including downhole operation assets owned by Shengli Oilfield Company Limited, Zhongyuan Oilfield Branch Company, Henan Oilfield Branch Company, Jianghan Oilfield Branch Company, Jiangsu Oilfield Branch Company, Huabei Branch Company, Huadong Branch Company and Xinan Branch Company

According to the valuation reports prepared by the PRC Independent Valuers, as at the Valuation Date, the results of the valuation of the Downhole Operation Assets are as follows: total assets were RMB2,147 million (approximately HK$2,025 million); total liabilities were RMB399 million (approximately HK$376 million); net assets were RMB1,748 million (approximately HK$1,649 million). Consideration is RMB1,748 million (approximately HK$1,649 million).

2.3 Terms of the Acquisition and the Disposal

(1) Pricing Policy and Consideration

(i) The considerations for the Acquisition and the Disposal were determined with reference to the valued figures prepared by the PRC Independent Valuers and by taking into account a number of factors which include the valued figures in other similar transactions of comparable companies, ability of generating cash flows, quality of assets, business' development potential and the position in the industry cycle of the Target Assets. The agreed considerations for the Acquisition and the Disposal were reached after arms-length negotiations between the parties.

Pursuant to the Acquisition Agreements and the Disposal Agreement, the respective considerations were agreed as follows:

Item	Total Assets valued amount	Total Liabilities valued amount	Miniority Interests valued amount	Net Assets valued amount	Consi

Acquiring Assets					
Petrochemical Assets	13,904,128	11,698,592	42,359	2,163,177	1
Gas Station Assets	1,364,357	10,964	-	1,353,393	1
Catalyst Assets	1,885,282	1,024,383	162,751	698,148	
Total	17,153,767	12,733,939	205,110	4,214,718	4
Disposal Assets					
Downhole Operation Assets	2,146,863	399,096	-	1,747,767	1
Net Effect	15,006,904	12,334,843	205,110	2,466,951	2

Note (1): The sale price of the Downhole Operation Assets is equal to the valued amount.

(ii) The parties also agreed that, after the signing of the Acquisition Agreements and the Disposal Agreement, if the Target Assets' asset value decreases or liabilities to increase or the Vendor breaches any of its obligation under the said agreements, including declarations, representations and warranties, the parties shall agree to adjust the considerations of the transaction accordingly.

(2) Settlement of consideration

The total consideration in respect of the Acquisition will be set-off against the consideration for the Disposal by way of an asset swap. The balance shall be settled in cash within 20 Business Days from completion.

2.4 Completion and Completion Date

(1) Completion

The Vendor will deliver to the Purchaser relevant documents of title, government approvals, personnel data and other agreements and related legal documents that reflect the status of the Target Assets to the Purchaser at the Completion Date. The Vendor will also comply with the necessary legal procedures to ensure that the Purchaser will take ownership and control over the Target Assets. The Purchaser will be responsible for the debts arising from the Target Assets from the Completion Date.

(2) Completion Date

The Completion Date will be 31 December 2004 or such later date as the parties may otherwise agree in writing.

(3) Risks before completion

Subject to the terms of the Acquisition Agreements and the Disposal Agreement, all the risks and benefits arising from the Target Assets between the respective Valuation Dates and completion shall be borne and in the account of the Vendor. The consideration will be adjusted accordingly. Please refer to section 2.3(1)(ii) of this circular.

2.5 Conditions precedent to the Acquisition Agreements and the Disposal Agreement becoming effective

The effectiveness of each of the Acquisition Agreements and the Disposal

Agreement is conditional upon:

1. the agreements having been signed by the authorized representative of the parties;

2. the parties having complied with their respective internal approval procedures and obtained such respective internal approvals.

2.6 Conditions to completion of the Acquisition Agreements and the Disposal Agreement

Completion of each of the Acquisition Agreements and the Disposal Agreement is conditional upon the satisfaction or the waiver of:

1. the agreements becoming effective;

2. there has not been any breach, or evidence evidencing any breach, of the agreements;

3. the obtaining of all necessary governmental approvals for the Acquisition and the Disposal;

4. there has not been any material adverse change to the assets, financial condition, business operation and future prospects of the companies comprised in the Target Assets and Downhole Operation Assets;

5. the land and property comprised in the Target Assets having obtained legal title documents;

6. the obtaining of all necessary third parties' approvals and consents in respect of the Acquisition and the Disposal;

7. the independent financial advisers appointed by Sinopec Corp. opining that the terms of the Acquisition and Disposal are fair.

2.7 Necessary approvals

The Acquisition and Disposal are subject to the approval by the Independent Shareholders at the EGM. Any vote of the Independent Shareholders at the EGM shall be taken by poll. Sinopec Group Company will apply with the SASAC for approval of the sale of the Target Assets and the filing of the valuation reports on the state-owned assets involved.

2.8 Warranties and undertakings

(1) Sinopec Group Company has agreed that, at any time before completion, it will, and will procure that the subsidiaries on behalf of which it represents, operate in accordance with its ordinary course of business and in a manner consistent with the past.

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(2) In relation to the land building involved in the acquisition, Sinopec Group Company undertakes that:

   (i) in relation to the land use rights included in the Target Assets and the land which will be leased by Sinopec Corp. after completion, in relation to those which have been issued with the relevant title certificates or assigned land, Sinopec Group Company warrants the completeness and legality of the land use rights of such land. In relation to the land which has not been issued with the relevant title certificate, Sinopec Group Company undertakes to use its best endeavours to obtain the relevant title certificates and related title documents and warrants the validity and legality of the leasing by Sinopec Corp. of such land;

(ii) in relation to the buildings included in the Target Assets and the buildings which will be leased by Sinopec Corp. after completion, Sinopec Group Company warrants the completeness and legality of the transfer of such buildings. In relation to the buildings which has not been issued with the relevant title certificate at the date of the agreement, Sinopec Group Company undertakes to use its best endeavours to obtain the relevant title certificates and related title documents;

(iii) any tax or costs involved in issuing the above-mentioned land and building title documents and to protect the legality and validity of the leasing of the land and buildings will be borne by Sinopec Group Company;

(iv) the parties agree that Sinopec Group Company will indemnify Sinopec Corp. against all actual and foreseeable losses arising from the above-mentioned irregularity or incompleteness of land and building title and tile documents; and

(v) the above warranties and undertakings will survive after completion and will not be affected by completion.

Sinopec Corp. does not believe there would be any material adverse effect on its operations arising from the above.

2.9 Personnel Arrangements

As agreed between the parties, the employment relationships, pension insurance and medical insurance of all registered personnel (including management staff and common staff) relating to the Acquisition and Disposal shall be retained by the Purchaser. The employment relationships in respect of the Gas Station Assets shall remain unchanged after the Acquisition. Sinopec Group Company and the Authorizing Entities shall maintain such employment relationships and provide alternative arrangements to those affected personnel. If Sinopec Corp. decides to keep certain personnel associated with the Gas Station Assets, the arrangements in respect of employment relationships shall be made in accordance with the terms of relevant connected transaction agreements between Sinopec Corp. and Sinopec Group Company. Sinopec Corp. will comply with the connected transaction requirements under Chapter 14A of the Listing Rules in relation to these arrangements.

2.10 Information on Sinopec Corp.

The principal operations of Sinopec Corp. and its subsidiaries include: exploring for and developing, producing and trading crude oil and natural gas; processing crude oil, producing petroleum products and trading, transporting, distributing and marketing petroleum products, producing, distributing and trading petrochemical products.

2.11 Information on the other party

(1) Information on Sinopec Group Company

(i) Basic information

Name of enterprise:	China Petrochemical Corporation
Registered address:	A6 Huixindong Street, Chaoyang District, Beijing, PRC
Type of industrial and commercial registration:	State-owned enterprise
Legal representative:	Mr. Chen Tonghai
Registered capital:	RMB104.912 billion (approximately HK$98.962 billion)

(ii) History

Sinopec Group Company is a large-scale petroleum and chemical enterprise conglomerate established on the basis of the original China Petrochemical Corporation in July 1998 according to the "Reform Proposal for Organisations under the State Council" and "Reply to Certain Questions relating to the Establishment of Sinopec Group Company by the State Council", both approved at the first meeting of the 9th session of the National People's Congress. Sinopec Group Company is a state-owned and authorized investment enterprise. Pursuant to its corporate restructuring in 2000, Sinopec Group Company injected its petroleum and petrochemical business into Sinopec Corp.

(iii) Principal business of Sinopec Group Company

Sinopec Group Company is principally engaged in the business of industrial investments and investment management; exploration and development, production and construction, storage and transportation and sale of petroleum and natural gas resources; the wholesale of gasoline, kerosene and diesel; production, storage and transportation and sale of petrochemical and related products; the design, implementation and construction of petroleum and petrochemical installations; maintenance and repair of petroleum and petrochemical installations; the research, development, implementation and related consulting services of technology, IT and energy substitute products; and the import and export of self-produced products and third parties' products and technologies (other than those prohibited by the state).

(iv) Financial information of Sinopec Group Company

Below is a summary of the consolidated assets and liabilities, and the income statement of Sinopec Group Company. The information is extracted from its consolidated financial statements prepared in accordance with PRC Accounting Rules and Regulations provided by Sinopec Group Company.

SUMMARY OF ASSETS AND LIABILITIES

Unit: RMB thousands

Items	30 June 2004 (unaudited)	31 December 2003 (audited)

Total assets	587,423,434	559,237,248
Liabilities	311,095,007	291,168,261
Minority interests	110,487,337	103,939,309
Net assets	165,841,090	164,129,678

SUMMARY OF INCOME STATEMENT

Unit: RMB thousands

	6-month period ended 30 June 2004 (unaudited)	Year ended 31 December 2003 (audited)
Turnover	290,395,699	466,673,109
Cost of Sales	224,159,551	359,773,798
Profit before taxation	21,426,286	28,968,816
Net profit	5,526,014	8,675,552

2.12 Information on the Authorising Entities

Certain assets comprised in the assets proposed to be acquired by Sinopec Corp. are owned by certain subsidiaries of Sinopec Group Company. These subsidiaries have authorised Sinopec Group Company to sell these assets to Sinopec Corp. In addition, certain assets comprised in the assets proposed to be sold by Sinopec Corp. are owned by certain subsidiaries of Sinopec Corp. These subsidiaries have authorised Sinopec Corp. to sell these assets to Sinopec Group Company. The Authorising Entities include the respective entities authorising the sale by Sinopec Group Company of the Petrochemical Assets, the Catalyst Assets and the Gas Station Assets and the entities authorising the sale by Sinopec Corp. of the Downhole Operation Assets. These include:

(1) Tianjin Petrochemical, Luoyang Petrochemical, Maoming Petrochemical and Guangzhou Petrochemical which authorised the sale of the Petrochemical Assets.

(2) Changling Plant, Sinopec Group Petroleum and Chemical Science Research Centre, Yueyang Xingchang Petrochemcial Corporation, Luoyang Petrochemical Plant Jinda Industry Limited, Qilu Plant, Technologies Development Company, Shanghai Research Institute, Nanjing Nanlian and Maoming Petrochemical which authorised the sale of the Catalyst Assets.

(3) Sinopec Group Beijing Petroleum Company Limited, Sinopec Group Tianjin Petroleum Company Limited, Sinopec Group Hebei Petroleum Company Limited, Sinopec Group Shanxi Petroleum Company Limited, Sinopec Group Shanghai Petroleum (Group) Company Limited, Sinopec Group Jiangsu Petroleum Company Limited, Sinopec Group Zhejiang Province Petroleum Company Limited, Sinopec Group Anhui Petroleum Company Limited, Sinopec Group Fujian Petroleum Company Limited, Sinopec Group Jiangxi Petroleum Company Limited, Sinopec Group Shandong Province Petroleum Company Limited, Sinopec Group Henan Petroleum Company Limited, Sinopec Group Hubei Petroleum Company Limited, Sinopec Group Hunan Province Petroleum Company Limited, Sinopec Group Guangdong Province Petroleum Company Limited, Sinopec Group Guangxi Petroleum Company Limited, Sinopec Group Hainan Petroleum Company Limited, Sinopec Group Yunnan Petroleum Company

Limited and Sinopec Group Shenzhen Petroleum Company Limited, all of which were established under the laws of the PRC, authorised the sale of the Gas Station Assets.

(4) Shengli Oilfield Company Limited which authorised the sale of the Downhole Operation Assets.

3. Reasons and Benefits of the Acquisition and the Disposal

3.1 Strengthening and Developing Core Businesses

(1) Petrochemical Business

Through acquisitions during the prosperous period of the petrochemical industry cycle, the Company realises rapid expansion and development of its petrochemical business.

Upon completion of the Acquisition, the Company is expected to increase its production capacity of ethylene by 380,000 tonnes, representing an increase of 12% based on the production capacity of the year 2003. The production capacity of synthetic resin is expected to increase 580,000 tonnes, representing an increase of 12%. The production capacity of ethylene glycol is expected to increase 63,000 tonnes, representing an increase of 11%. The production capacity of PX is expected to increase 414,100 tonnes, representing an increase of 31%. The production capacity of PTA is expected to increase 625,000 tonnes, representing an increase of 36%. The production capacity of synthetic fiber monomers and polymers is expected to increase by 448,000 tonnes, representing an increase of 24%. Accordingly, the Company's production scale in the ethylene and synthetic fiber monomers and polymers industry will be further enlarged.

(2) Catalyst Business

The acquisition of the catalyst business by Sinopec Corp. will effectively improve the Company's research and development, and production capacities of catalyst because there is a close relationship between the catalyst business and, crude refining and chemical production. Such acquisition also allows the Company to maintain core technologies and strengthen its research and development of catalysis technology. The competitiveness of the Company's oil refining and chemical businesses will be improved accordingly.

Through the Acquisition, the Company will have control over the production of major refining petrochemical catalysts in the process units of catalytic cracking, hydroforming, basic organic process and polyolefins. Consequently, the production capacities of different types of oil refinery and petrochemical catalysts are expected to increase from 2,800 tonnes to 80,730 tonnes, representing over 60% of the total production capacity of catalysts in the PRC.

(3) Oil Products Retail Business

A number of 1,023 gas stations to be acquired by Sinopec Corp. are located in 18 different provinces, cities and municipalities in the eastern, central and southern parts of the PRC and are logistically supported by 54 respective depots. Consequent to certain improvements and restructuring made and undertaken in recent years, the operation ability of the gas stations have improved.

Pursuant to the World Trade Organisation Agreement entered into by the PRC, the doors to the oil products retail industry in the PRC will be officially opened to foreign investors on 11 December 2004. The Acquisition allows the Company to further strengthen its retail capability of refined oil products in economic developed regions, take advantage of its retail network's economies of scale, improve the business' overall competitiveness and reinforce the Company's leading status in the retail sector.

(4) Downhole Operation Assets

The Downhole Operation Assets belong to the oilfield services business and are currently providing services and support to the Company internally. By disposing the Downhole Operation Assets to Sinopec Group Company, the Company can focus on the developments of its core upstream operations, aiming at becoming one of the international oil companies. The Disposal will also allow the Company's core businesses to stand out and production efficiency to improve.

3.2 Consolidating Management Structure, Improving Quality of Assets and Achieving Harmonization Effect

Sinopec Corp. aims to further consolidate the management structure, strengthen its corporate governance, promote profitability and improve the quality of assets through the Acquisition. At the same time, through the rationalization of the investment management structure and the optimisation of the allocation of resources, the operations and coordination amongst different arms of business will further harmonise.

3.3 Reducing Continuing Connected Ttransactions and Industry Competition

Upon completion of the Acquisition and the Disposal, the continuing connected transactions between Sinopec Corp. and Sinopec Group Company will decrease, in monetary terms, by approximately RMB2,358 million (approximately HK$2,225 million). In order to fulfil its promise given at the time of the listing of the shares of Sinopec Corp. on the Stock Exchange, the Acquisition which is conducted by virtue of the exercise of pre-emptive rights granted to Sinopec Corp. further reduces existing industry competition between Sinopec Corp. and Sinopec Group Company in respect of the chemical, catalyst and retail operations.

3.4 Financial Impact on Sinopec Corp.

According to the valuation reports prepared by the PRC Independent Valuers, as at the Valuation Date, the total assets and the net assets involved in the Acquisition amounted to RMB17,154 million (approximately HK$16,183 million) and RMB4,215 million (approximately HK$3,976) respectively, while the total assets and net assets involved in the Disposal amounted to RMB2,147 million (approximately HK$2,025 million) and RMB1,748 million (approximately HK$1,648 million) respectively. Based on the performance in the first six-month period of the year 2004, sales revenue generated by the Acquiring Assets was RMB10,099 million (approximately HK$9,527 million), with a net profit of RMB775 million (approximately HK$731 million) while sales revenue generated by the Disposal Assets was RMB2,830 million (approximately HK$2,670 million), with a net loss of RMB105 million (approximately HK$99 million).

4. Non-competition with Sinopec Group Company

Prior to the restructuring of Sinopec Corp. for the purpose of its listing of the Stock Exchange and for the protection of Sinopec Corp.'s interest, Sinopec Group Company and Sinopec Corp. entered into the Non-competition Agreement, pursuant to which Sinopec Group Company undertook to Sinopec Corp., unless Sinopec Corp. agrees in writing or under certain circumstances as permitted under the Non-Competition Agreement, that it shall:

(1) not be involved in any business which competes or may compete with Sinopec Corp.'s business;

(2) provide Sinopec Corp. with an option to purchase any business of Sinopec Group Company which competes or may compete with Sinopec Corp.'s business and right of first refusal over any business which competes or may competes with Sinopec Corp.;

(3) adopt Sinopec Corp.'s mode of operation in respect of sales and services to its own retail business and gas stations; and

(4) appoint Sinopec Corp. to become sales agent for its own products which compete or may compete with Sinopec Corp.'s products.

The Directors and Independent Board Committee are of the view that the terms of the Acquisition and Disposal are fair and reasonable so far as the shareholders of Sinopec Corp. are concerned and in the interest of them taken as a whole. The Acquisition Agreements and Disposal Agreement were negotiated on an arm's length basis and were arrived at on normal commercial terms. The Directors, Mr. Chen Tonghai (being the Chief Manager of Sinopec Group Company) and Mr. Liu Genyuan (being the Deputy Manager of Sinopec Group Company) abstained from voting in such meeting of the Board by reason of conflict of interests.

5. Details of the Target Assets

5.1 General

Based on the functions in the Sinopec Group and Sinopec Corp. production and operation systems, and the types of products, the Target Assets proposed to be acquired/disposed can be categorized into 4 sectors: the Petrochemical Assets, the Catalyst Assets, the Gas Station Assets and the Downhole Operation Assets.

The Petrochemical Assets proposed to be acquired are mainly relating to the production of ethylene and its down-stream products, synthetic fiber monomers and polymers products, and refined oil. Among the Petrochemical Assets, the assets of Tianjin Petrochemical are mainly relating to the production of ethylene, synthetic resin, and synthetic fiber monomers and polymers products; the assets of Luoyang Petrochemical are mainly relating to the production of synthetic fiber monomers and polymers products; the assets of Maoming Petrochemical principally comprise 2 oil refinery catalyst installations; the assets of Guangzhou Petrochemical mainly represent the power assets held by Guangzhou Petrochemical Power generating department and Zhongyuan Petrochemical principally engages in the production of ethylene and synthetic resin products.

The Catalyst Assets proposed to be acquired are from Changling Plant, Jianchang Petrochemical, Qilu Plant, Technologies Development Company, Aoda Technology, Shanghai Lide, Shanghai Research Institute and Nanjing Nanlian, and all these 8 entities take catalyst business as their primary or sole business, which is closely connected with oil refinery and chemical business.

The Gas Station Assets proposed to be acquired are the 1,023 gas stations and 54 oil depots owned by Sinopec Group Company and Authorising Entities.

The Downhole Operation Assets proposed to be disposed are the oilfield downhole operation assets, business and associated liabilities of Zhongyuan Oilfield Branch Company, Henan Oilfield Branch Company, Jianghan Oilfield Branch Company, Jiangsu Oilfield Branch Company, Huabei Branch Company, Huadong Branch Company, Xinan Branch Company and Shengli Oilfield Compoany. Downhole operations involve the testing of oilfield and gas, the maintenance of oil wells, pressure, acidification and action operations, maintenance operations and field operations, which are engineering services to explore the date of oil and gas reserves and promote the productivity of oil wells during the exploration and production on the oilfields.

Independent valuers which are authorized to engage in the domestic securities business of PRC were engaged by Sinopec Corp, to carry out valuation of the above assets and issued valuation reports. Such valuation reports are to be filed with SASAC. According to the valuation reports prepared by such independent valuers, as at the Valuation Date, the results of the valuation of the Petrochemical Assets are as follows: total assets were RMB13,904 million (approximately HK$13,116 million); total liabilities were RMB11,699 million (approximately HK$11,037 million); after the deduction of minority interest of RMB42 million (approximately HK$40 million), net assets is RMB2,163 million (approximately HK$2,041 million); the results of the valuation of the Catalyst Assets are as follows: total assets is RMB1,885 million (approximately HK$1,778 million); total liabilities is RMB1,024 million (approximately HK$966 million); after the deduction of minority interest of RMB163 million (approximately HK$154 million), net assets is RMB698 million (approximately HK$659 million); the results of the valuation of the Gas Station Assets are as follows: total assets is RMB1,364 million (approximately HK$1,287 million); total liabilities is RMB11 million (approximately HK$10 million); net assets is RMB1,353 million (approximately HK$1,276 million); the results of the valuation of the Downhole Operation Assets are as follows: total assets is RMB2,147 million (approximately HK$2,025 million); total liabilities is RMB399 million (approximately HK$376 million); net assets is RMB1,748 million (approximately HK$1,649 million).

5.2 Details of the Acquiring Assets

Details of the Petrochemical Assets

According to the consolidated balance sheets at 30 June 2004 of Tianjin Petrochemical and Luoyang Petrochemical, the balance sheets at 31 December 2003 and 30 June 2004 and the income statements for 2003 and the six-month period ended 30 June 2004 of Zhongyuan Petrochemical as audited by KPMG Huazhen, the balance sheets and income statements for 2003 and the first six-month period of 2004 of Maoming Petrochemical and Guangzhou Petrochemical as audited by Huazheng Accounting Firm Co., Ltd, and the unaudited consolidated balance sheet at 31 December 2003 and the unaudited consolidated income statements for 2003 and the six-month period ended 30 June 2004 of Tianjin Petrochemical and Luoyang Petrochemical, and the unaudited balance sheets and income statements of all the above entities for 2002. The accumulative summary of balance sheet and income statement of the above assets are as follows:

SUMMARY OF THE ASSETS AND LIABILITIES OF THE PETROCHEMICAL ASSETS

Unit: RMB thousand

Item	30 June 2004 (audited)	31 December 2003 (unaudited)	31 December 2002 (unaudited)
Cash and bank deposits	157,993	230,303	246,501
Total Assets	13,849,433	14,256,952	15,045,579
Short term Loans	4,775,619	4,899,127	4,312,414
Long term Loans	5,613,403	6,549,100	8,242,810
Total liabilities	11,865,079	12,912,412	14,173,598
Minority interest	78,259	74,827	61,540
Net assets	1,906,095	1,269,713	810,441

SUMMARY OF INCOME STATEMENT OF THE PETROCHEMICAL ASSETS

Unit: RMB thousand

Item	1st half of 2004 (unaudited)	2003 (unaudited)	2002 (unaudited)
Turnover	7,725,107	12,854,530	10,380,935
Depreciation and amortisation	587,169	1,202,258	1,220,401
Net finance costs	232,325	576,293	705,977
Income tax	296,502	127,833	(184,303)
Minority interests	7,796	14,161	8,797
Net profits	584,083	438,599	(398,360)
Net profits after taxation and extraordinary items (note 1)	584,083	438,599	(398,360)

Note 1: Net profit after tax and extraordinary items is disclosed according to the requirements of Chapter 14 of the Listing Rules.

Note 2: Prior to the hypothetical reorganization base date of 30 June 2004, the assets of Tianjin Petrochemical and Luoyang Petrochemical included some non-operational assets, all financial data is unaudited and does not include non-operational assets, except for the assets and liabilities date of 30 June 2004 which has been audited.

According to the Asset Valuation Report In Respect Of Five Entities including the Ethylene Factory Under Tianjin Petrochemical (Zhongzheng Pin Bao Zi [2004] No. 056) prepared by Beijing Zhongzheng Appraisal Co., Ltd with PRC securities qualification and the Asset Valuation Report In Respect Of the To-be Disposed Assets of Sinopec Group Tianjin Petrochemical Co., Ltd (Zhongfeng Pin Bao Zi (2004) No. 092) prepared by Zhongfeng Asset Appraisal Co., Ltd with PRC securities qualification, the Asset Valuation Report In Respect of the To-be Disposed Luoyang Polyester Assets of Sinopec Group Company (Zhongshen Pin Bao Zi [2004] No. 4018) prepared by Zhongshen Accounting Firm Co., Ltd with PRC securities qualification, the Asset Valuation Report Regarding China Petroleum & Chemical Corporation's Acquisitoin of Zhongyuan Ethylene Project (Tianxin Pin Bao Zi (2004) No. 87 prepared by Beijing Tianjian Xinye Asset Appraisal Co., Ltd with PRC securities qualification, the Asset Valuation Report In Relation To China Petroleum & Chemical Corporation's Proposed Acquisition of the AVD and catalytic assets (Zhongqihua Pin Bao Zi (2004) No. 200) prepared by Beijing Zhongqihua Asset Apraisal Co., Ltd with PRC securities qualification and the Asset Apraisal Report In Relation to the To-be Disposed Assets of Sinopec Group Guangzhou Petrochemical Main Factory (Zhonglei Pin Bao Zi (2004) No. 6005) prepared by Zhonglei Accounting Firm Co., Ltd with PRC securities qualification, based on the replacement cost method, the accumulative summary of valuation results of the Petrochemical Assets as at the Valuation Date which is 30 June 2004 are as follows:

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Item	Book value	Adjusted book value	Valuated value	Amoun increa decrea
Fixed assets	11,796,965	11,863,532	12,140,723	277,1
Total assets	13,604,845	13,604,848	13,904,128	299,2
Total liabilities	11,698,750	11,698,697	11,698,592	-1
Net asset	1,906,095	1,906,151	2,205,536	299,3
Minority interests	38,000	38,803	42,359	3,5
Net valuation after the deduction of minority interest (Note 1)	1,867,295	1,867,348	2,163,177	295,8

Note 1: Zhongyuan Petrochemical comprises a 6.49% minority interest.

Note 2: The increase rate after the valuation of the Petrochemical Assets was 2.20%, generally equal to the book value. However, because of the large figures of the associated liabilities, the net assets figure is relatively small. Thus, although the increase of the total assets is not significant, the resulting increase of the net assets figure is notable.

Note 3: This table is a summary, and the long-term investments of the asset valuation summary table are indicated according to the equity method, resulting in a difference between the total assets and total liabilities figures of this table and the summary of assets and liabilities.

(1) The ethylene, synthetic fiber monomers and polymers assets of Tianjin Petrochemical

Overview

Tianjin Petrochemical was established in 1983 as a wholly-owned subsidiary of Sinopec Group Company with a registered capital of RMB2,941,481,000. Its domicile is Shanggulin West, Dagang District, Tianjin, and the enterprise legal person business licence registration number is 1200001000750. It is an integrated chemical and industrial enterprise with ethylene, synthetic fiber monomers and polymers production installations and ancillary power generation facilities.

Assets proposed to be acquired

The assets of Tianjin Petrochemical proposed to be acquired include a 200,000 tonnes per year ethylene unit, a 60,000 tonnes per year glycol unit, a 120,000 tonnes per year polythene unit, a 60,000 tonnes per year polypropylene unit, a 250,000 tonnes per year PX unit, a 300,000 tonnes per year PTA unit, a 210,000 tonnes per year polyester unit and ancillary synthetic fibre units and other construction facilities, as well as current assets such as accounts receivable, prepayments and associated liabilities.

According to the valuation report, as of the Valuation Date, the total assets of such assets amount to approximately RMB7,689 million (approximately HK$7,254 million), the total liabilities amount to approximately RMB7,126 million (approximately HK$6,723 million) and the net assets amount to approximately RMB563 million (approximately HK$531 million).

Such assets include buildings with a total area of approximately 488,652 m2 of which building occupying a total area of 35,238 m2 have obtained relevant title certificates and approximately 453,414 m2 have not obtained relevant title certificates in respect of which the application for such certificates are in process. After the completion of the Acquisition, Sinopec Corp. will need to lease land from Sinopec Group Company and Tianjin Petrochemical for the operation of such assets. The leasing arrangement will be covered under the Land Use Rights Leasing Agreement.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

(2) The ethylene, synthetic fiber monomers and polymers assets of Luoyang Petrochemical

Overview

Luoyang Petrochemical is a wholly-owned subsidiary of Sinopec Group Company with a registered capital of RMB1,524,898,000. Its domicile is Jili District,

Luoyang City, Henan Province, and the enterprise legal person business licence registration number is 4103001001290. It is a petrochemical enterprise engaged in the production and sales of synthetic fiber monomers and polymers chips and polypropylene products.

Assets proposed to be acquired

The assets proposed to be acquired comprises synthetic fiber monomers and polymers related assets, current assets such as accounts receivables and prepayments, and associated liabilities, also the 55% equity interest of Luoyang Petrochemical Polypropylene Co., Ltd. Upon completion, Luoyang Petrochemical Polypropylene Co., Ltd. will become a subsidiary of Sinopec Corp.

The Assets proposed to be acquired include a PX installation unit with an annual designed capacity of 260,000 tonnes, a PTA installation unit with an annual designed capacity of 325,000 tonnes, a polyester and synthetic fibre installation unit with an annual designed capacity of 240,000 tonnes. The principal business of Luoyang Petrochemical Polypropylene Co., Ltd comprises the production and sale of polypropylene products.

According to the valuation report as of the Valuation Date, the total assets of such assets amounted to approximately RMB2,907 million (approximately HK$2,742 million), the total liabilities amounted to approximately RMB2,799 million (approximately HK$2,641 million) and the net assets amounted to approximately RMB108 million (approximately HK$101 million).

Such assets include approximately 206,139 m2 of building, of which building occupying a total area of approximately 195,869 m2 have obtained relevant title certificates and approximately 10,270 m2 have not obtained relevant title certificates in respect of which the application for such certificates are in process. Such assets also include approximately 174,070 m2 of land use right, of which a total area of approximately 94,636 m2 have obtained relevant title certificates and approximately 79,434 m2 have not obtained relevant title certificates in respect of which the application for such certificates are in process. After the completion of the Acquisition, Sinopec Corp. will need to lease land from Sinopec Group Company and Luoyang Petrochemical for the operation of such assets. The lease arrangement will be covered under the Land Use Rights Leasing Agreement.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

(3) The 93.51% equity interest in Zhongyuan Petrochemical

Overview

Zhongyuan Petrochemical, formerly Zhongyuan Petrochemical Joint Company established by Henan Provincial Government and China Petroleum and Natural Gas Company, is now a majority-owned subsidiary of Sinopec Group Company. In 1995, it was reorganized into Zhongyuan Petrochemical under the Company Law of PRC. In 1998, it was transferred to Sinopec Group Company pursuant to the Reply on Relevant Issues Regarding the Establishment of China Petrochemical Corporation [Guo Han (1998) 58]. In 2003, agreed by the shareholders, Henan Economy and Technology Development Company and Puyang City Economy and Technology Development Company were added as shareholders. Its domicile is Shenglixi Road South, Puyang City, Henan Province, and the enterprise legal person business licence registration number is 4109001000068.

Zhongyuan Petrochemical has a registered capital of RMB2,400 million, of which Sinopec Group Company holds 93.51% of the equity interest and the remaining equity interest is held by Henan Province Construction Investment Company (2.49%), Henan Province Economy and Technology Development Company (2.06%) and Puyang City Economy and Technology Development Company (1.94%). Upon completion, Zhongyuan Petrochemical will become a subsidiary of Sinopec Corp.

The present scope of business of Zhongyuan Petrochemical principally includes the production of polypropylene and polythene products, the exportation of petroleum resins and high foaming products and the import of raw and ancillary materials, machinery, apparatus, meters and component parts, etc. needed for its production and research.

According to the valuation report, as of the Valuation Date, the total assets of Zhongyuan Petrochemical amounted to approximately RMB2,336 million (approximately HK$2,204 million), the total liabilities amounted to approximately RMB1,683 million (approximately HK$1,588 million). After the deduction of minority interest of approximately RMB42 million (approximately HK$40 million), the net assets amounted to approximately RMB613 million (approximately HK$576 million).

LETTER FROM THE CHAIRMAN

The principal production facilities of Zhongyuan Petrochemical include an ethylene production unit with an installed capacity of 180,000 tonnes per year, a polythene production unit with an installed capacity of 200,000 tonnes per year and a polypropylene production unit with an installed capacity of 60,000 tonnes per year. The assets of Zhongyuan Petrochemical proposed to be acquired include approximately 142,374 m2 of building, of which building occupying a total area of approximately 31,326 m2 have obtained relevant title certificates and approximately 111,047 m2 have not obtained relevant title certificates in respect of which the application for such certificates are in process. 58,036 m2 of land use right is also included, of which a total area of approximately 5,308 m2 have not obtained relevant title certificates in respect of which the application for such certificates are in process. The lease arrangement will be covered under the Land Use Rights Leasing Agreement.

Save as disclosed above, the above 93.51% equity interest in Zhongyuan Petrochemical that Sinopec Corp. proposes to acquire is free from any guarantees, restrictions on transfers, litigation, arbitration, judicial enforcements or other major disputes.

Financial Information

According to the financial statements for 2003 and the six-month period ended 30 June 2004 (The Audit Report KPMG-AH [2004] AR NO. 0035) audited by KPMG Huazhen with PRC securities qualification and the unaudited financial statements for 2001 and 2002 of Zhongyuan Petrochemical, the main assets and liabilities, income statement and cash flow statement of Zhongyuan Petrochemical are as follows:

SUMMARY OF ASSETS AND LIABILITIES

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Item	30 June 2004 (audited)	31 December 2003 (audited)	31 December 2002 (unaudited)
Total Assets	2,281,403	2,327,062	2,599,383
Liabilities and shareholders' funds			
Total current liabilities	1,097,544	1,202,258	1,419,844
Total non-current liabilities	586,014	697,634	923,412
Total liabilities	1,683,558	1,899,892	2,343,256
Minority interest	597,845	427,170	256,127
Total liabilities and shareholders' fund	2,281,403	2,327,062	2,599,383

SUMMARY OF INCOME STATEMENT

Uni

Item	1st half of 2004 (audited)	2003 (audited)	2002 (unaudited)
Turnover of principal business	1,376,518	2,110,683	1,743,401

Profit before tax	253,590	199,921	-258,021
Net profit	169,822	181,796	-234,650

LETTER FROM THE CHAIRMAN

SUMMARY OF CASHFLOW

Unit:

	1st half of 2004 (audited)	2003 (audited)	2002 (unaudited)	(
Net cashflow from operating activities	396,327	503,413	170,255	
Net cashflow from investing activities	-159,541	-26,139	-15,198	
Net cashflow from financing activities	-275,109	-519,813	-161,262	
Effect of foreign exchange rate change	-103	77	-	
Net decrease in cash and cash equivalents	-38,426	-42,462	-6,205	

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

(4) The AVD and Catalytic Cracking assets of Maoming Petrochemical

Overview

Maoming Petrochemical is a wholly-owned subsidiary of Sinopec Group Company with a registered capital of RMB2,286,510,000. Its domicile is Maoming City, Guangdong Province, and the enterprise legal person business licence registration number is 4409001001128. Its principal business is the leasing of oil refinery installations and petrochemical installations, and owns railways, ports and power generation facilities.

Assets proposed to be acquired

The Maoming Business comprises a 5 million tonnes/year AVD Unit and a 1.4 million tonnes/year catalysis installation unit and ancillary assets. According to the valuation report, as of the Valuation Date, the assessed value of such assets is approximately RMB385 million (approximately HK$363 million).

The Maoming Business owns approximately 6,063 m2 of building, of which building occupying a total area of approximately 1,830 m2 have not obtained relevant title certificates in respect of which the application for such certificates are in process.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

(5) The Co-generation assets of Guangzhou Petrochemical

Overview

Guangzhou Petrochemical was established on 18 June 1973 as a wholly-owned subsidiary of Sinopec Group Company with a registered capital of RMB599,890,000. Its domicile is Guangzhou City, Guangdong Province, and the enterprise legal person business licence registration number is 4401011300183. Its principal business includes infrastructure projects, storage and transportation, maintenance projects.

Assets proposed to be acquired

It is proposed to acquire all assets of Guangzhou Petrochemical power generating department and associated liabilities. The main facilities include 4 sets of power generation units with a total capacity of 99,000KW/h, a water processing system with an installed capacity of over 3 million tonnes/year de-salted water, and air separation and air pressure facilities.

According to the valuation report, as of the Valuation Date, the total assets of such assets amounted to approximately RMB586 million (approximately HK$553 million), the total liabilities amounted to approximately RMB89 million (approximately HK$84 million) and the net assets amounted to approximately RMB497 million (approximately HK$469 million).

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LETTER FROM THE CHAIRMAN

The assets to be acquired comprise approximately 105,629 m2 of building, in respect of which the application for relevant title certificates are in process. After the completion of the Acquisition, Sinopec Corp. will need to lease the land needed for the operation of such assets from Sinopec Group Company and Guangzhou Petrochemical. The lease arrangement will be covered under the Land Use Rights Leasing Agreement.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

Details of the Catalyst Assets

According to the financial statements for 2003 and the six-month period ended 30 June 2004 (Auditor's Reports, Zhongxi Shen zi (2004) No. 02269 and 02270) audited by Zhongxi Accounting Firm Co., Ltd with PRC securities qualification, the financial statements for 2003 and the six-month period ended 30 June 2004 (Auditor's Reports, Zhonghe Zhengxin Zhuan Zi (2004) No. 1-051, 1-052 and 1-053) audited by Zhonghe Zhengxin Accounting Firm Co., Ltd with PRC securities qualification, the financial statements for 2003 and the six-month period ended 30 June 2004 (Auditor's Reports, Yuezong Shen Zi (2004) No. B287, No. B288 and No. B289) prepared by Yuehua Accounting Firm Co., Ltd with PRC securities qualification and the unaudited financial statements for 2002, the main assets and liabilities and the loss and profit statements of the to-be acquired Catalyst Assets are as follows:

SUMMARY OF ASSETS AND LIABILITIES OF THE CATALYST ASSETS

Unit: RMB thousand

Item	30 June 2004	31 December 2003	31 December 2002 (unaudited)

	(audited)	(audited)	
Cash and bank deposits	191,923	190,414	185,810
Total Assets	1,925,860	1,744,262	1,717,630
Short term loans	356,588	195,122	1,550,000
Long term loans	2,000	2,000	82,000
Total liabilities	1,087,468	929,958	950,664
Minority interests	18,363	15,383	11,943
Net assets	820,029	798,921	755,023

SUMMARY OF PROFIT AND LOSS OF THE CATALYST ASSETS

Unit: RMB thousand

Item	1st half of 2004 (audited)	2003 (audited)	2002 (unaudited)
Turnover	893,142	1,615,093	1,373,494
Depreciation and amortisation	38,508	87,125	71,914
Net financial costs	6,506	17,340	20,248
Taxation	30,585	41,838	27,965
Minority interests	2,980	4,357	3,199
Net profit	73,302	107,904	88,732
Net profits after taxation extraordinary items	73,302	107,904	88,732

According to the Asset Valuation Report In Relation to the Proposed Transfer of Assets of China Petroleum and Chemical Scientific Technology Development Company by Sinopec Group Company (Zhonglian Pin Bao Zi [2004] No. 83), the Asset Valuation Report In Relation to the Proposed Transfer of Equities of Beijing Municipal Aoda Petrochemical New Technology Development Centre by Sinopec Group Company (Zhonglian Pin Bao Zi [2004] No.84), the Asset Valuation Report In Relation to the Proposed Transfer of Assets of Shanghai Petroleum and Chemical Research Institute by Sinopec Group Company (Zhonglian Pin Bao Zi [2004] No.85), the Asset Valuation Report In Relation to the Proposed Transfer of Equities of Shanghai Lide Catelyst Company Limited by Sinopec Group Company (Zhonglian Pin Bao Zi [2004] No.86), the Asset Valuation Report In Relation to the Proposed Transfer of Part of Assets of Changling Refinery Company by Sinopec Group Company (Zhonglian Pin Bao Zi [2004] No.87), the Asset Valuation Report In Relation to the Proposed Transfer of Equities of Hunan Jianzhang Petrochemical Company Limited

by Sinopec Group Company (Zhonglian Pin Bao Zi [2004] No.88), the Asset Valuation Report In Relation to the Proposed Transfer of Assets of Qilu Petroleum and Chemical Company Catalyst Plant by Sinopec Group Company (Zhonglian Pin Bao Zi [2004] No.89) and the Asset Valuation Report In Relation to the Proposed Transfer of Equities of Nanjing Nanlian Catalyst Limited Liability Company by Sinopec Group Company (Zhonglian Pin Bao Zi [2004] No.90) prepared by Zhonglian Asset Appraisal Co., Ltd with PRC securities qualification, based on the replacement cost method, as at the Valuation Date, the accumulative summary of the valuation results of the Catalyst Assets are as follows:

Unit

Item	Book value	Adjusted book value	Valuated value	Amount increased/ decreased
Fixed assets	611,778	611,778	645,250	33,472
Total assets	1,853,207	1,853,484	1,885,282	31,798
Total liabilities	1,033,178	1,033,389	1,024,383	-9,006
Net assets	820,029	820,095	860,899	40,804
Minority interest	148,247	148,260	162,751	14,491
Net valuation after the deduction of minority interest (Note)	671,782	671,835	698,148	26,313

Note: the assets of Technologies Development Company proposed to be acquired include the 50% equity interest in Aoda Technology and the 40% equity interest in Shanghai Lide. Only 81% of the total equity interest in Jianchang Petrochemical is included in the Acquisition, and the minority interests were deducted during calculation.

(1) The principal assets of Changling Plant

Overview

Changling Plant, a branch company of Changling Refinery, was established in 1992. Its place of business is Yunxi District, Yueyang City, and the business licence number is 4306001501875. Its principal business includes the production of catalytic cracking catalyst, catalytic hydrogenation catalyst and catalytic reforming catalyst.

Changling Refinery is a state-owned company wholly-owned by Sinopec Group Company with a registered capital of RMB1,200 million. Its domicile is Changling, Yueyang City, and the enterprise legal person business licence registration number is 4306001500391. Its principal business involves the production of oil products and catalyst.

Assets proposed to be acquired

The assets proposed to be acquired are all the assets of Changling Plant and all its liabilities shall be assumed. According to the valuation report carried out by Zhonglian Assets Appraisal Co., Ltd., as at the Valuation Date, the total assets of such assets amount to approximately RMB592 million (approximately HK$558 million), the total liabilities amount to approximately RMB465 million and the net assets amount to approximately RMB127 million (approximately HK$120 million). Such assets mainly include catalytic cracking catalyst facilities with a production capacity of 32,800 tonnes/year, catalytic hydrogenation catalyst facilities, catalytic reforming catalyst production facilities, ancillary facilities, intellectual property rights, relevant inventories and current assets such as accounts receivable and prepayments.

The above assets include 62,405 m2 of building, in respect of which the application for relevant title certificates are in process. After the completion of the Acquisition, Sinopec Corp. will need to lease the land needed for the operation of such assets from Changling Refinery. The lease arrangement will be covered under the Land Use Rights Lease Agreement.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

(2) The 81% equity interest in Jianchang Petrochemical

Overview

Jianchang Petrochemical is a joint-stock limited company registered in November 1992 with a registered capital of RMB30,000,000. Its registered

address is Yunxi District, Yueyang City, Hunan Province and its enterprise legal person business licence number is 4300001002774. Currently, it has five shareholders and their shareholdings are Sinopec Group Chongling Oil Refinery Chemical Limited Liability Company (50%), China Petroleum and Chemical Scientific Research Institute (20%), Yueyang Xingchang Petrochemical Company Limited (10%), Luoyang Petrochemical Plant Jinda Industrial Company (1%) and Yueyang Boyuan Trading Company Limited (19%).

The first four shareholders are subsidiaries of Sinopec Group Company, and Sinopec Corp. proposes to acquire all of the 81% equity interest held by them. Upon completion, Jianchang Petrochemical will become a subsidiary of Sinopec Corp.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

Principal business and assets to be acquired

Jianchang Petrochemical mainly produces continuous reforming catalyst.

According to the valuation carried out by Zhonglian Assets Appraisal Co., Ltd., as at the Valuation Date, the total assets of such assets amount to approximately RMB150 million (approximately HK$142 million), the liabilities amount to approximately RMB98 million (approximately HK$92 million) and the net assets amount to approximately RMB52 million (approximately HK$49 million) (the net assets in proportion with the 81% equity interest is approximately RMB42 million (approximately HK$40 million)).

Such assets mainly include continuous reforming catalyst production facilities with a production capacity of 985 tonnes/year, catalytic hydrogenation catalyst facilities, catalytic reforming catalyst production facilities, ancillary facilities, intellectual property rights, relevant inventories and current assets such as accounts receivable and prepayments.

Jianchang Petrochemical will need to continue to lease land from Changling Refinery. The lease arrangement will be covered under the Land Use Rights Leasing Agreement.

Jianchang Petrochemical's assets also include properties with an aggregate area of 8,597 m2 of which properties with an aggregate area of 110 m2 have not received the relevant title certificates. The remaining properties have all been issued with legal title documentations. Jianchang Petrochemical will need to continue to lease land from Changling Refinery. The lease arrangement will be covered under the Land Use Rights Lease Agreement.

Financial Information

According to the financial statements for 2003 and the first six-month period ended at 30 June 2004 (Auditor's Report, Zhongxi Shen Zi (2004) No. 02270) prepared by Zhongxi Accounting Firm Co., Ltd with PRC securities qualification and unaudited financial statements for 2001 and 2002 of Jianchang Petrochemical, the main assets and liabilities, income statement and cashflow position of Jianchang Petrochemical are as follows:

SUMMARY OF THE ASSETS AND LIABILITIES

Unit: RMB thousand

Item	30 June 2004 (audited)	31 December 2003 (audited)	31 December 2002 (unaudited)	31 December 2001 (unaudited)
Total Assets	171,797	166,749	138,019	111,573
Liabilities and shareholders' funds				
Total current liabilities	102,567	101,940	72,149	58,942
Total non-current liabilities	-	-	4,000	4,000
Total liabilities	102,567	101,940	76,149	62,942
Minority interest	18,363	15,383	11,943	8,745
Equity interest	50,867	49,426	49,927	39,886
Total liabilities and shareholders' funds	171,797	166,749	138,019	111,573

SUMMARY OF INCOME STATEMENT

Unit: RMB thousand

Item	1st half of 2004 (audited)	2003 (audited)	2002 (unaudited)	2001 (unaudited)
Turnover	38,070	155,912	89,295	134,652
Profit before tax	5,596	17,303	16,890	15,023
Net profit	1,440	9,589	10,042	9,766

SUMMARY OF CASHFLOW

Unit: RMB thousand

Item	1st half of 2004 (audited)	2003 (audited)	2002 (unaudited)	2001 (unaudited)
Net cashflow from operating activities	-8,902	29,991	2,249	14,038
Net cashflow from investing activities	-5,716	-6,050	-12,637	-656

Net cashflow from financing activities	-9,514	2,307	11,394	-10,559
Net decrease in cash and equivalents	-24,132	26,248	1,006	2,823

(3) Primary assets of the Qilu Plant

Overview

Qilu Plant, being a state-owned enterprise established in October 1990, is a wholly-owned subsidiary of Qilu Petrochemical Co., Ltd. with a registered capital of RMB159,300,000. Its domicile is 1 Tiyuchang Road, Zhoucun District, Zibo City, and the enterprise legal person business licence registration number is 3703051870225. Its principal business is the production of catalytic cracking catalyst.

Assets proposed to be acquired

The assets proposed to be acquired are all the assets of Qilu Plant (excluding land use rights) and all its liabilities shall be assumed. According to the valuation carried out by Zhonglian Assets Valuation Co., Ltd., as of the Valuation Date, the total assets of Qilu Plant amounted to approximately RMB447 million (approximately HK$422 million), the total liabilities amounted to approximately RMB293 million (approximately HK$276 million) and the net assets amounted to approximately RMB148 million (approximately HK$140 million). Such assets mainly include catalytic cracking catalyst installation with a production capacity of 25,000 tonnes/year, molecular sieve installations with an aggregate production capacity of 18,000 tonnes/year, ancillary facilities, relevant intellectual property rights and authorizations and current assets including related inventories, accounts receivable and prepayments.

The above assets include 63,271 m2 of building, of which building occupying a total area of 26,724 m2 have not obtained relevant title certificates in respect of which the application for such certificates are in process. After the completion of the Acquisition, Sinopec Corp. will need to lease the land needed for the operation of such assets from Qilu Plant. The lease arrangement will be covered under the Land Use Rights Leasing Agreement.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

(4) Primary assets owned by the Technologies Development Centre

Overview

Technology Development Centre, being a state-owned enterprise, is a wholly-owned subsidiary of Sinopec Group Company with a registered capital of RMB67,000,000. It was established in November 1990. Its registered address is 1203 Jingmin Building, 10 Huayanli, Chaoyang District, Beijing, and the enterprise legal person business licence registration number is 1000001001082. Its principal business includes the exportation of technologies developed, and related products produced, of itself and subsidiaries, the organization for the industrial implementation of technical innovations, technology transfers, technical consulting and services.

Assets proposed to be acquired

The assets proposed to be acquired are principal assets of the Technology Development Company and all its liabilities shall be assumed. According to the valuation carried out by Zhonglian Assets Valuation Co., Ltd., as of the Valuation Date, the total assets of the Technology Development Company amounted to approximately RMB228 million (approximately HK$215 million), the liabilities amounted to approximately RMB26 million (approximately HK$25 million) and the net assets amounted to approximately RMB202 million (approximately HK$191 million). Such assets mainly include long-term equity investments, current assets such as cash, accounts receivable and prepayments, and related intellectual property rights and authorizations.

The assets of Technology Development Company proposed to be acquired include a 50% equity interest in the Aoda Technology and a 40% equity interest in Shanghai Lide, both involved in catalyst business.

(i) The 50% equity interest in Aoda Technology

Overview

Aoda Technology was established in 1993 and is a collectively-owned joint venture with a registered capital of RMB49,600,000. Its domicile is Taihu Town, Tongzhou District, Beijing and enterprise legal person business licence number is 1102231662894. The shareholders of Aoda Technology are Sinopec Corp. Beijing Chemical and Industrial Research Institute and Technology Development Company, each holding a 50% equity interest.

At present, Sinopec Corp. indirectly owns 50% interests in Aoda Technology through Beijing Chemical and Industrial Research Institute. As part of the Acquisition, Sinopec Corp. proposes to indirectly acquire a further 50% interest in Aoda Technology through the acquisition of all the assets of Technology Development Centre. After completion of the Acquisition, Sinopec Corp. will own 100% interests in Aoda Technology and Aoda Technology will become a subsidiary of Sinopec Corp.

Principal business and assets

The primary businesses of the Aoda Technology are the production of polypropylene catalyst, benzene anhydride and anhydride catalyst.

According to the valuation carried out by Zhonglian Assets Valuation Co., Ltd., as of the Valuation Date, the total assets of the Aoda Technology amounted to approximately RMB191 million (approximately HK$180 million), the liabilities amounted to approximately RMB66 million (approximately HK$62 million) and the net assets amounted to approximately RMB125 million (approximately HK$118 million) (the net assets in proportion with the 50% equity interest was approximately RMB62 million (approximately HK$58 million)).

Its main production installations include polypropylene catalyst production installations with a production capacity of 140 tonnes/year, anhydride and benzene anhydride catalyst production installations with a production capacity of 120 - 130 tonnes/year, ancillary facilities, related intellectual rights and authorizations and current assets such as related inventories, accounts receivable and prepayments.

The above assets include 2,993 m2 of building, in respect of which the application for relevant title certificates are in process. After the completion of the Acquisition, Aoda Technology will need to lease the land needed for the operation of such assets from Sinopec Group Beijing Chemical and Industrial Research Institute.

(ii) The 60% equity interest in Shanghai Lide

Overview

Shanghai Lide is a limited liability company established in 2001 with a registered capital of RMB20,000,000. Its domicile is Qianxu Town, Jinshan District, Shanghai, and enterprise legal person business licence number is 3102281012263.

The shareholders of Shanghai Lide are Shanghai Chemical and Industrial Research Institute (40%), Technology Development Company (40%) and Maoming Petrochemical (20%). Among them, both Technology Development Company and Maoming Petrochemical are subsidiaries of Sinopec Group Company. In the Acquisition, Sinopec Corp. will acquire the 40% equity interest in Shanghai Lide through the acquisition of Technology Development Company. In addition, Sinopec Corp. will also acquire the 20% equity interest held by Maoming Petrochemical. After the completion of the Acquisition, Sinopec Corp. will hold 60% equity interest in Shanghai Lide. Upon completion, Shanghai Lide will become a subsidiary of Sinopec Corp.

Principal business and assets

Shanghai Lide mainly produces gas phase polyethylene catalyst.

According to the valuation carried out by Zhonglian Assets Valuation Co., Ltd., as of the Valuation Date, the total assets of the Shanghai Lide amount to approximately RMB72 million (approximately HK$68 million), the liabilities amount to approximately RMB37 million (approximately HK$35 million) and the net assets amount to approximately RMB35 million (approximately HK$33 million) (the net assets in proportion with the 60% equity interest is approximately RMB21 million (approximately HK$20 million)).

Its main production installation is one set of gas phase polyethylene catalyst production installation with a production capacity of 120 tonnes/year, related intellectual property rights and authorizations and current assets such as related inventories, accounts receivables and prepayments.

The above assets include 1,039 m2 of building and 8,789 m2 of land use right, in respect of which the application for relevant title certificates are in process.

Save as disclosed above, the above assets of the Technology Development Company and the equity interests in Aoda Technology and Shanghai Lide are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

(5) Primary assets of the Shanghai Research Institute

Overview

Shanghai Research Institute was established in 1961 as a state-owned enterprise wholly-owned by Sinopec Group Company, with a registered capital of RMB113,420,000. Its domicile is 1658 Pudongbei Road, Shanghai, and enterprise legal person business licence number is 3101151016076. Its principal products are acrylonitrile catalyst, methylbenzene isomerization catalyst and styrene catalyst.

Assets proposed to be acquired

The assets proposed to be acquired are all the assets owned by Shanghai Research Institute (excluding the equity interest in Shanghai Shibida Petrochemical Hi-tech Company and land use rights) and all its liabilities shall be assumed. According to the valuation carried out by Zhonglian Assets Valuation Co., Ltd., as of the Valuation Date, the total assets of the Shanghai Research Centre amounted to approximately RMB180 million (approximately HK$170 million), the liabilities amounted to approximately RMB24 million (approximately HK$23 million) and the net assets amounted to approximately RMB156 million (approximately HK$147 million).

Such assets mainly include the acrylonitrile catalyst, methylbenzene isomerization catalyst and styrene catalyst production installations with an aggregate production capacity of 1,750 tonnes/year, the related intellectual property rights and authorizations and current assets such as related inventories, accounts receivables and prepayments.

The above assets include 32,011 m2 of building, of which building occupying a total area of 11,727 m2 have not obtained relevant title certificates in respect of which the application for such certificates are in process. After the completion of the Acquisition, Sinopec Corp. will need to lease the land

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needed for the operation of such assets from Shanghai Research Institute. The leasing arrangement will be covered under the Land Use Rights Lease Agreement. Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

(6) All assets of Nanjing Nanlian

Overview

Nanjing Nanlian was established in 1995 as a limited liability company, with a registered capital of RMB5,000,000. Its domicile is Hengyi Road, Economic and Technology Development Zong, Nanjing, and enterprise legal person business licence number is 3201921000914. Its principal products is isomerization catalyst.

Assets proposed to be acquired

The main buildings and equipments used by Nanjing Nanlian Catalyst Limited Liability Company for production and operation are leased from China Petroleum and Chemical Corporation Jinling Branch. The assets proposed to be acquired are all the assets of Nanjing Nanlian Catalyst Limited Liability Company and all its liabilities shall be assumed.

According to the valuation carried out by Zhonglian Assets Valuation Co., Ltd., as of the Valuation Date, the total assets of the Nanjing Nanlian amounted to approximately RMB29 million (approximately HK$27 million), the liabilities amounted to approximately RMB14 million (approximately HK$13 million) and the net assets amounted to RMB15 million (approximately HK$14 million). Such assets mainly comprise current assets including related inventories, accounts receivables, cash, and related intellectual property rights and authorizations.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

Details of Gas Station Assets

According to the balance sheet at 31 May 2004 as audited by Huazheng Accounting Firm Co., Ltd with PRC securities qualification, and the unaudited balance sheets at 31 December 2003 and 31 December 2002 (Huazheng Te Shen Zi [2004] No. 120), the main assets and liabilities information of the Gas Station Assets are as follows:

SUMMARY OF THE ASSETS AND LIABILITIES

Unit: RMB thousands

Item	31 May 2004 (audited)	31 December 2003 (unaudited)	31 December 2002 (unaudited)
Cash and bank deposits	1,455	2,711	2,524
Total Assets	1,139,517	1,115,514	1,072,543
Short term loans	-	-	-
Long term loans	-	-	-
Total liability	10,963	6,981	8,383
Minority Interests	-	-	-
Net Assets	1,128,554	1,108,533	1,064,160

Prior to the Acquisition, most of the gas stations which are subject to the acquisition were operated by Sinopec Corp. through the leasing of their operating rights. In order to accurately reflect their operating performance, it has been assumed for the purpose of the below information that they were independently operated and, based on their gasoline throughput volume for 2002, 2003 and the first five-month period of 2004, prepared the following unaudited calculation of their operating results:

SUMMARY OF INCOME STATEMENT

Unit: RMB thousands

Item	For the 5 months ended 31 May 2004 (unaudited)	2003 (unaudited)	2002 (unaudited)
Turnover	1,233,763	2,334,626	1,841,720
Depreciation and amortisation	10,221	23,854	23,843
Finance costs	-	-	-
Income tax	36,810	69,490	45,004
Minority interest	-	-	-
Net profit	120,390	232,541	160,470
Net profit after tax and extraordinary items	120,390	232,541	160,470

According to the valuation report Zhongzheng PingBao [2004] No. 48 prepared by Beijing Zhongzheng Appraisal Company Limited, with PRC securities qualification, based on replacement cost method, the valuation results of the Gas Station Assets as at 31 May 2004 are:

Unit: RMB thousands

Item	Total Net Asset Book Value	Total Valuated Value	Rate of increase/ decrease(%) (overall)
Total	1,128,554	1,353,393	19.92%

SUMMARY OF SINOPEC GROUP COMPANY AND AUTHORISING ENTITIES

Please refer to section 2.11 of this circular.

Overview

The Gas Station Assets comprise the assets, interests and related liabilities of 1,023 gas stations and 54 oil depots owned by Sinopec Group Company and the Authorising Entities. These comprise 620 wholly-owned gas stations (including 25 oil transportation vessels and oil trucks), 82 majority-owned gas stations, 269 minority owned gas stations and 52 gas stations leased from third parties. The gas stations and depots are located in 18 different provinces, cities and autonomous regions of the PRC, namely, Beijing, Tianjin, Hebei, Shanxi, Shanghai, Jiangzu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan and Yunnan.

Out of the oil depots, 48 are wholly-owned, one is majority-owned and 5 are minority-owned.

Out of the gas stations and oil depots which are wholly-owned (not including the 25 oil transportation vessels and oil trucks), Sinopec Corp. will mainly lease the land use right from the Vendors or third parties. The leasing arrangement will be covered under the Land Use Rights Lease Agreement. For the land occupied by majority-owned gas stations and oil depots with an approximate aggregate area of approximately 122,232 m2 is included in the Acquisition because of the acquisition by Sinopec Corp. of the equity interest in such gas stations and oil depots. Out of such land, approximately 49,473 m2 have not received the appropriate land use rights certificates. The balance of the land will be either leased or jointly operated with the Vendor or the relevant land owner. The wholly and majority owned gas stations and depots occupy a total of approximately 339,673 m2 buildings, of which approximately 197,672 m2 are yet to receive appropriate title certificates.

Unless otherwise disclosed above, the above assets are free from any material guarantee, litigation or other major dispute.

Price and Details of the Gas Station Assets

After negotiations between Sinopec Corp. and Sinopec Group Company, and taken into account various factors including the asset valuation results, comparable historical transactions, cash flow generating ability and growth potential, it was agreed that the consideration for the net assets should be RMB1,881 million (approximately HK$1,775 million), and Sinopec Corp. should at the same time bear the associated liabilities of RMB11 million (approximately HK$10 million).

The increase of the price of the Gas Station Assets on the book value is mainly due to 3 factors:

- the increasing costs of properties and constructions in recent years have caused the replacement costs of the gas stations and oil depots to rise.

- years of marketing and cost-reduction have led to significant improvements in the throughput and performance. For single gas station throughput, the average figure has risen from 1,362 tonnes in 2001 to 1,825 tonnes in 2003, representing an annual increase of 15.8% and is expected to continue to show good potentials.

- the establishment of new gas stations requires the approval of certain governmental departments which may create certain difficulties. This factor cannot be reflected in the book value of the gas stations to be acquired.

Before the Acquisition, the gas stations proposed to be acquired were operated Sinopec Corp. through leasing from Sinopec Group Company of their operating rights. The fees were negotiated at that time taking into account reasonable costs and profit level. Since Sinopec Group Company had not obtained all title certificates of the properties and had not paid relevant fees, and also the profitability was low due to a low single gas station throughput, the rent payable had been historically low. Following the increasing of costs of gas station properties, the rising of single gas station profitability and the future difficulty of acquiring or establishing gas stations, the future lease fees are expected to rise significantly to reflect the potential rise of profit based on the fair market trade principle. For Sinopec Corp., it will face of the risk of an increase of the costs of rental if it continues to operate these gas stations by way of lease.

If Sinopec Corp. is able to acquire these gas stations, this will help to eliminate the risks in their future operation, and to achieve coordinated effect in various aspects such as investments, allocation of resources and network through consolidated operation, resulting in a greater income potentials for Sinopec Corp. from its investments.

Despite the premium in the consideration for the Gas Station Assets against the book value, such consideration is fair and reasonable when compared with single gas station acquisition prices of comparable historical transactions and analysed by P/E ratio level of the acquisition:

(1) comparison with single gas station acquisition prices of comparable historical transactions

After the deduction of valuation results of oil depots, the purchase price of the gas stations are lower or similar to the prices of domestic acquisition of other single gas stations which are of the similar size.

(2) P/E ratio comparing with comparable companies

The unaudited figure of the net profit of the Gas Station Assets in 2003 is RMB233 million (approximately HK$220 million), based on which the P/E ratio in

2003 corresponding to the net asset acquisition price of RMB1,881 (approximately HK$1,775 million) is approximately 8.1, which is lower than that of comparable companies.

5.3 Details of the Disposal Assets

Details of the Downhole Operation Assets

According to the financial statements for 2002, 2003 and the first seven months ended 31 July 2004, Auditor's Reports (Yuezong Shen Zi [2004] No. B293, No. B296) prepared by Yuehua Accounting Firm Co., Ltd with PRC securities qualification, the accumulative summary of the financial position of the Downhole Operation Assets are as follows:

SUMMARY OF THE ASSETS AND LIABILITIES

Unit: RMB thousand

Item	31 July 2004 (audited)	31 December 2003 (audited)	31 December 2002 (unaudited)
Cash and bank deposits	32,792	38,376	33,432
Total Assets	2,266,550	2,566,454	2,272,244
Short term loans	-	-	-
Long term loans	-	-	-
Total liabilities	411,597	442,691	261,991
Minority interest	-	-	-
Net assets	1,854,953	2,123,763	2,010,253

SUMMARY OF INCOME STATEMENT

Unit: RMB thousand

Item	For the seven months ended 31 July 2004 (audited)	2003 (audited)	2002 (unaudited)
Turnover	3,301,939	5,723,870	5,353,048
Depreciation and amortisation	226,833	274,280	259,611
Finance cost (note)	10,497	11,625	10,678
Income tax	8,183	6,664	12,548
Minority interest	-	-	-
Net profit	(122,744)	10,640	12,141
Net profit after tax and extraordinary items	(122,744)	10,640	12,141

Note: the net financial cost is hypothetical appropriation cost of the occupied working capital. The average balance of interest-bearing working capital for the past 2 years and the period ended 30 July 2004 is RMB156 million

According to the Asset Valuation Report (Zhongzheng Pin Bao Zi [2004] No. 062

and No.063) prepared by Beijing Zhongzheng Valuation Co., Ltd with PRC securities qualification as at the Valuation Date being 31 July 2004, based on the replacement costs, the accumulative summary of the asset valuation results of the Downhole Operation Assets are as follows:

Unit: RMB thousand

Item	Book value	Adjusted book value	Valuated value	Amount increased/ decreased	Rate of increase (%)
Current asset	414,005	417,484	420,851	3,367	0.81
Long-term investment	-	-	-	-	-
Fixed asset	1,805,629	1,805,629	1,679,708	-125,921	-6.97
Intangible asset	-	-	-	-	-
Total asset	2,266,550	2,270,028	2,146,863	-123,166	-5.43
Total liabilities	411,597	415,076	399,096	-15,980	-3.85
Net assets	1,854,953	1,854,953	1,747,767	-107.186	-5.78
Net assets acquired	1,854,953	1,854,953	1,747,767	-107.186	-5.78

Note: in this case the downhole operation assets valuation shows a 5.78% decrease. The main reason is that a notable part of the assets are in bad shape, which in turn is caused by the corruption of alkalescence materials and bad working environment.

The assets proposed to be disposed under the Disposal are the oilfield downhole operation assets, business and associated liabilities of Zhongyuan Oilfield Branch Company, Henan Oilfield Branch Company, Jianghan Oilfield

Branch Company, Jiangsu Oilfield Branch Company, Huabei Branch Company, Huadong Branch Company, Xinan Branch Company and Shengli Oilfield Company Limited.

(1) Downhole Operation Assets proposed to be sold by Shengli Oilfield Company Limited

Overview

Shengli Oilfield Company Limited was established on 18 May 2000 with a registered capital of RMB30,028 million. Its domicile is 258 Jinan Road, Dongying District, Dongying City, Shandong Province, and the enterprise legal person business licence registration number is 3705001804320. Its principal business includes the exploration, extraction, utilization, processing and sale of, and the downhole operations in relation to, ocean/land petroleum, natural gas and other natural resources, petroleum refining and chemical industry.

Assets proposed to be disposed

It is proposed to sell the assets of 4 downhole operation companies under Shengli Oilfield, including the "Operation Branch", "Preparation Branch", "Engineering Vehicles Branch" and pipelines, oil pumping rods and oil pumping equipment repair and other ancillary assets related to the oilfield downhole operation. The above assets include 4,225 vehicles and machines.

Such assets include buildings and structures with a total area of 449,063 m2, of which the relevant title certificates for an aggregate area of 81,481 m2 are being applied for.

(2) Downhole Operation Assets of Zhongyuan Oilfield Branch Company proposed to be sold

It is proposed to sell the downhole operation, special vehicles, preparation, oil pipeline plant, oil rod plant, "rods, pipelines, pumps" and downhole tools repair and maintenance and special vehicles maintenance of the Special Operation Office, Oil Extraction Plant One, Plant Two, Plant Three, Plant Five, Plant Six and Trial Extraction Second Office under Zhongyuan Oilfield Branch Company, and the electric pump unit, electric cables manufacturing, repair and technical services of the Oil Extraction Technology Research Institute and other related ancillary assets. The above assets include 3,065 vehicles and machines.

Such assets include buildings and structures with a total area of 158,790 m2, of which the relevant title certificates for an aggregate area of 46,737 m2 are being applied for.

(3) Downhole Operation Assets of Jiangsu Oilfield Branch Company proposed to be sold

It is proposed to sell the related ancillary assets of 3 oil extraction plants under Jiangsu Oilfield Branch Company, including the internal downhole operation, testing (including measuring), special vehicles, oil pipeline works and rods, pipelines and pumps repair of the 3 oil production fields. The above assets include 422 vehicles and machines.

Such assets include buildings and structures with a total area of 25,081 m2, of which the relevant title certificates for an aggregate area of 6,167 m2 are being applied for.

(4) Downhole Operation Assets of Henan Oilfield Branch Company proposed to be sold

It is proposed to sell the assets related to 7 mine brigade units under Henan Oilfield Branch Company (2 special operation works departments, 2 downhole operation works department, 2 production preparation brigades, one testing project management department) and related supporting facilities. The above assets include 824 vehicles and machines.

Such assets include buildings and structures with a total area of 33,329 m2, of which the relevant title certificates for an aggregate area of 13,630 m2 are being applied for.

(5) Downhole Operation Assets of Jianghan Oilfield Branch Company proposed to be sold

It is proposed to dispose the following assets and associated liabilities of Jianghan Oilfield Branch Company: 8 operation brigades and the processing works, tools works and derrick teams of the preparation branches of Jianghan Oil Extraction Plant; 8 operation branches, 2 testing brigades, one overhaul brigade and special vehicles branches. The above assets include 965 vehicles and machines, and structures with a total area of approximately 72,045 m2, of which the relevant title certificates for an aggregate area of approximately 3,225 m2 are being applied for.

(6) Downhole Operation Assets of Huadong Branch Company proposed to be sold

It is proposed to dispose the assets of the oil production division under Huadong Branch Company including the testing branch, operation branch, measuring branch, water transport branch, vehicle transportation branch, equipment maintenance branch, oil construction and associated liabilities lude all vehicles and machines, and 2 buildings/structures with a total area of approximately 894 m2.

(7) Downhole Operation Assets of Huabei Branch Company proposed to be sold

It is proposed to sell the assets related to 5 testing branch and one measuring branch of the downhole n department of bei Branch Company, including all machines and vehicles.

(8) Downhole Operation Assets of Xinan Branch Company proposed to be sold

It is proposed to sell the downhole operation department and the assets related to well repair, gas testing and midway measuring brigades and associated liabilities of Xinan Branch Company including all transportation facilities and machinery.

The Downhole Operation Assets include properties with an area of 300 m2, the relevant title certificate of which is being applied for. The land relating to the Downhole Operation Assets are leased from Sinopec Group Company.

Save as disclosed above, the above assets are free from any guarantees, litigation or other major disputes that could result in material adverse effect.

6. Prospective Continuing Connected Transactions

In preparation for its listing on the Stock Exchange, Sinopec Corp. and Sinopec Group Company entered into a number of agreements in the year 2000 governing the continuing connected transactions between them. These continuing connected transactions include the transactions comtemplated under the Land Use Rights Lease Agreement and the Property Leasing Agreement. On 11 June 2001, the Ongoing Connected Transaction Adjustment Agreement was entered into between Sinopec Corp. and Sinopec Group Company whereby, amongst other connected transaction agreements, various terms of the above agreements were amended.

Details of the Land Use Rights Lease Agreement and the Property Leasing Agreement are summarised below:

(1) Land Use Rights Lease Agreement

According to the Land Use Rights Lease Agreement as amended by the Ongoing Connected Transaction Adjustment Agreement, Sinopec Group Company agreed to lease to the Company certain parcels of land, with an aggregate area of approximately 370,074,262 m2 at an annual rent of approximately RMB1,977 million (approximately HK$1,865 million), which is lower than the prevailing market rent. The rent may be reviewed every 3 years and any such revised rent shall not be higher than the prevailing market rent as confirmed by an independent valuer.

In respect of the authorised lands for operation owned by members of the Sinopec Group, lands for industrial use were leased to the Company for a term of 50 years while lands for commercial use were leased to the Company for a term of 40 years. Lands over which members of the Sinopec Group have been granted land use rights with consideration, were leased for a term up to the date of expiry of the respective land use rights certificates. The term of the lease in each case commenced from 1 January 2000. The Company may request for renewal of the term of the lease by giving notice to relevant member(s) of the Sinopec Group twelve months before the expiry of the lease.

(2) Properties Lease Agreement

Sinopec Group Company and Sinopec Corp. entered into the Properties Leasing Agreement dated 3 June 2000, which took effect from 1 January 2000, and as amended by the Ongoing Connected Transaction Adjustment Agreement, members of the Sinopec Group agreed to lease to the Company certain properties with a gross floor area of approximately 2,593,490 m2 at an annual rent of RMB567 million (approximately HK$535 million), which is lower than the prevailing market rent. The rent may be reviewed annually and any such revised rent shall not be higher than the prevailing market rent. Property taxes and land use fees in relation to such properties shall be borne by Sinopec Group.

The properties were leased by Sinopec Group to the Company for a term of 20 years commencing from 1 January 2000.

If Sinopec Group Company negotiates to sell a leased property to a third party, Sinopec Corp. shall have a pre-emptive right to purchase such property under the same terms.

At the extraordinary general meeting of Sinopec Corp. held on 18 December 2003, the Independent Shareholders approved the following caps in respect of the Land Use Rights Lease Agreement and the Properties Lease Agreement. The caps shall be valid until 31 December 2006:

TRANSACTIONS	CAPS
Land Use Rights Lease Agreement annual rents payable by the Company	RMB2,150 million (approximately HK$2,028 million)
Properties Lease Agreement annual rents payable by the Company	RMB730 million (approximately HK$689 million)

Following the completion of the Acquisition, the Acquiring Assets (either by itself or through Sinopec Corp.) will lease various parcels of land and certain properties from members of the Sinopec Group. Such transactions will constitute continuing connected transactions for Sinopec Corp. under the Listing Rules. Accordingly, on 31 October 2004, Sinopec Corp. and Sinopec Group Company entered into the New Continuing Connected Transaction Adjustment Agreement which supplements the Land Use Rights Lease Agreement and Property Leasing Agreement and provides, inter alia, that the terms of these 2 agreements will apply to the additional leasing of land and properties between the Company and the Sinopec Group arising from the Acquisition.

1. Land Use Rights Lease Agreement (as supplemented)

Following the completion of the Acquisition, the Acquiring Assets (either by itself or through the Company) will lease from Sinopec Group land with a total area of approximately 8,888,498 m2. for an annual rental of approximately RMB110 million (approximately HK$104 million). Accordingly, the Land Use Rights Lease Agreement will be supplemented under which land with an aggregate area of 370,962,760 m2 will be leased by the Company from Sinopec Group. As a result, the annual rentals payable by the Company under the Land Use Rights Lease Agreement will exceed the annual limit of RMB2,150 million (approximately HK$2,028 million) as approved by the shareholders of Sinopec Corp. on 18 December 2003.

Taking into account the amount of the historical rent paid under the Land Use Rights Agreement for the 2 years ended 31 December 2003 and the expected amount for the year ending 31 December 2004, being approximately RMB2,018 million (approximately HK$1,903 million), RMB2,060 million (approximately HK$1,943 million) and RMB2,147 million (approximately HK$2,025 million), respectively, the provisions under that the Land Use Rights Lease Agreement which provide that Sinopec Group Company may review the rent payable every 3 years and that rent and land value generally in the PRC are rising and the additional amount of rent of approximately RMB110 million, it is proposed that the new cap for each financial year for the 3-year period ending 31 December 2007 will be RMB2,450 million (approximately HK$2,311 million).

The rent payable for the additional land leased is determined based on (i) the level of rent payable at present under the Land Use Rights Lease Agreement, (ii) the market rent for such land taking into account their location and size and (iii) the actual area of land subject to the lease. The duration of the lease will be the same as that provided for in the Land Use Rights Lease Agreement.

Under the Land Use Rights Lease Agreement as supplemented, in respect of the authorised lands for operation owned by members of the Sinopec Group, lands for industrial use were leased to the Company for a term of 50 years while lands for commercial use were leased to the Company for a term of 40 years. Lands over which members of the Sinopec Group have been granted land use rights with consideration, were leased for a term up to the date of expiry of the respective land use rights certificates. The term of the lease in respect of the newly leased land will commence from the Completion Date. The Company may request for renewal of the term of the lease by giving notice to relevant member(s) of the Sinopec Group twelve months before the expiry of the lease.

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2. Properties Lease Agreement

Following the completion of the Acquisition, the Acquiring Assets (either itself or through the Company) will lease from Sinopec Group more buildings with an aggregate area of 15,114 m2. The amount of the annual rental for the newly leased properties will be approximately RMB1 million (approximately HK$0.94 million). Accordingly, the Properties Lease Agreement will be supplemented under which properties with an aggregate area of 2,608,604 m2 will be leased by the Company from Sinopec Group.

Taking into account the amount of the historical rent paid under the Properties Lease Agreement for the 2 years ended 31 December 2003, being in the sum of approximately RMB619 million (approximately HK$584 million) and RMB700 million (approximately HK$660 million), the Directors (including the Independent Board Committee) expect that the increase of leasing of the properties arising from the Acquisition together with properties which are already subject of the lease will not exceed the annual limits approved by the shareholders of Sinopec Corp. on 18 December 2003, being RMB730 million (approximately HK$687 million) per year. Accordingly, the cap previously approved by the Independent Shareholders and granted by the Stock Exchange in its waiver in respect of the Properties Lease Agreement will continue to apply for each financial year for the 3-year period ending 31 December 2007.

The rent payable for the additional building leased is determined based on (i) the level of rent payable at present under the Properties Lease Agreement, (ii) the market rent for such building taking into account the location and size and (iii) the actual area of building subject to the lease. The duration of the lease will be the same as that provided for in the Properties Lease Agreement, being 20 years. The commencement date for the newly leased properties will be the Completion Date.

The Listing Rules

As the duration of the Land Use Rights Lease Agreement and the Properties Lease Agreement is in excess of three years, the Independent Financial Advisers will set out the special reasons as to why their duration is required and their confirmation that it is normal business practice for contracts of these types to be of such duration in the Letter to the Independent Board Committee and Independent Shareholders from Rothschild.

As the annual amount of the transactions under the Land Use Rights Lease Agreement and the Properties Lease Agreement are, in aggregate, less than 2.5% of the relevant percentage ratio (as defined in the Listing Rules), these transactions are exempted from the independent shareholders approval requirement and are only subject to reporting and announcement requirements under rule 14A.34 of the Listing Rules.

Sinopec Corp. will comply with the relevant provisions of Chapter 14A of the Listing Rules in relation to the reporting requirements in respect of the Continuing Connected Transactions.

7. Recommendation of the Independent Board Committee

The Acquisition (including the Acquisition Agreements) and the Disposal (including the Disposal Agreement) constitute connected transactions, and the Continuing Connected Transactions (including the New Continuing Connected Transaction Agreement) constitute continuing connected transactions of, Sinopec Corp. under the Listing Rules.

Rothschild has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition (including the Acquisition Agreements) and the Disposal (including the Disposal Agreement).

The Independent Board Committee, having taken into account the advice of Rothschild, issued independent views regarding the Acquisition and the Disposal respectively. Members of the Independent Board Committee unanimously agree that each of the Acquisition and Disposal complies with the provisions of the relevant PRC laws and regulations and the articles of associations of Sinopec Corp. The Directors, Mr. Chen Tonghai (being the Chief Manager of Sinopec Group Company) and Mr. Liu Genyuan (being the Deputy Manager of Sinopec Group Company) abstained from voting for relevant matters in the meeting of the Board by reason of conflict of interests, and the voting procedures comply with the provisions of the relevant domestic and overseas laws and regulations and the articles of associations of Sinopec Corp; the considerations for the Acquisition and Disposal are fair and reasonable so far as the Independent Shareholders are concerned; the terms of the

Acquisition and Disposal are reached on normal business terms, and the provisions of the relevant agreements are fair and reasonable to Sinopec Corp. and all its shareholders without prejudice to the interests of Sinopec Corp. and the Independent Shareholders; the competition and the overall

continuing connected transactions between Sinopec Corp. and Sinopec Group Company will be reduced upon the completion of the transaction, therefore the competitiveness of Sinopec Corp. will be enhanced, which will contribute to the consistent, stable and healthy development of Sinopec Corp. and the interests of all the shareholders; approving Sinopec Corp. to sign the relevant agreements and accordingly recommend the Independent Shareholders vote in favour of the ordinary resolutions which will be proposed at the EGM.

The text of the letter from Independent Board Committee is set out on pages 53 to 54 of this circular and the text of the letter from Rothschild containing its advice is set out on pages 55 to 82 of this circular.

8. Valuation

Sallmanns (Far East) Limited and Grant Sherman Appraisal Limited, independent valuers with Hong Kong Chartered Surveyor qualifications, valued the relevant real properties separately comprised in the Acquiring Assets at approximately RMB2,527,000,000 (the reference value) and RMB91,410,486.70 respectively as of 30 September 2004. Grant Sherman Appraisal Limited valued the relevant properties comprised in the Disposal Assets at approximately RMB312,499,962.10. The text of the letters and the valuation certificates issued by Sallmanns (Far East) Limited and Grant Sherman Appraisal Limited in connection with their valuation are set out in Appendices 1 and 2 "Property Valuation Report Prepared by Sallmanns" and "Property Valuation Report Prepared by Grant Sherman Appraisal Limited" respectively. Since the parcels of lands and the number of buildings are too numerous, a waiver has been granted by the Stock Exchange from strict compliance with Rule 5.06 of the Listing Rules regarding the form of presentation in this circular of the valuation report on conditions that (1) the full valuation reports (which will be prepared in Chinese language only) will be complying with all the requirements of Chapter 5 and Practice Note 12 of the Listing Rules will be available for public inspection; and (2) summary valuation reports prepared on the basis of the full valuation reports which (i) set out separately the interests in land and buildings comprised in each of the Petrochemical Assets, Catalyst Assets, Gas Station Assets and Downhole Operation Assets and (ii) for each of the above categories (except for the Gas Station Assets), set out separately interests in land and buildings in each province and municipality in the PRC are included in Appendix 1 and 2 to this circular.

9. EGM

You will find on pages 162 to 164 of this circular a notice of the EGM to be held at Beijing Crowne Plaza Park View Wuzhou Hotel, No.8 Beisihuan Zhong Road, Chaoyang District, Beijing, PRC on 21 December 2004 at 9:00 a.m.

A form of proxy for use in connection with the EGM is enclosed. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

Sinopec Group Company and its associates will abstain from voting at the EGM.

10. General Information

Your attention is drawn to the texts of the letter from the Independent Board Committee and from Rothschild containing their recommendations regarding the Acquisition (including the Acquisition Agreements) and the Disposal (including the Disposal Agreement), and to the appendices which contain certain additional information relating to the Acquisition and Disposal.

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11. Miscellaneous

The Board also seeks approval of the shareholders of Sinopec Corp. in respect of the proposal regarding the adjustment to the capital expenditure plan for the year 2004. The planned capital expenditure of Sinopec Corp. for the year 2004 is RMB56.32 billion (which equivalent to approximately HK$53.13 billion). By taking into consideration of the actual implementation of the plan and market conditions, the Board considered and approved the increase of the capital expenditure plan by RMB8 billion (which equivalent to approximately HK$7.55 billion) to RMB64.32 billion (which equivalent to approximately HK$60.68 billion). Out of the increased amount, RMB6.35 billion (which equivalent to approximately HK$5.99 billion) will be allocated to investment in the retail sector and RMB1.65 billion (which equivalent to approximately HK$1.56 billion) will be used in investment in the refining and chemical sector mainly for the renovation of refining and chemical units.

By order of the Board
CHINA PETROLEUM & CHEMICAL CORPORATION
Chen Tonghai
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

[LOGO GRAPHIC OMITTED]

CHINA PETROLEUM & CHEMICAL CORPORATION
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Independent Non-Executive Directors
Chen Qingtai
Ho Tsu Kwok Charles
Shi Wanpeng
Zhong Youcai

6 November 2004

To the Independent Shareholders

Dear Sir or Madam,

Connected Transactions

INTRODUCTION

We refer to the circular (the "Circular") dated 6 November, 2004 issued by Sinopec Corp. to its shareholders of which this letter forms part. The terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We are writing to you to set out our recommendation whether or not the Acquisition (including the Acquisition Agreements) and the Disposal (including the Disposal Agreement) are fair and reasonable so far as the Independent Shareholders are concerned. The terms and the reasons for the Acquisition and Disposal are summarised in the letter from the Chairman set out on pages 7 to 52 of the Circular. In considering the fairness and reasonableness, the Independent Board Committee have been advised by Rothschild. You are urged to read Rothschild's letter to the Independent Board Committee which is set out on pages 55 to 82 of this Circular.

RECOMMENDATION

We have discussed with the management of Sinopec Corp. the reasons for the Acquisition and the Disposal, the mechanism for the determination of the purchase price, the terms of the Acquisition and the Disposal, and the basis upon which their terms have been determined. We have also considered the key factors taken into account by the Board in arriving at its opinion regarding the terms of the Acquisition (including the Acquisition Agreements) and the Disposal (including the Disposal Agreement) as set out in the letter from the Chairman on pages 7 to 52 of the Circular, which we urge you to read carefully.

THE INDEPENDENT BOARD COMMITTEE CONCUR WITH THE VIEWS OF ROTHSCHILD AND CONSIDER THAT THE TERMS OF THE ACQUISITION (INCLUDING THE ACQUISITION AGREEMENTS) AND THE DISPOSAL (INCLUDING THE DISPOSAL AGREEMENT) TO BE IN THE BEST INTEREST OF SINOPEC CORP. AND ITS SHAREHOLDERS AS A WHOLE AND ARE FAIR AND REASONABLE SO FAR AS THE INDEPENDENT SHAREHOLDERS ARE CONCERNED. ACCORDINGLY, MEMBERS OF THE INDEPENDENT BOARD COMMITTEE UNANIMOUSLY RECOMMEND THE INDEPENDENT SHAREHOLDERS VOTE IN FAVOUR OF THE ORDINARY RESOLUTIONS SET OUT IN THE NOTICE OF THE EGM AT THE END OF THE CIRCULAR.

Yours faithfully

CHEN QINGTAI   HO TSU KWOK CHARLES   SHI WANPENG   ZHONG YOUCAI

Independent Non-Executive Directors

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LETTER FROM ROTHSCHILD

[ROTHSCHILD LOGO GRAPHIC OMITTED]

6 November 2004

To the Independent Board Committee and
Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

We refer to our engagement to advise the Independent Board Committee and Independent Shareholders with respect to the Acquisition and the Disposal, details of which are contained in the circular of the Company dated 6 November 2004 to its shareholders (the "Circular") of which this letter forms a part. Rothschild has been appointed the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to: (a) whether or not the Acquisition Agreements and the Disposal Agreement are on normal commercial terms (as defined under the Hong Kong Listing Rules) and the terms of the Acquisition Agreements and the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (b) whether or not entering into the Acquisition Agreements and the Disposal Agreement is in the interest of the Company and its shareholders as a whole; (c) how the Independent Shareholders should vote at the EGM in respect of the Acquisition and the Disposal; and (d) whether or not it is the normal business practice for the Land Use Rights Lease Agreement and the Properties Lease Agreement to be of such duration as set out in the section headed "6. Prospective Continuing Connected Transactions" in the "Letter from the Chairman" of the Circular.

The terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Sinopec Group Company owned approximately 55.06% of the issued share capital of the Company. As set out in the section headed "1. Introduction" in the "Letter from the Chairman" of the Circular, Sinopec Group Company will own approximately 67.92% of the issued share capital of the Company when the recent transfer of the Company's shares to Sinopec Group Company from some of the Company's shareholders is completed. Pursuant to the Hong Kong Listing Rules, the Acquisition Agreements and the Disposal Agreement constitute connected transactions for the Company, which will be subject to, inter alia, the Independent Shareholders' approval at the EGM.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company and/or its advisers and have assumed that any representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have also assumed that all information, representations and opinions contained or referred to in the Circular are fair and reasonable and have relied on them.

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LETTER FROM ROTHSCHILD

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and/or its advisers. The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Acquiring Assets, the Disposal Assets or any of their respective subsidiaries and associated companies.

PRINCIPAL FACTORS AND REASONS

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

Background and rationale

Sinopec Corp. is an integrated energy and chemical company with upstream, midstream and downstream operations. The Acquisition is expected to further strengthen and develop the Company's core businesses by significantly expanding the scale of its petrochemical production facilities, improving its operation and retail network of refined oil products and consolidating its catalyst business. Regarding the Disposal, the Directors consider that it is in line with international precedent and management practice for the upstream business which emphasises increased focus on core businesses. In addition, the Acquisition and Disposal will allow the Company to further consolidate its management structure, thereby achieving a more efficient management of operations, investments and resources allocation.

As noted in the section headed "3. Reasons and benefits of the Acquisition and the Disposal" in the "Letter from the Chairman" of the Circular, there are further specific rationales for the Acquisition and the Disposal which are summarised below.

(a) Strengthening and development of core businesses

(i) Petrochemical Assets

For the Petrochemical Assets, the Directors consider that the acquisition of the Petrochemical Assets will allow the Company to rapidly expand and develop its petrochemical business during the prosperous period of the petrochemical industry cycle. Upon completion of the Acquisition, the Company's production scale in the ethylene and synthetic fiber monomers and polymers sectors will be further strengthened. The Company is expected to increase its production capacity for ethylene, synthetic resin, ethylene glycol, PX, PTA and synthetic fiber monomers/polymers by approximately 12%, 12%, 11%, 31%, 36% and 24% respectively.

(ii) Catalyst Assets

The acquisition of the Catalyst Assets will further improve the competitiveness of the Company's oil refining and chemical businesses, given the close relationship between the catalyst business and crude refining and chemical production. The Acquisition will allow the Company to strengthen its research and development and production capacity for catalysts. Upon completion of the Acquisition, the Company's production capacity for different types of oil refinery and petrochemical catalysts is expected to increase by approximately 28 times and will represent over 60% of the total catalyst production capacity in the PRC.

(iii) Gas Station Assets

With respect to the Gas Station Assets, the Acquisition will strengthen the Company's distribution network and market share for retail sales of oil products in the economically prosperous eastern, central and southern regions of the PRC. The Directors consider that the Company's leading status in the retail sector will be reinforced by the Acquisition, which allows the Company to further strengthen its retail capability for refined oil products in economically developed regions and to enjoy benefits arising from economies of scale in its retail network. The Acquisition will also improve the Company's competitiveness in the oil products retail business and better position it to respond to competition arising from foreign investors when the sector is further opened to competition on 11 December 2004 based on the World Trade Organisation Agreement.

(iv) Downhole Operation Assets

The Disposal of the Downhole Operation Assets will reduce the Company's oilfield services operations which currently provide services and support to the Company's upstream operations, allowing greater focus on the Company's core upstream operations with the aim to become one of the international oil companies, and potentially achieving greater production efficiency.

(b) Improving management structure

The Acquisition and the Disposal are expected to allow the Company to further consolidate its management structure, improve the quality of assets and achieve harmonisation of operations and coordination amongst the different business units.

(c) Reduction of continuing connected transactions

The Acquisition will in general significantly reduce the number of continuing connected transactions between Sinopec Corp. and Sinopec Group Company. In monetary terms, the continuing connected transactions would be decreased by approximately RMB2,358 million (approximately HK$2,225 million).

(d) Reduction of competition

The Acquisition and the Disposal will further minimise the amount of industry competition between the Company and Sinopec Group Company in petrochemical, catalyst and retail operations.

The acquisition of the Petrochemical Assets (the "Petrochemical Assets Acquisition")

(a) Assets to be acquired

On 31 October 2004, the Company entered into the sale and purchase agreement in respect of the Petrochemical Assets (the "Petrochemical Assets Acquisition Agreement"), pursuant to which the Company has conditionally agreed to acquire from Sinopec Group Company (on its own behalf and on behalf of the Authorising Entities), the principal ethylene and synthetic fiber monomers and polymers production facilities of Tianjin Petrochemical and related liabilities, the principal synthetic fiber monomers and polymers products production facilities of Luoyang Petrochemical and related liabilities, a 93.51% equity interest in Zhongyuan Petrochemical held by Sinopec Group Company, the AVD unit and catalytic cracking unit of Maoming Petrochemical and certain power generation facilities of Guangzhou Petrochemical and related liabilities (the "Guangzhou Petrochemical Power Assets") for a total consideration of RMB1,977 million (equivalent to approximately HK$1,865 million) (the "Petrochemical Assets Consideration"). Further details of the terms of the Petrochemical Assets Acquisition Agreement are set out in the section headed "2. The Acquisition and the Disposal" in the "Letter from the Chairman" of the Circular.

Set out below is a summary of certain financial information relating to the Petrochemical Assets. The financial information is extracted from the section headed "5. Details of the Target Assets" in the "Letter from the Chairman" of the Circular.

	RMB million
For the financial year ended 31 December 2003	
Sales	12,855
EBITDA(1)	2,359
Net profits	439
Net assets (as at 31 December 2003)	1,270
Net debt/(cash)(2) (as at 30 June 2004)	10,231

Notes:

(1) EBITDA refers to the sum of net profits, minority interests, taxation, net finance costs and depreciation and amortisation expenses of the Petrochemical Assets.

(2) Net debt refers to the sum of the short-term loan and the long-term loan less cash of the Petrochemical Assets.

(3) The financial data of the Petrochemical Assets disclosed in the Circular was prepared in accordance with the PRC GAAP. As noted in the section headed "1. Introduction" in the "Letter from the Chairman" of the Circular, there is no material difference between the related financial data prepared in accordance with the PRC GAAP and those prepared in accordance with the International Financial Reporting Standard.

Further details of the Petrochemical Assets are set out in the section headed "5. Details of the Target Assets" in the "Letter from the Chairman" of the Circular.

(b) Basis of the Petrochemical Assets Consideration

The Petrochemical Assets Acquisition Agreement was entered into after arm's length negotiation between the Company and Sinopec Group Company, taking into account various factors including valuations implied by other similar transactions involving comparable companies, quality of assets, business development potential and the position in the petrochemical industry cycle. The Petrochemical Assets Consideration, which will be satisfied by cash, was determined with reference to the valuations of the Petrochemical Assets prepared by the independent valuers, namely Beijing Zhongzheng Appraisal Co., Ltd, Zhongfeng Asset Appraisal Co., Ltd, Zhongshen Accounting Firm Co., Ltd, Beijing Tianjian Xinye Asset Appraisal Co., Ltd, Beijing Zhongqihua Asset Appraisal Co., Ltd and Zhonglei Accounting Firm Co., Ltd. However, given the above-mentioned independent valuers have PRC securities qualifications only but not the qualifications to carry out asset appraisal business in Hong Kong, we have not relied on their valuations in arriving at our opinion.

As set out in the section headed "2. The Acquisition and the Disposal" in the "Letter from the Chairman" of the Circular, all the risks and benefits arising from the Petrochemical Assets before completion of the transaction shall be borne and in the account of Sinopec Group Company. The Petrochemical Assets Consideration will be adjusted if the Petrochemical Assets' asset values decrease or liabilities increase.

(c) Valuation of the Petrochemical Assets

Based on the Petrochemical Assets Consideration of RMB1,977 million (equivalent to approximately HK$1,865 million), together with the aggregate net debt of the Petrochemical Assets attributable to Sinopec Group as at 30 June 2004, the enterprise value (the "EV") of the Petrochemical Assets attributable to Sinopec Group would be approximately RMB12,132 million (equivalent to approximately HK$11,445 million). The source of financial information applied in conducting the ratio analysis is based on the data contained in the section headed "5. Details of the Target Assets" in the "Letter from the Chairman" of the Circular.

We list below the multiples for the Petrochemical Assets Acquisition based on the Petrochemical Assets Consideration under the Petrochemical Assets Acquisition Agreement:

o an EV/earnings before interest, tax, depreciation and amortisation ("EV/EBITDAi") multiple of approximately 5.21 times, based on the EBITDA of the Petrochemical Assets attributable to Sinopec Group for the financial year ended 31 December 2003 of approximately RMB2,329 million (equivalent to approximately HK$2,198 million);

o an EV/sales multiple of approximately 0.95 times, based on the sales of the Petrochemical Assets attributable to Sinopec Group for the financial year ended 31 December 2003 of approximately RMB12,718 million (equivalent to approximately HK$11,998 million);

o a price to earnings multiple of approximately 4.63 times, based on the net profit of the Petrochemical Assets attributable to Sinopec Group for the financial year ended 31 December 2003 of approximately RMB427 million (equivalent to approximately HK$403 million); and

o price to net asset value ratio of approximately 1.59 times, based on the aggregate net asset value ("NAVi") of the Petrochemical Assets attributable to Sinopec Group as at 31 December 2003 of approximately RMB1,242 million (equivalent to approximately HK$1,172 million).

We have analysed the Petrochemical Assets Consideration by reviewing: (a) the trading multiples of listed companies comparable to the Petrochemical Assets; and (b) the transaction multiples of recent acquisitions of petrochemical companies and assets in the PRC.

In assessing the fairness of the Petrochemical Assets Consideration, we are of the view that the analysis of the EV/EBITDA multiple versus those of comparable listed companies and comparable transactions is the most important and appropriate valuation benchmark. In addition, we have reviewed the EV/sales multiple, price/earnings ratio and the price/NAV ratio of the Petrochemical Assets Acquisition versus those of comparable listed companies and comparable transactions, for supplemental crosschecking purposes.

(i) Comparable company analysis

Since the revenue of the Petrochemical Assets is derived from their production and sale of various petrochemical products in the PRC, the comparable companies we have chosen are listed petrochemical companies which are primarily focused on petrochemical business in the PRC. The companies which we have identified under the above selection criteria are PRC petrochemical companies primarily listed on the Stock Exchange. We have not considered, with respect to the Guangzhou Petrochemical Power Assets (which consist of certain power generation facilities of the Guangzhou Petrochemical), listed power companies as the comparable companies for two reasons: 1) the Guangzhou Petrochemical Power Assets are ancillary assets to the Guangzhou Petrochemical and have been supplying power to the Guangzhou Petrochemical only, and are therefore considered not comparable to the listed power companies which provide electricity to the market; and 2) the PRC petrochemical companies identified as the comparable companies for the Petrochemical Assets are considered to capture, to a certain extent, this power generation element given that they also generally have their own power generation assets.

Based on the above selection criteria, we set out in the following table the relevant ratios of the selected comparable listed companies based on their respective share prices as at the Latest Practicable Date and their latest published audited full year financial statements and unaudited interim financial statements (where available).

Company name	EV(1)/ EBITDA(2) (Times)	EV(1)/ sales(3)	Price(4)/ earnings(5)
(Times) (Times) (Times)			
Jilin Chemical Industrial Company Limited	6.74	0.63	17.95
Sinopec Beijing Yanhua Petrochemical Company Limited	5.99	1.01	15.82
Sinopec Shanghai Petrochemical Company Limited	6.79	0.91	15.00
Sinopec Yizheng Chemical Fibre Company Limited	5.82	0.67	26.68
Sinopec Zhenhai Refining & Chemical Company Limited	7.98	0.72	18.55
Average	6.67	0.79	18.80
Petrochemical Assets Acquisition	5.21	0.95	4.63

Sources: Bloomberg and latest published audited full year financial statements and unaudited interim financial statements of the relevant companies available on the Latest Practicable Date

Notes:

(1) EV of a company refers to the sum of its market capitalisation as at the

Latest Practicable Date and its net indebtedness as per its latest published unaudited interim financial statements available on the Latest Practicable Date or, if the interim financial statements are not available, its audited full year financial statements available on the Latest Practicable Date.

(2) EBITDA refers to the earnings before interest, tax, amortisation and depreciation expenses as per the latest published audited full year financial statements of the relevant company available on the Latest Practicable Date.

(3) Sales refers to the total sales, revenues or turnover as per the latest published audited full year financial statements of the relevant company available on the Latest Practicable Date.

(4) Price refers to the market capitalisation based on the closing price of a comparable company as quoted on the Stock Exchange on the Latest Practicable Date and the total number of shares in issue according to the comparable company's latest annual report, interim report or announcement. For companies which also have an A-share listing in the PRC, their A-share stock prices were not used in the above calculation of market capitalisations.

(5) Earnings refer to net profit excluding extraordinary items as per the latest published audited full year financial statements of the relevant company available on the Latest Practicable Date.

(6) NAV refers to net asset value as per the latest published audited full year financial statements of the relevant company available on the Latest Practicable Date.

As illustrated above, the EV/EBITDA multiple of approximately 5.21 times for the Petrochemical Assets Acquisition is lower than the range and average of the trading multiples of the comparable companies. The EV/sales multiple for the Petrochemical Assets Acquisition is within the range of the trading multiples of the comparable companies but above the average of the comparable companies. The price/earnings multiple for the Petrochemical Assets Acquisition is substantially lower than the range and average of the comparable companies while the price/NAV multiple for the Petrochemical Assets Acquisition is within the range and below the average of the comparable companies.

(ii) Comparable transaction analysis

Our analysis also includes research into recent acquisition transactions in the Chinese petrochemical sector. In selecting the comparable transactions, we have focused on material transactions and have taken into account the availability of reliable transaction information and comparability of the petrochemical companies or assets acquired with the Petrochemical Assets. The following table sets out our findings:

DATE OF ANNOUNCEMENT	SELLER	BUYER	TARGET	EV(1)/ EBITDA(2)	EV(1)/ SALES(2)

				(Times)	(Times)
28 July 2004(4)	Xinmin City Petrochemical Company	Minglun Group (Hong Kong) Ltd	Shenyang Xinmin Chemical Factory	24.01	0.35
30 December 2003	China Petrochemical Group Company (Sinopec Group Company)	China Petroleum & Chemical Corp (Sinopec Corp)	Sinopec National Star Xibei Oil Office Tahe Oilfield Petrochemical Factory	6.38	0.67
30 December 2003	China Petrochemical Group Company (Sinopec Group Company)	China Petroleum & Chemical Corp (Sinopec Corp)	Xian Petrochemical Main Factory	5.53	0.31
28 October 2003	China Petrochemical Group Company (Sinopec Group Company)	China Petroleum & Chemical Corp (Sinopec Corp)	Sinopec Group Company ethylene facility with a rated capacity of 380,000 tonnes and its related downstream facilities	4.00	0.79
23 May 2003	Employee Union of Maoming Petrochemical Shihua Co., Ltd	Tianjin Yufeng Weiye Enterprise Co., Ltd	Maoming Petrochemical Shihua Co., Ltd	4.38	0.37
27 November 2002	Employee union of Maoming Petrochemical Shihua Co., Ltd	Beijing Topeak Real Estate Development Co., Ltd	Maoming Petrochemical Shihua Co., Ltd	7.58	0.61
13 March 2002	Yueyang Xingchang Enterprise Group Co., Ltd	Yueyang Fuxing Group Co., Ltd	Yueyang Xingchang Petrochemical Co., Ltd	5.95	0.58
AVERAGE (EXCLUDING THE ACQUISITION OF SHENYANG XINMIN CHEMICAL FACTORY)(4)				5.64	0.56
PETROCHEMICAL ASSETS ACQUISITION				5.21	0.95

NA: Not applicable

Sources: Companies' public filings available on the Latest Practicable Date

Notes:

(1) EV refers to the sum of the equity purchase consideration paid in an acquisition and the proportional net indebtedness of the targets as at the time of acquisition or, if not available, the proportional net indebtedness as per the latest audited financial year end date prior to the acquisition.

(2) EBITDA, sales, earnings and NAV based on the latest full year audited financials of the targets before the acquisition took place.

(3) Price refers to the equity purchase consideration paid in an acquisition.

(4) The relatively high EV/EBITDA multiple for the Shenyang Xinmin Chemical Factory transaction is due to the relatively low EBITDA of the company for the year prior to the acquisition. As noted in the circular for the transaction, the management of the buyer stated that the negative earnings of the company were due to inefficient operations and product mix, which was expected to be improved after they took control of the company. For this reason we have excluded this transaction from the average calculation.

Our review of the acquisition multiples of the above precedent transactions indicates that the EV/EBITDA multiple for the Petrochemical Assets Acquisition is within the range of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction) and is below the average of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction). The EV/sales multiple for the Petrochemical Assets Acquisition is higher than the range and average of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction). The price/earnings ratio is substantially below the range and average of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction). The price/NAV multiple is within the range of the precedent transactions but slightly above the average of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction).

On the above basis, we consider the Petrochemical Assets Consideration under the Petrochemical Assets Acquisition Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

(d) Conditions of the Petrochemical Assets Acquisition

Completion of the Petrochemical Assets Acquisition Agreement is conditional upon fulfilment of various conditions including the approval of the Petrochemical Assets Acquisition by the Independent Shareholders at the EGM. Further details of the other conditions precedent to the completion of the Petrochemical Assets Acquisition are set out in the section headed "The Acquisition and the Disposal" in the "Letter from the Chairman" of the Circular.

THE ACQUISITION OF THE CATALYST ASSETS (THE "CATALYST ASSETS ACQUISITION")

(a) Assets to be acquired

On 31 October 2004, the Company entered into the sale and purchase agreement in respect of the Catalyst Assets (the "Catalyst Assets Acquisition Agreement"), pursuant to which the Company has conditionally agreed to acquire from Sinopec Group Company (on its own behalf and on behalf of the Authorising Entities), the primary assets owned by the Changling Plant, a 81% equity interest in Jianchang Petrochemical, the primary assets of Qilu Catalyst, the primary assets owned by the Technology Development Company, a 50% equity interest in Aoda Technology, a 60% equity interest in Lide Catalyst, the primary assets of the Shanghai Research Institute and all the assets owned by Nanlian Catalyst and related liabilities for a total consideration of RMB720 million (equivalent to approximately HK$679 million) (the "Catalyst Assets Consideration"). Further details of the terms of the Catalyst Assets Acquisition Agreement are set out in the section headed "2. The Acquisition and the Disposal" in the "Letter from the Chairman" of the Circular.

Set out below is a summary of certain financial information relating to the Catalyst Assets. The financial information is extracted from the section headed "5. Details of the Target Assets" in the "Letter from the Chairman" of the Circular.

	RMB million
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003	
Sales	1,615
EBITDA(1)	259
Net profits	108
Net assets (as at 31 December 2003)	799
Net debt/(cash)(2) (as at 30 June 2004)	167

Notes:

(1) EBITDA refers to the sum of net profits, minority interests, taxation, net finance costs and depreciation and amortisation expenses of the Catalyst Assets.

(2) Net debt refers to the sum of the short-term loan and the long-term loan less cash of the Catalyst Assets.

(3) The financial data of the Catalyst Assets disclosed in the Circular was prepared in accordance with the PRC GAAP. As noted in the section headed "1. Introduction" in the "Letter from the Chairman" of the Circular, there is no material difference between the related financial data prepared in accordance with the PRC GAAP and those prepared in accordance with the International Financial Reporting Standard.

Further details of the Catalyst Assets are set out in the section headed "5. Details of the Target Assets" in the "Letter from the Chairman" of the Circular.

(b) Basis of the Catalyst Assets Consideration

The Catalyst Assets Acquisition Agreement was entered into after arm's length negotiation between the Company and Sinopec Group Company, taking into account various factors, including valuations implied by other similar transactions involving comparable companies, quality of assets, business development potential and the position in the industry cycle of the Catalyst Assets. The Catalyst Assets Consideration, which will be satisfied by cash, was determined with reference to the valuations of the Catalyst Assets prepared by the independent valuer, Zhonglian Asset Appraisal Co., Ltd. However, given the above-mentioned independent valuer has PRC securities qualification only but not the qualification to carry out asset appraisal business in Hong Kong, we have not relied on its valuations in arriving at our opinion.

As set out in the section headed "2. The Acquisition and the Disposal" in the "Letter from the Chairman" of the Circular, all the risks and benefits arising from the Catalyst Assets before completion of the transaction shall be borne and in the account of Sinopec Group Company. The Catalyst Assets Consideration will be adjusted if the Catalyst Assets' asset values decrease or liabilities increase.

(c) Valuation of the Catalyst Assets

Based on the Catalyst Assets Consideration of RMB720 million (equivalent to approximately HK$679 million), together with the aggregate net debt of the Catalyst Assets attributable to Sinopec Group as at 30 June 2004, the EV of the Catalyst Assets attributable to Sinopec Group would be approximately RMB914 million (equivalent to approximately HK$862 million). The source of financial information applied in conducting the ratio analysis is based on the data contained in the section headed "5. Details of the Target Assets" in the "Letter from the Chairman" of the Circular.

We list below the multiples for the Catalyst Assets based on the Catalyst Assets Consideration under the Catalyst Assets Acquisition Agreement:

o an EV/EBITDA multiple of approximately 4.07 times, based on the EBITDA of the Catalyst Assets attributable to Sinopec Group for the financial year ended 31 December 2003 of approximately RMB225 million (equivalent to approximately HK$212 million);

o an EV/sales multiple of approximately 0.60 times, based on the sales of the Catalyst Assets attributable to Sinopec Group for the financial year ended 31 December 2003 of approximately RMB1,518 million (equivalent to approximately HK$1,432 million);

o a price to earnings multiple of approximately 7.74 times, based on the net profit of the Catalyst Assets attributable to Sinopec Group for the financial year ended 31 December 2003 of approximately RMB93 million (equivalent to approximately HK$88 million); and

o a price to net asset value ratio of approximately 1.08 times, based on the aggregate NAV of Catalyst Assets attributable to Sinopec Group as at 31 December 2003 of approximately RMB667 million (equivalent to approximately HK$629 million).

We have analysed the Catalyst Assets Consideration by reviewing: (a) the trading multiples of listed companies comparable to the Catalyst Assets; and (b) the transaction multiples of recent acquisitions of companies and assets comparable to the Catalyst Assets in the PRC.

In assessing the fairness of the Catalyst Assets Consideration, we are of the view that the analysis of the EV/EBITDA multiple versus those of comparable listed companies and comparable transactions is the most important and appropriate valuation benchmark. In addition, we have reviewed the EV/sales multiple, price/earnings ratio and the price/NAV ratio of the Catalyst Assets Acquisition versus those of comparable listed companies and comparable transactions, for supplemental crosschecking purposes.

(i) Comparable company analysis

Since the revenue of the Catalyst Assets is derived from their development, production and sale of petrochemical catalysts in the PRC, directly comparable companies would be listed chemical companies which are primarily focused on catalyst production in the PRC. However, based on the above selection criteria, we have not identified any such directly comparable companies other than certain PRC chemical companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which are primarily focused on catalyst production in the PRC. However, it should be noted that the shares of these companies are traded on the PRC A-share market, which can only be invested in by domestic investors and qualified foreign institutional investors (with certain trading and ownership restrictions). Given that trading in the PRC A-share markets is highly restricted, we consider that the trading multiples of companies traded solely on an A-share market in the PRC are not an appropriate benchmark for the Catalyst Assets Acquisition.

We have therefore, for our valuation purpose, reviewed the trading multiples of the petrochemical companies listed on the Stock Exchange, which are considered to be the closest comparables to the Catalyst Assets. With their major products being primarily sold to the petrochemical companies as raw materials, the Catalyst Assets are closely linked to the petrochemical sector.

Based on the above selection criteria, we set out in the following table the relevant ratios of the selected comparable listed companies based on their respective share prices as at the Latest Practicable Date and their latest published audited full year financial statements and unaudited interim financial statements (where available).

COMPANY NAME	EV(1)/ EBITDA(2) (TIMES)	EV(1)/ SALES(3) (TIMES)	PRICE(4)/ EARNINGS(5) (TIMES)
Jilin Chemical Industrial Company Limited	6.74	0.63	17.95
Sinopec Beijing Yanhua Petrochemical Company Limited	5.99	1.01	15.82
Sinopec Shanghai Petrochemical Company Limited	6.79	0.91	15.00
Sinopec Yizheng Chemical Fibre Company Limited	5.82	0.67	26.68
Sinopec Zhenhai Refining & Chemical Company Limited	7.98	0.72	18.55
Average	6.67	0.79	18.80
Catalyst Assets Acquisition	4.07	0.60	7.74

Sources: Bloomberg and latest published audited full year financial statements and unaudited interim financial statements of the relevant companies available on the Latest Practicable Date

Notes:

(1) EV of a company refers to the sum of its market capitalisation as at the Latest Practicable Date and its net indebtedness as per its latest published unaudited interim financial statements available on the Latest Practicable Date or, if the interim financial statements are not

available, its audited full year financial statements available on the Latest Practicable Date.

(2) EBITDA refers to the earnings before interest, tax, amortisation and depreciation expenses as per the latest published audited full year financial statements of the relevant company available on the Latest Practicable Date.

(3) Sales refers to the total sales, revenues or turnover as per the latest published audited full year financial statements of the relevant company available on the Latest Practicable Date.

(4) Price refers to the market capitalisation based on the closing price of a comparable company as quoted on the Stock Exchange on the Latest Practicable Date and the total number of shares in issue according to the latest annual report, interim report or announcement of the comparable company. For companies which also have an A-share listing in the PRC, their A-share stock prices were not used in the above calculation of market capitalisations.

(5) Earnings refer to net profit excluding extraordinary items as per the latest published audited full year financial statements of the relevant company available on the Latest Practicable Date.

(6) NAV refers to net asset value as per the latest published audited full year financial statements of the relevant company available on the Latest Practicable Date.

As illustrated above, the EV/EBITDA multiple of approximately 4.07 times for the Catalyst Assets Acquisition is substantially lower than the range and average of the trading multiples of the comparable companies. In terms of EV/sales and price/earnings, the multiples for the Catalyst Assets Acquisition are lower than the respective ranges and the averages of the trading multiples of the comparable companies. In terms of price/NAV, the multiple for the Catalyst Assets Acquisition is within the range of the trading multiples of the comparable companies and is lower than the average of the comparable companies.

(ii) Comparable transaction analysis

We have not identified any recent and significant acquisitions of catalyst production companies or assets in the PRC. We have therefore reviewed the transaction multiples of the petrochemical companies and assets, which are considered the closest available comparables to the Catalyst Assets. In selecting the comparable transactions, we have focused on material transactions and have taken into account the availability of reliable transaction information and comparability of the assets acquired with the Catalyst Assets. The following table sets out our findings:

DATE OF ANNOUNCEMENT	SELLER	BUYER	TARGET	EV(1)/ EBITDA(2) (Times)	EV(1)/ SALES(2) (Times)

28 July 2004(4)	Xinmin City Petrochemical Company	Minglun Group (Hong Kong) Ltd	Shenyang Xinmin Chemical Factory	24.01	0.35
30 December 2003	China Petrochemical Group Company (Sinopec Group Company)	China Petroleum & Chemical Corp (Sinopec Corp)	Sinopec National Star Xibei Oil Office Tahe Oilfield Petrochemical Factory	6.38	0.67
30 December 2003	China Petrochemical Group Company (Sinopec Group Company)	China Petroleum & Chemical Corp (Sinopec Corp)	Xian Petrochemical Main Factory	5.53	0.31
28 October 2003	China Petrochemical Group Company (Sinopec Group Company)	China Petroleum & Chemical Corp (Sinopec Corp)	Sinopec Group Company ethylene facility with a rated capacity of 380,000 tonnes and its related downstream facilities	4.00	0.79
23 May 2003	Employee Union of Maoming Petrochemical Shihua Co., Ltd	Tianjin Yufeng Weiye Enterprise Co., Ltd	Maoming Petrochemical Shihua Co., Ltd	4.38	0.37
27 November 2002	Employee union of Maoming Petrochemical Shihua Co., Ltd	Beijing Topeak Real Estate Development Co., Ltd	Maoming Petrochemical Shihua Co., Ltd	7.58	0.61
13 March 2002	Yueyang Xingchang Enterprise Group Co.,Ltd	Yueyang Fuxing Group Co.,Ltd	Yueyang Xingchang Petrochemical Co., Ltd	5.95	0.58
AVERAGE (EXCLUDING SHENYANG XINMIN CHEMICAL FACTORY)(4)				5.64	0.56
CATALYST ASSETS ACQUISITION				4.07	0.60

NA: Not applicable

Sources: Companies' public filings available on the Latest Practicable Date

LETTER FROM ROTHSCHILD

Notes:

(1) EV refers to the sum of the equity purchase consideration paid in an acquisition and the proportional net indebtedness of the targets as at the time of acquisition or, if not available, the proportional net indebtedness as per the latest audited financial year end date prior to the acquisition.

(2) EBITDA, sales, earnings and NAV based on the latest full year audited financials of the targets before the acquisition took place.

(3) Price refers to the equity purchase consideration paid in an acquisition.

(4) The relatively high EV/EBITDA multiple for the Shenyang Xinmin Chemical Factory transaction is due to the relatively low EBITDA of the company for the year prior to the acquisition. As disclosed in the circular for the transaction, the management of the buyer stated that the negative earnings of the company were due to inefficient operations and product mix, which was expected to be improved after they took control of the company. For this reason we have excluded this transaction from the average calculation.

Our review of the acquisition multiples of the above precedent transactions indicates that the EV/EBITDA multiple for the Catalyst Assets Acquisition is within the range and lower than the average of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction). In terms of EV/sales, the multiple for the Catalyst Assets Acquisition is within the range of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction) and is slightly above the average of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction). In terms of price/earnings and price/NAV, the multiples for the Catalyst Assets Acquisition are within the respective ranges of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction) and below the respective averages of the precedent transactions (excluding the Shenyang Xinmin Chemical Factory transaction).

On the above basis, we consider the Catalyst Assets Consideration under the Catalyst Assets Acquisition Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

(d) Conditions of the Catalyst Assets Acquisition

Completion of the Catalyst Assets Acquisition Agreement is conditional upon fulfilment of various conditions including the approval of the Catalyst Assets Acquisition by the Independent Shareholders at the EGM. Further details of the other conditions precedent to the completion of the Catalyst Assets Acquisition are set out in the section headed "2. The Acquisition and the Disposal" in the "Letter from the Chairman" of the Circular.

THE ACQUISITION OF THE GAS STATION ASSETS (THE "GAS STATION ASSETS ACQUISITION")

(a) Assets to be acquired

On 31 October 2004, the Company entered into the sale and purchase agreement in respect of the Gas Station Assets (the "Gas Station Assets Acquisition Agreement"), pursuant to which the Company has conditionally agreed to acquire from Sinopec Group Company (on its own behalf and on behalf of the Authorising Entities), the assets, interests and certain related liabilities of 1,023 gas stations and 54 oil depots for a total consideration of RMB1,881 million (equivalent to approximately HK$1,775 million) (the "Gas Station Assets

Consideration"). Further details of the terms of the Gas Station Assets Acquisition Agreement are set out in the section headed "2. The Acquisition and the Disposal" in the "Letter from the Chairman" of the Circular.

LETTER FROM ROTHSCHILD

Set out below is a summary of certain financial information relating to the Gas Station Assets. The financial information is extracted from the section headed "5. Details of the Target Assets" in the "Letter from the Chairman" of the Circular.

	RMB million
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003	
Sales	2,335
EBITDA(1)	326
Net profits	233
Net assets (as at 31 December 2003)	1,109
Net debt/(cash)(2) (as at 31 May 2004)	(1)

Notes:

(1) EBITDA refers to the sum of net profits, minority interests, taxation, net finance costs and depreciation and amortisation expenses of the Gas Station Assets.

(2) Net debt refers to the sum of the short-term loan and the long-term loan less cash of the Gas Station Assets.

(3) The financial data of the Gas Station Assets disclosed in the Circular was prepared in accordance with the PRC GAAP. As noted in the section headed "1. Introduction" in the "Letter from the Chairmani