

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation 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 announcement.



中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the Peoples' Republic of China)



中國石化儀征化纖股份有限公司

SINOPEC YIZHENG CHEMICAL FIBRE COMPANY LIMITED

(a joint stock limited company established in the People's Republic of China)

CONNECTED TRANSACTIONS

The Boards announce that, after arm's length negotiations and on normal commercial terms and, where appropriate after an open tender process, Yizheng entered into the Agreements with 5 Legal Persons owned by the Yizheng's ultimate controlling shareholder, CPC, for the construction and design of a PTA production plant with annual production capacity of 450,000 tons of PTA and the construction of auxiliary facilities in relation to it. The consideration of the Agreements is RMB 42,760,000, RMB40,409,330, RMB8,000,000, RMB31,000,000, RMB75,000,000, and RMB2,171,066.38 respectively. The aggregate total consideration of the Agreements is RMB199,340,396.38 (equivalent to approximately HK\$187,879,732.60). **The Companies have not previously made any disclosure of the Connected Transactions in accordance with the Listing Rules. Such non-disclosure constitutes breaches of Rule 14.25 of the Listing Rules on the part of the Companies. The breach was due to administrative oversight caused by Yizheng's tight schedule in relation to the completion of the PTA Project. The Stock Exchange has indicated that it would reserve its right to take further action against the Companies and/or their Directors.**

The Boards (including the independent non-executive directors of Yizheng and Sinopec) consider that the Agreements were entered into on normal commercial terms and the terms and conditions of the Agreements are fair and reasonable so far as Yizheng, Sinopec and their Independent Shareholders are concerned.

In view of the fact that CPC is the holding company of Sinopec and Yizheng, and that Yizheng is a subsidiary of Sinopec, the Legal Persons are connected persons of Yizheng and Sinopec under Chapter 14 of the Listing Rules. Accordingly, the transactions between Legal Persons and Yizheng constitute connected transactions of Yizheng and Sinopec under the Listing Rules. Since each of the individual agreement in itself and the aggregate consideration of the Agreements taken together in the sum of RMB199,340,396.38 is less than the higher of HK\$10 million or 3% of the consolidated net tangible asset value of Yizheng and Sinopec as at 31 December 2000 and 30 June 2001., of, the Connected Transactions fall within 14.25(1) of the Listing Rules and, therefore, the Companies are required to issue this press announcement. As at 31 December 2000 the audited consolidated net tangible asset value of Yizheng is RMB9,078,433,000. As at 30 June 2001 the consolidated net tangible asset value of Yizheng is RMB8,839,619,000. As at 31 December 2000 the audited consolidated net tangible asset value of Sinopec is RMB129,871,000,000. As at 30 June 2001 the consolidated net tangible asset value of Sinopec is RMB132,739,000,000. Details of the transactions contemplated under the Agreements will be included in the next published annual reports and accounts of Yizheng and Sinopec respectively pursuant to the Rule 14.25(1)(A) to (D) of the Listing Rules.

In accordance with the SSE listing rules requirement, the directors of Yizheng who are interested in the transaction had abstained from voting in relation to the resolutions to approve the Agreements.

The independent non-executive directors of Yizheng and Sinopec have submitted written opinion in relation to the Connected Transactions to Yizheng and Sinopec respectively.

The Boards announce that Yizheng has entered into the Agreements. The key terms of the Agreements are set out below:

PARTICULARS OF THE AGREEMENTS

1. Construction design agreement

- (1) Date of signing: 13 August 2001
- (2) Parties: Yizheng and CPC Construction Design
- (3) This agreement is mainly for the detail design of the PTA Project and the auxiliary facilities in relation to the PTA Project by CPC Construction Design.
- (4) The consideration payable by Yizheng under this agreement is RMB42,760,000.00 payable in cash (equivalent to approximately HK\$40,301,602.26) which was determined after arm's length negotiations.
- (5) Construction cost payment: according to this agreement the payment is payable in 5 installments, the first installment which is equivalent to 20% of the total agreement consideration was to be paid within 15 days upon signing of this agreement. The second installment which is equivalent to 30% of the total agreement consideration was to be paid within 30 days from the day when the initial design is completed. The third installment which is equivalent to 20% of the total agreement consideration was to be paid within 30 days from the day all non standard construction design documents are completed and handed over to Yizheng. The fourth installment which is equivalent to 25% of the total agreement consideration was to be paid within 30 days from the day all construction design documents are completed and handed over to Yizheng. The last installment which is equivalent to 5% of the total agreement consideration is to be paid within 30 days after the PTA Project and its auxiliary facilities are satisfactorily tested. As of today, a total sum of RMB21,380,000 (equivalent to approximately HK\$20,150,801.13) has been paid under this agreement.
- (6) Anticipated design completion date: The anticipated completion date of this agreement is March 2002 and has in fact been completed already.

2. Main component installation construction agreement

- (1) Date of signing: 16 November 2001
- (2) Parties: Yizheng and CPC Construction 2nd
- (3) This agreement is mainly for the construction of the main component of the PTA project and relevant auxiliary facilities by CPC Construction 2nd.
- (4) After an open tender process the consideration payable by Yizheng under this agreement is RMB40,409,330 payable in cash (equivalent to approximately HK\$38,086,079.17).
- (5) Construction cost payment: according to this agreement the payment is payable in various installments, the first installment which is equivalent to 20% of the total cost of the anticipated annual construction material was to be paid within 30 days of the date of signing of this agreement. The second stage of monthly payment is paid based on the “monthly construction work completion schedule” up to 87% of the total agreement consideration (including the 20% upfront payment). The third stage of payment of the sum of 7% of the total agreement consideration is to be paid one year after completion of the project. The fourth stage of payment of 3% of the total consideration which is equivalent to 3% of the total agreement consideration is to be paid after the acceptance of construction completion information by Yizheng. The last installment of the amount which is equivalent to 3% of the total agreement consideration is to be paid after audit for the project settlement is satisfactory completed. As of today, a total sum of RMB11,205,000 (equivalent to approximately HK\$10,560,791.70) has been paid under this agreement.
- (6) Anticipated construction completion date: according to this agreement, the anticipated construction completion date is 30 December 2002.

3. PX storing section and relevant auxiliary facilities construction agreement

- (1) Date of signing: 16 November 2001
- (2) Parties: Yizheng and CPC Construction 5th
- (3) This agreement is mainly for the construction of storage tanker in PX storing section of the PTA Project and relevant auxiliary facilities by CPC Construction 5th.
- (4) After an open tender process the consideration payable by Yizheng under this agreement is RMB8,000,000 payable in cash (equivalent to approximately HK\$7,540,056.55)

- (5) Construction cost payment: according to this agreement the payment is payable in various installments, the first installment which is equivalent to 20% of the total agreement consideration is to be paid 15 days prior to the commencement of the construction under this agreement. The second stage of monthly payment is paid based on the “monthly construction work completion schedule” up to 87% of the total agreement consideration (including the 20% upfront payment). The third stage of payment of the amount which is equivalent to 3% of the total agreement consideration is to be paid after the acceptance of construction completion information by Yizheng. The fourth installment of the amount which is equivalent to 7% of the total agreement consideration is to be paid one year after the construction under this agreement is completed. The final installment of the sum of 3% of the total agreement consideration is to be paid after the audit for the project settlement is satisfactorily completed. As of today, a total sum of RMB2,800,000 (approximately equivalent to HK\$2,639,019.80) has been paid under this agreement.
- (6) Anticipated construction completion date: according to this agreement, the anticipated construction completion date is 30 June 2002. As of today, the construction under this agreement has been completed.

4. Waste water treatment plant construction contract

- (1) Date: 31 August 2001
- (2) Parties: Yizheng and CPC Construction 10th
- (3) This agreement is mainly for the construction of waste water treatment plant for the PTA Project by CPC Construction 10th.
- (4) After an open tender process the consideration payable by Yizheng under the Agreement is RMB31,000,000 payable in cash (equivalent to approximately HK\$29,217,719.13).
- (5) Construction cost payment: according to this agreement the payment is payable in various installments, the first installment which is equivalent to 20% of the total cost of the anticipated annual construction material was to be paid within 2 weeks of signing of this agreement. The second stage of monthly payment is paid based on the “monthly construction work completion schedule” up to 87% of the total consideration (including the 20% up-front payment). The third stage of payment of the amount which is equivalent to 3% of the total agreement consideration is to be paid after the acceptance of construction completion information by Yizheng.

The fourth stage of payment of the amount which is equivalent to 7% of the total consideration is to be paid one year after the construction under this agreement is completed. The final installment of the sum of 3% of the total agreement consideration is to be paid after the audit for the project settlement is satisfactorily completed. As of today, a total sum of RMB17,840,000 (equivalent to approximately HK\$16,814,326.10) has been paid under this agreement.

- (6) Anticipated construction completion date: according to this agreement, the anticipated construction completion date is 31 July 2002. As of today, the construction under this agreement has been completed.

5. Construction of auxiliary facilities within the PTA Project's construction site and some tankers outside the project site agreement

- (1) Date: 16 November 2001
- (2) Parties: Yizheng and YCIM
- (3) This agreement is mainly for the construction of auxiliary facilities within the PTA Project's construction site and some tankers outside the PTA Project site by YCIM.
- (4) After an open tender process the consideration payable by Yizheng under this agreement shall be RMB75,000,000 payable in cash (equivalent to approximately HK\$70,688,030.16).
- (5) Construction cost payment: according to this agreement the payment is payable in various installments, the first installment which is equivalent to 20% of the total cost of the anticipated annual construction material was to be paid within 30 days before commencement of the construction. The second stage of monthly payment is paid based on the "monthly construction work completion schedule" up 87% of the total consideration (including the 20% up-front payment). The third stage of payment of the amount which is equivalent to 3% of the total agreement consideration is to be paid after the acceptance of construction completion information by Yizheng. The fourth stage of payment of the amount which is equivalent to 7% of the total consideration is to be paid one year after the construction under this agreement is completed. The final installment of the sum of 3% of the total agreement consideration is to be paid after the audit for the project settlement is satisfactorily completed. As of today, a total sum of RMB8,000,000 (equivalent to approximately HK\$7,540,056.55) has been paid under this agreement.
- (6) Anticipated construction completion date: according to this agreement, the anticipated construction completion date is 30 July 2002. As of today, the construction under this agreement has been completed.

6. Construction of non-standard auxiliary facilities within the PTA Project site agreement.
- (1) Date: 16 November 2001
 - (2) Parties: Yizheng and YCIM
 - (3) This agreement is mainly for the construction of non-standard auxiliary facilities within the PTA Project site by YCIM.
 - (4) After an open tender process the consideration payable by Yizheng under this agreement is RMB2,171,066.38 payable in cash (equivalent to approximately HK\$2,046,245.41).
 - (5) Construction cost payment: according to this agreement the payment is payable in various installments, the first installment of the amount which is equivalent to 20% of the total cost of the anticipated consideration was to be paid within 15 days before the commencement of the construction. The second stage of monthly payment is paid based on the “monthly construction work completion schedule” up to 87% of the total consideration (including the 20% up-front payment). The third stage of payment of the amount which is equivalent to 3% of the total agreement consideration is to be paid after the acceptance of construction completion information by Yizheng. The fourth stage of payment of the amount which is equivalent to 7% of the total consideration is to be paid one year after the construction under this agreement is completed. The final installment of the sum of 3% of the total agreement consideration is to be paid after the audit for the project settlement is satisfactorily completed. As of today, no payment has been paid under this agreement.
 - (6) Anticipated construction completion date: according to this agreement, the anticipated construction completion date is 30 July 2002. As of today, the construction under this agreement has been completed.

The aggregate consideration

The aggregate consideration for the Agreements is RMB199,340,396.38 (equivalent to approximately HK\$187,879,732.60) is equivalent to approximately 0.15% and 2.20% of Sinopec’s and Yizheng’s consolidated net tangible asset value as at 31 December 2000 in the sum of RMB129,871,000,000 (audited) and RMB9,078,433,000 (audited) respectively. The aggregate consideration in the sum of RMB199,340,396.38 (equivalent to approximately HK\$187,879,732.60) is equivalent to approximately 0.15% and 2.26% of Sinopec’s and Yizheng’s consolidated net tangible asset value as at 30 June 2001 in the sum of RMB132,739,000,000 (not audited) and RMB8,839,619,000 (not audited) respectively.

SOURCE OF FUNDING

40% of the Agreements' total consideration is to be paid from internal resource of Yizheng. The remaining 60% is financed by bank loan.

INFORMATION RELATING TO CPC

CPC is an investment holding company and has a 55.06% shareholding in Sinopec, and Sinopec owns a 42% shareholding interest in Yizheng.

INFORMATION RELATING TO SINOPEC

The principal activities of Sinopec include:

- (1) exploring for and developing, producing and trading crude oil and natural gas;
- (2) processing crude oil into refined oil products, producing refined oil products and trading, transporting, distributing and marketing refined oil products; and
- (3) producing, distributing and trading chemical products.

INFORMATION RELATING TO YIZHENG

The principal activities of Yizheng are production and sale of polyester chips and polyester fiber.

RELATIONSHIP BETWEEN YIZHENG, SINOPEC AND CPC

Yizheng is owned as to 42% by Sinopec and Sinopec controls the composition of a majority of the board of directors of Yizheng. Therefore, Yizheng is a subsidiary of Sinopec, and in turn Sinopec is owned as to 55.06% by CPC. The Legal Persons are wholly-owned by CPC, either directly or indirectly. Therefore, the Legal Persons are connected persons of Yizheng and Sinopec for the purpose of the Listing Rules. Accordingly, the Agreements constitute connected transactions for Yizheng and Sinopec under the Listing Rules.

REASONS FOR THE CONNECTED TRANSACTIONS

The Agreements were entered into after arm's length negotiations and on normal commercial terms and, where appropriate, after an open tender process, the board of directors (including independent non-executive directors) of Yizheng is of the view that the Legal Persons offer the best expertise in such field of construction.

CONNECTED TRANSACTIONS

As the Legal Persons are either directly or indirectly wholly-owned by CPC, and CPC is the holding company of Sinopec and Yizheng, and that Yizheng is a subsidiary of Sinopec, the Legal Persons are connected persons of Yizheng and Sinopec under Chapter 14 of the Listing Rules. Accordingly, the transactions between the Legal Persons and Yizheng constitutes connected transactions of Yizheng and Sinopec under the Listing Rules. Since each of the individual agreement in itself and the aggregate consideration of the Agreements taken together in the sum of RMB199,340,396.38 is less than the higher

of HK\$10 million or 3% of the consolidated net tangible asset value of Yizheng and Sinopec for the financial year ended 31 December 2000 and 30 June 2001, the Connected Transactions fall within 14.25(1) of the Listing Rules, and, therefore, the Companies are required to issue this press announcement. As at 31 December 2000 the audited consolidated net tangible asset value of Yizheng is RMB9,078,433,000. As at 30 June 2001 the consolidated net tangible asset value of Yizheng is RMB8,839,619,000. As at 31 December 2000 the audited consolidated net tangible asset value of Sinopec is RMB129,871,000,000. As at 30 June 2001 the consolidated net tangible asset value of Sinopec is RMB132,739,000,000. Details of the transactions contemplated under the Agreements will be included in the next published annual reports and accounts of Yizheng and Sinopec respectively pursuant to the Rule 14.25(1)(A) to (D) of the Listing Rules.

Shareholders' approval not required

Since each of the individual agreement in itself and the aggregate consideration of the Agreements taken together in the sum of RMB199,340,396.38 is less than the higher of HK\$10 million or 3% of the consolidated net tangible asset value of Yizheng and Sinopec for the year ended 31 December 2000 which is in the sum of RMB9,078,433,000 (audited) and RMB129,871,000,000 (audited) respectively and for the 6 months ended 30 June 2001 which is in the sum of RMB8,839,619,000 (not audited) and RMB132,739,000,000 (not audited) respectively as provided for in the Listing Rules. According to the Listing Rules, Independent Shareholders' approval is not required.

The Companies have not previously made any disclosure of the Connected Transactions under Rule 14.25 of the Listing Rules. Such non-disclosure constitutes breaches Rule 14.25 of the Listing Rules on the part of the Companies. The breach was due to administrative oversight caused by Yizheng's tight schedule in relation to the completion of the PTA Project. The Stock Exchange has indicated that it would reserve its right to take further action against the Companies and/or their Directors.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreements”	the agreements dated 13 August 2001, 31 August 2001 and 16 November 2001 entered into between Yizheng and CPC Construction Design, CPC Construction 2nd, CPC Construction 5th, CPC Construction 10th, and YCIM (as the case may be) in respect of the PTA Project
“A Shares”	shares in the share capital of Yizheng of par value RMB1.00 each which are listed on the SSE
“associates”	has the same meaning ascribed to it in the Listing Rules
“Boards”	the board of directors of Sinopec and Yizheng including independent non-executive directors of both companies
“Companies”	Sinopec and Yizheng

“Connected Transactions”	the connected transactions between Yizheng, Sinopec and the Legal Persons pursuant to the Agreements
“CPC”	China Petrochemical Corporation (中國石油化工集團公司), a state-owned enterprise established under the laws of the PRC
“CPC Construction 2nd”	CPC The Second Construction Co., Ltd, a legal person wholly-owned by CPC
“CPC Construction 5th”	CPC The Fifth Construction Co., Ltd, a legal person wholly-owned by CPC
“CPC Construction 10th”	CPC The Tenth Construction Co., Ltd, a legal person wholly-owned by CPC
“CPC Construction Design”	CPC Construction Co., Ltd, a legal person wholly-owned by CPC
“PTA Project”	the construction and design of a PTA production plant with an annual production capacity of 450,000 tons of PTA and the auxiliary facilities in relation to it
“Director(s)”	director(s) of Yizheng and Sinopec
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H share(s)”	overseas listed foreign shares in the share capital of the Yizheng or Sinopec respectively, of par value RMB1.00 each which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	in respect of Yizheng, those shareholders other than Sinopec and its associates; in respect of Sinopec, those shareholders other than CPC and its associates
“Legal Persons”	CPC Construction Design, CPC Construction 2nd, CPC Construction 5th, CPC Construction 10th and YCIM which are either directly or indirectly wholly-owned by CPC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PTA”	purified terephthalic acid
“PX”	paraxylene
“RMB”	Renminbi, the lawful currency of the PRC

“Sinopec”	China Petroleum & Chemical Corporation, a joint stock limited company established in the PRC, whose H shares are listed on the Stock Exchange
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	have similar meaning ascribed to it under the Listing Rules
“YCIM”	Yizheng Chemical Installation & Maintenance Engineering Company, a legal person wholly-owned by CPC indirectly
“Yizheng”	Sinopec Yizheng Chemical Fibre Company Limited, a joint stock limited company incorporated in the PRC, whose H shares are listed on the Stock Exchange and whose A Shares are listed on the SSE

By Order of the Board of
China Petroleum & Chemical Corporation
Zhang Honglin
Company Secretary

By Order of the Board of
Sinopec Yizheng Chemical Fibre Company Limited
Wu Chao Yang
Company Secretary

9 August 2002, Beijing, the PRC

9 August 2002, Nanjing, the PRC

Translation of RMB into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB1.061. This translation is not representation that the RMB amounts could be converted into Hong Kong dollars or vice versa at this rate, or at all.

“Please also refer to the published version of this announcement in SCMP”.