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SINOPEC ZHENHAI REFINING & CHEMICAL COMPANY LIMITED

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

CONNECTED TRANSACTION — SALES OF PARAXYLENE DURING TRIAL PROCESSING

The Board of Directors (“the Directors”) of Sinopec Zhenhai Refining & Chemical Company Limited (“the Company”) announced that on 16 October 2003, the Company entered into the Agreement to sell to Yizheng an amount of 37,000 tonnes PX produced by the Company during trial processing. The aggregate consideration under the Agreement will not be more than RMB253,000,000 (which is equivalent to 3% of the consolidated net tangible assets value of the Company as at 31 December 2002).

Sinopec Corp. is the holding company of the Company, and Yizheng is held 42% by Sinopec Corp. Under Chapter 14 of the Listing Rules, Yizheng is regarded as a connected person of the Company, the sales under the Agreement therefore constitute connected transactions for the Company. As the estimate aggregate consideration under the Agreement will be less than 3% of the consolidated net tangible assets value of the Company as at 31 December 2002 and 30 June 2003, the sales under the Agreement are subject to disclosure (by way of press announcement) and approval from independent shareholders is not necessary. Details of the Transactions will be disclosed in the annual report ending 31 December 2003.

1. PARTICULARS OF THE AGREEMENT

(1) Date: 16 October 2003

(2) Vendor: The Company

Purchaser: Yizheng

(3) Sales amount and consideration

The amount of PX to be sold will be 37,000 tonnes. The aggregate consideration will not exceed RMB253,000,000 (equivalent to 3% of the consolidated net tangible assets value of the Company as at 31 December 2002) according to the pricing formula of the Agreement.

(4) Delivery and Payment:

To be delivered by installments during October of 2003. Payment will be made 15 days after each delivery on board.

(5) Pricing:

Determined in accordance of the pricing formula in the Agreement and based on the ICIS North Eastern Asia CFR Spot Price and Contract Price and will not be more than RMB6,500 per tonne. There is no price comparison with independent third parties as the Company has not yet sold PX to any other party. The average ICIS North Eastern Asia CFR Spot Price and Contract Price in September 2003 were approximately US\$575 per tonne and US\$567.5 per tonne, respectively.

2. REASONS FOR THE CONNECTED TRANSACTIONS

The Company began to build the PX unit with an annual production capacity of 450,000 tpa in 2002 and has begun trial processing in August of 2003. The Company plans to adjust and further optimize its equipment and operating process in early November of 2003.

The Transactions of this Agreement relate only to the selling of PX produced by the Company during trial processing from August to October 2003. Based on the pricing formula set out in the Agreement, the average price of PX so determined will not be more than RMB6,500 per tonne. Accordingly, the aggregate consideration for the sales of 37,000 tonnes of PX as contemplated under the Transactions will not exceed 3% of the consolidated net tangible assets value of the Company as at 31 December 2002 and 30 June 2003.

PX is the raw material for the production of PTA, one of the principal raw materials of polyester products. Yizheng is one of the largest PTA manufacturers in the PRC. The Agreement guarantees the sale of the Company's PX produced during the trial processing period.

The Board (including independent non-executive director) are of the view that the Transactions are entered into on normal commercial terms and the terms of the Agreement are fair and reasonable as far as all the shareholders of the Company are concerned.

The Company is currently in negotiation with Yizheng to explore the possibility of entering into a long term PX sale & purchase agreement. If the Company and Yizheng reach further agreement, the Company will make the relevant announcements in compliance with the Listing Rules and seek the approval of independent shareholders (if necessary).

3. CONNECTED TRANSACTIONS

Sinopec Corp. holds 1,800,000,000 State-owned legal person shares in the Company, representing 71.32% of the issued share capital of the Company, and the Company is the subsidiary of Sinopec Corp. Sinopec Corp. also holds a 42% interest in Yizheng. Under Chapter 14 of the Listing Rules, Yizheng is regarded as a connected person of the Company, the sales under the Agreement therefore constitute connected transactions for the Company. As the estimate aggregate consideration under the Agreement will be less than 3% of the consolidated net tangible assets value of the Company as at 31 December 2002 and 30 June 2003, the sales under the Agreement are subject to disclosure (by way of press announcement) and approval from independent shareholders is not necessary. Details of the Transactions will be disclosed in the annual report ending 31 December 2003.

4. GENERAL

The Company is principally engaged in the production and sale of gasoline, kerosene, diesel, and other petrochemical products (including PX). Yizheng is principally engaged in the production and sale of polyester products and PTA, one of the principal raw materials of polyester products.

5. TERMS USED IN THIS ANNOUNCEMENT

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

“Agreement”	the conditional agreement dated 16 October 2003 and entered into between the Company and Yizheng in relation to the sale and purchase of PX produced by the Company during trial processing
“Board”	the Board of Directors of the Company
“Company”	Sinopec Zhenhai Refining & Chemical Company Limited (中國石化鎮海煉油化工股份有限公司), a joint stock limited company incorporated in the PRC whose H shares are listed on the Stock Exchange
“CFR”	Cost and freight (a trade term)
“ICIS”	ICIS-LOR Group, an international organisation based in the United Kingdom which provides pricing information on the petrochemical and oil markets on a global basis. ICIS is a third party independent from the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“PTA”	purified terephthalic acid
“PX”	paraxylene
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“Shareholder(s)”	the holder(s) of the Shares of the Company
“Sinopec Corp.”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司), a joint stock limited company incorporated in the PRC, whose H shares are listed on the Stock Exchange and listed A shares are traded on the Shanghai Stock Exchange

“Stock Exchange”	The Stock Exchange of the Hong Kong Limited
“Transactions”	The transactions as contemplated under the Agreement
“Yizheng”	Sinopec Yizheng Chemical Fibre Company Limited (中國石化儀征化纖股份有限公司), a joint stock limited company incorporated in the PRC whose H shares are listed on the Stock Exchange and listed A shares are traded on the Shanghai Stock Exchange

By Order of the Board
Su Dwen
Company Secretary

16 October 2003, Ningbo, the PRC

Please also refer to the published version of this announcement in the South China Morning Post.