



中國石化鎮海煉油化工股份有限公司
SINOPEC ZHENHAI REFINING & CHEMICAL COMPANY LIMITED

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

(Stock Code: 1128)

ANNOUNCEMENT

Summary

The Company wishes to clarify recent news reports misstating the prices of PX sold by the Company to Yizheng.

On 10 November 2003, the Board announced that the Company entered into the Agreement to sell paraxylene (“PX”) to Yizheng until 31 December 2005. The price of the PX would be determined in accordance with the pricing formula in the Agreement which is based on the ICIS CFR N. E. Asia Spot Price and Contract Price. Further details of the sale of PX are contained in the circular of the Company dated 2 December 2003.

The Company noted there have been recent reports misstating that the price of PX sold by the Company to Yizheng was capped at a price of US\$805 per tonne. The Company hereby clarifies that:

- (1) The price formula is based on ICIS CFR N.E. Asia Spot and Contract Prices from time to time.
- (2) As mentioned in the Circular, the maximum amount of PX to be sold by the Company to Yizheng (the “Cap”) is based on a percentage of the consolidated turnover of the Company, being 13% of the consolidated turnover of the Group of the preceding year for 2004 and 2005. In 2004, the Cap is 13% of the RMB29.1 billion consolidated turnover of the Group in 2003. According to the sales volume in 2004 of 250,000 tonnes under the Agreement, the average price of PX can reach RMB11,000 per tonne or above. The 2004 consolidated turnover increased dramatically, and according to the sales volume in 2005 of 300,000 tonne volume under the Agreement, the average price of PX can reach well above RMB11,000 per tonne; therefore, effectively there is no constraint on the actual price of PX sold to Yizheng in 2005 under the Agreement.
- (3) In the Circular, the Company, on a best estimate basis after taking into consideration the historical ICIS CFR N.E. Asia Spot and Contract Prices, assumed a price of RMB8,000 per tonne to calculate the maximum dollar amount of the Cap. However, the actual price is determined by the price formula as mentioned above. In November and December 2004, the actual prices (including applicable taxations) of PX sold by the Company to Yizheng exceeded RMB8,000 per tonne.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context requires otherwise, the following terms and expressions shall have the following meanings:

“Agreement”	the conditional agreement dated 10 November 2003 and entered into between the Company and Yizheng in respect of the sale of PX by the Company after the trial processing period
“Board”	the board of Directors
“Cap”	the maximum amount of PX to be sold to Yizheng as a percentage of the consolidated turnover of the Group
“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
“Director(s)”	director(s) of the Company, including independent non-executive directors
“Group”	the Company and its subsidiaries
“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 an independent third party not connected with the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States
“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

As at the date of this announcement, the Board of Directors of the Company comprises Mr Sun Weijun, Mr Zhan Juping, Mr Xu Liqiao, Mr Sun Jianli, Mr Zhao Jinxuan and Mr Yu Renming as executive directors; Ms Wang Lisheng and Mr Hu Weiqing as non-executive directors; and Mr Sun Yongsen, Mr Cen Kefa, Mr Li Linghong and Ms Qiu Yun as independent non-executive directors.

By Order of the Board
Su Dewen
Company Secretary

22 February 2005, Ningbo, the PRC

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