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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION**

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**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 advisers.

**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 or transfer was effected for delivery to the purchaser or transferee.

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中国石油化工股份有限公司

**CHINA PETROLEUM & CHEMICAL CORPORATION**

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

**PROPOSED DOMESTIC CORPORATE BOND ISSUE**

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A notice convening an extraordinary general meeting of China Petroleum & Chemical Corporation to be held at the Conference Room on the 6th Floor of the Offices of China Petroleum & Chemical Corporation, 6A Huixindong Street, Chaoyang District, Beijing, the People's Republic of China on Wednesday, 15 October 2003 at 9:00 a.m. is set out on pages 6 to 9 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.

25 August 2003

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## LETTER FROM THE CHAIRMAN

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中国石油化工股份有限公司

**CHINA PETROLEUM & CHEMICAL CORPORATION**

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

*Directors:*

Chen Tonghai  
Wang Jiming  
Mou Shuling  
Zhang Jiaren  
Cao Xianghong  
Liu Genyuan  
Liu Kegou  
Fan Yifei

*Independent Non-Executive Directors:*

Chen Qingtai  
Ho Tsu Kwok Charles  
Shi Wanpeng  
Zhang Youcai

*Employee Representative Director:*

Cao Yaofeng

*Registered Office:*

A6, Huixindong Street  
Chaoyang District  
Beijing, 100029  
People's Republic of China

*Place of Business in Hong Kong:*

12th Floor, Office Tower  
Convention Plaza  
1 Harbour Road  
Wan Chai  
Hong Kong

25 August 2003

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED DOMESTIC CORPORATE BOND ISSUE**

#### **1. INTRODUCTION**

On 22 August 2003, China Petroleum & Chemical Corporation ("Sinopec Corp.") announced that it has made an application to the National Development and Reform Commission ("NDRC") (such application has been referred to the State Council pending its approval) in relation to a proposed issue of domestic corporate bonds of an aggregate value of RMB3.5 billion (the "03 Sinopec Bonds") to citizens holding valid and legal proof of identity of the People's Republic of China ("PRC") and PRC legal persons, save for those who are prohibited by PRC laws or regulations from subscription (the "Bond Issue"). It is intended that applications be made immediately after the Bond Issue is completed to the China Securities Regulatory Commission ("CSRC") and the Shanghai Stock Exchange for the listing of the 03 Sinopec Bonds on the Shanghai Stock Exchange.

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Under the Company Law of the PRC and Sinopec Corp.'s articles of association, the Bond Issue is subject to the approval of shareholders (including holders of H Shares and holders of Domestic Shares).

Upon the approval of the Bond Issue by the shareholders of Sinopec Corp. at an extraordinary general meeting, the Bond Issue will still be subject to the final approval of the NDRC and the State Council. The timing of the Bond Issue shall be subject to both the final approvals of the NDRC and the State Council, as well as the bond market conditions in the PRC. Further announcement will be made by Sinopec Corp. when the final approvals of the NDRC and the State Council have been obtained and the maturity period and the coupon rate of the 03 Sinopec Bonds have been fixed.

The purpose of this circular is to provide you with the information and the recommendation of the board of directors of Sinopec Corp. ("Directors") in respect of the proposed Bond Issue.

### 2. DETAILS THE PROPOSED BOND ISSUE

The proposed arrangements for the Bond Issue are as follows (such arrangements shall be subject to the terms and conditions in the offering prospectuses finally approved by the NDRC):

- |        |                                   |  |
|--------|-----------------------------------|--|
| (i)    | Total issuing amount:             | RMB3.5 billion   |
| (ii)   | Bond maturity:                    | 15 years or 20 years (single category)   |
| (iii)  | Issue price:                      | According to the par value of the bonds  |
| (iv)   | Coupon rate:                      | Fixed rate with interests being paid annually. The reasonable range of interest rates are preliminarily estimated to be between 4.14% to 4.34% per annum (15 years) and 4.29% to 4.49% per annum (20 years), subject to the final approval of the People's Bank of China |
| (v)    | Form of bonds:                    | The 03 Sinopec Bonds will be booked under the real names of the investors and in the form of depository certificates universally printed by China Government Securities Depository Trust & Clearing Co., Ltd.  |
| (vi)   | Interest and principal repayment: | The interest will be paid annually. The principal will be repaid together with the last instalment of interest   |
| (vii)  | Scope of issuance:                | Available to the public of the PRC   |
| (viii) | Target subscribers:               | Citizens holding valid and legal proof of identity of the PRC and PRC legal persons (save for those who are prohibited by PRC laws or regulations from subscription)   |

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## LETTER FROM THE CHAIRMAN

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- (ix) Guarantor: China Petrochemical Corporation (being the controlling shareholder of Sinopec Corp.), which shall receive RMB3.5 million from Sinopec Corp. as the consideration for providing the guarantee for the whole term of the Bond Issue. The guarantee shall be obtained by Sinopec Corp. from China Petrochemical Corporation on normal commercial terms and in the ordinary and usual course of business of Sinopec Corp.
- (x) Listing of bonds: Applications be made immediately after the Bond Issue is completed to the CSRC and the Shanghai Stock Exchange for the listing of the 03 Sinopec Bonds on the Shanghai Stock Exchange

### 3. USE OF PROCEEDS

It is expected that the net proceeds arising from the Bond Issue will amount to approximately RMB3.47 billion. The Directors presently intend to apply the proceeds to fund the construction of pipelines for imported crude oil in Ningbo-Shanghai-Nanjing (“Ningbo-Shanghai-Nanjing Pipeline Project”) and refined oil products in the southwestern region of the PRC (“Southwestern Pipeline Project”), as well as projects for the improvement of the adjustment technology for the structure of synthetic resin products (“Synthetic Resin Project”) and the adjustment technology for raw materials of chemical fertilizers in the Baling region of Hunan (“Baling Project”), Hubei (“Hubei Project”) and Jinling of the PRC (“Jinling Project”).

The Ningbo-Shanghai-Nanjing Pipeline Project and the Southwestern Pipeline Project were previously disclosed in an announcement issued by Sinopec Corp. on 12 April 2001 and part of the proceeds from the Bond Issue shall be used to supplement this two projects. The feasibility study for the Ningbo-Shanghai-Nanjing Pipeline Project was approved by the State Development Planning Commission (being the current NDRC) pursuant to the approval document no. Jichanye [2002] 2824. It is estimated that the Ningbo-Shanghai-Nanjing Pipeline Project shall be completed in 2005. The feasibility study for the Southwestern Pipeline Project was approved by the NDRC pursuant to the approval document no. Fagaigongye [2003] 3451. It is estimated that the Southwestern Pipeline Project shall be completed in 2004.

The feasibility study of the Synthetic Resin Project was approved by the State Economic and Trade Commission (“SETC”) pursuant to the approval document no. Guojingmao [2002] 141. It is estimated the Synthetic Resin Project shall be completed in 2004. The feasibility studies of the Baling Project, Hubei Project and Jinling Project were approved by the SETC pursuant to the approval documents no. Guojingmao [2001] 465, Guojingmao [2001] 162 and Guojingmao [2001] 161 respectively. It is estimated that the Jinling Project shall be completed in 2004 while the Baling Project and the Hubei Project shall be completed in 2005.

Further announcement will be made by Sinopec Corp. when further details of such projects and the breakdown of the use of proceeds of the Bond Issue are available.

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## LETTER FROM THE CHAIRMAN

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#### 4. IMPACT OF THE BOND ISSUE ON THE CAPITAL STRUCTURE OF SINOPEC CORP.

On the basis of the estimated net proceeds arising from the Bond Issue, Sinopec Corp.'s capital structure as at 31 December 2002 and after the completion of the Bond Issue are as follows:

	According to the PRC Accounting Rules and Regulations		According to the International Financial Reporting Standards	
	As at 31 December 2002 <i>RMB billion</i>	After the Bond Issue <i>RMB billion</i>	As at 31 December 2002 <i>RMB billion</i>	After the Bond Issue <i>RMB billion</i>
Total Debt	197.75	201.25	197.48	200.98
Total Asset	368.38	371.88	375.88	379.38
The ratio of Total Debt to Total Asset	53.7%	54.1%	52.5%	53.0%

#### 5. RECOMMENDATION

The Directors consider that the Bond Issue is in the interests of Sinopec Corp. and will be beneficial to the improvement of the shareholder's return on their investment. The interest rate in Renminbi is currently at a historically low level after being reduced consecutively for 8 times since May 1996. On the other hand, the amount of savings deposited in PRC financial institutions has increased substantially due to the steady economic growth in the PRC. The Directors, therefore, consider that it is the appropriate time to finance the funding of Sinopec Corp. through the Bond Issue.

The Directors also consider that the Bond Issue will enable Sinopec Corp. to broaden its financing channels. The Bond Issue shall become a new type of financing vehicle of Sinopec Corp. after the issue of H shares of Sinopec Corp. ("H Shares") and domestic shares of Sinopec Corp. ("Domestic Shares").

As the cost of debt financing is much lower than that of equity financing, the Directors consider that debt financing is in general more preferable over equity financing. A corporate bond issue also has the lowest cost of financing, compared with bank loans and other financing tools currently available. The interest rates for the 03 Sinopec Bonds is preliminarily estimated to be between 4.14% to 4.34% per annum (15 years) and between 4.29% to 4.49% per annum (20 years) (subject to the final approval of the People's Bank of China), whereas the current basic interest rate of bank loans in the PRC for 1 to 3 years, 3 to 5 years and more than 5 years is 5.49%, 5.58% and 5.76% per annum, respectively.

#### 6. EXTRAORDINARY GENERAL MEETING

You will find on pages 6 to 9 of this circular a notice of the extraordinary general meeting to be held at the Conference Room on the 6th Floor of Sinopec Corp.'s Offices at 6A Huixindong Street, Chaoyang District, Beijing, PRC on Wednesday, 15 October 2003 at 9:00 a.m. ("EGM").

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## LETTER FROM THE CHAIRMAN

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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 of 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.

### 7. GENERAL

According to the Articles of Association of Sinopec Corp., the register of members of Sinopec Corp. will be closed from 16 September 2003 to 15 October 2003 (both dates inclusive). Shareholders should note that during such period no H Share transfer will be registered.

Holders of Sinopec Corp.'s H shares whose names appear on the register of members maintained by Computershare Hong Kong Investor Services Limited and holders of domestic shares whose names appear on the domestic shares register maintained by Sinopec Corp. at the close of business on Monday, 15 September 2003 are eligible to attend the EGM.

Holders of H shares and domestic shares intending to attend the EGM should return the reply slip for attending the EGM to Sinopec Corp. on or before Thursday, 25 September 2003.

Yours faithfully  
**China Petroleum & Chemical Corporation**  
**Chen Tonghai**  
*Chairman*

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## NOTICE OF EGM

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中国石油化工股份有限公司

**CHINA PETROLEUM & CHEMICAL CORPORATION**

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

### **NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING FOR THE YEAR 2003**

**NOTICE IS HEREBY GIVEN** that the second Extraordinary General Meeting (the "EGM") of China Petroleum & Chemical Corporation ("Sinopec Corp.") for the year 2003 will be held at the Conference Room on the 6th Floor of Sinopec Corp.'s Offices at 6A Huixindong Street, Chaoyang District, Beijing, the People's Republic of China ("PRC") on Wednesday, 15 October 2003 at 9:00 a.m. for the following purposes:

**To consider and approve the following matters by way of Special Resolutions:**

1. Sinopec Corp. be and is hereby approved and authorised, within 12 months from the date of passing of this resolution, to issue, according to the following proposal (the proposal for the issue of the 03 Sinopec Bonds shall be in accordance with the Offering Prospectuses finally approved by the National Development and Reform Commission ("NDRC")), corporate bonds to citizens holding valid and legal proof of identity of the PRC and PRC legal persons, save for those who are prohibited by PRC laws or regulations from subscription (this resolution is conditional on the final approval of the NDRC and the State Council):
  - (i) Title of the bonds: 2003 Sinopec Corporate Bonds (the "03 Sinopec Bonds")
  - (ii) Total issuing amount: RMB3.5 billion
  - (iii) Bond maturity: 15 years or 20 years (single category)
  - (iv) Issue price: According to the par value of the bonds
  - (v) Coupon rate: Fixed rate with interests being paid annually. The reasonable range of interest rates are preliminarily estimated to be between 4.14% to 4.34% per annum (15 years) and 4.29% to 4.49% per annum (20 years), subject to the final approval of the People's Bank of China
  - (vi) Form of bonds: The 03 Sinopec Bonds will be booked under the real names of the investors and in the form of depository certificates universally printed by China Government Securities Depository Trust & Clearing Co., Ltd.

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## NOTICE OF EGM

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| (vii) Interest and principal repayment: | The interest will be paid annually. The principal will be repaid together with the last instalment of interest   |
| (viii) Target subscribers:              | Citizens holding valid and legal proof of identity of the PRC and PRC legal persons (save for those who are prohibited by PRC laws or regulations from subscription)   |
| (ix) Scope of issuance:                 | Available to the public of the PRC   |
| (x) Reason for bond issuance:           | The issuance of the 03 Sinopec Bonds in the PRC can broaden financing channels and reduce financing costs  |
| (xi) Use of proceeds:                   | To fund the construction of pipelines for imported crude oil in Ningbo-Shanghai-Nanjing and refined oil products in the southwestern region of the PRC, as well as projects for the improvement of the adjustment technology of the structure of synthetic resin products and the adjustment technology for raw materials of chemical fertilizers  |
| (xii) Guarantor:                        | China Petrochemical Corporation (being the controlling shareholder of Sinopec Corp.), which shall receive RMB3.5 million from Sinopec Corp. as the consideration for providing the guarantee for the whole term of the issue of the 03 Sinopec Bonds. The guarantee shall be obtained by Sinopec Corp. from China Petrochemical Corporation on normal commercial terms and in the ordinary and usual course of business of Sinopec Corp. |
| (xiii) Listing of bonds:                | Application(s) be made immediately after the offering of the 03 Sinopec Bonds is completed to the China Securities Regulatory Commission and the Shanghai Stock Exchange for the listing on the Shanghai Stock Exchange  |
2. The board of directors of Sinopec Corp. be and is hereby authorised to deal with all matters in connection with the issuance of the 03 Sinopec Bonds, including but not limited to:
- (a) exercising all the powers of Sinopec Corp. to determine the timing and the terms of the issue of the 03 Sinopec Bonds;
  - (b) formulating the offering prospectuses for the 03 Sinopec Bonds;

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## NOTICE OF EGM

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- (c) signing material contracts in connection with the use of proceeds from the issue of the 03 Sinopec Bonds; and
- (d) dealing with all other matters in connection with the issue of the 03 Sinopec Bonds.

By Order of the Board  
**Chen Ge**  
*Secretary to the Board of Directors*

Beijing, PRC, 22 August 2003

**Notes:**

**1. ELIGIBILITY FOR ATTENDING THE EGM**

Holders of Sinopec Corp.'s H shares whose names appear on the register of members of Sinopec Corp. maintained by Computershare Hong Kong Investor Services Limited and holders of domestic shares whose names appear on the domestic shares register maintained by Sinopec Corp. at the close of business on Monday, 15 September 2003 are eligible to attend the EGM.

**2. PROXY**

- (a) A member eligible to attend and vote at the EGM is entitled to appoint, in written form, one or more proxies to attend and vote on its behalf. A proxy need not be a shareholder.
- (b) A proxy should be appointed by a written instrument signed by the appointor or its attorney duly authorised in writing. If the form of proxy is signed by the attorney of the appointor, the power of attorney authorising that attorney to sign or other authorisation document(s) must be notarised.
- (c) To be valid, the power of attorney or other authorisation document(s) which have been notarised together with the completed form of proxy must be delivered, in the case of holders of domestic shares, to Sinopec Corp. and, in the case of holders of H shares, to Computershare Hong Kong Investor Services Limited, not less than 24 hours before the time designated for holding of the EGM.
- (d) A proxy may exercise the right to vote by a show of hands or by poll. However, if more than one proxy is appointed by a shareholder, such proxies shall only exercise the right to vote by poll.

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## NOTICE OF EGM

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### 3. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

- (a) A shareholder or his proxy shall produce proof of identity when attending the meeting. If a shareholder is a legal person, its legal representative or other persons authorised by the board of directors or other governing body of such shareholder may attend the EGM by producing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such persons to attend the meeting.
- (b) Shareholders intending to attend the EGM should return the reply slip for attending the EGM to Sinopec Corp. on or before Thursday, 25 September 2003.
- (c) Shareholders may send the above reply slip to Sinopec Corp. in person, by post or by fax.

### 4. CLOSURE OF REGISTER OF MEMBERS

The register of members of Sinopec Corp. will be closed from Tuesday, 16 September 2003 to Wednesday, 15 October 2003 (both days inclusive).

### 5. OTHER BUSINESS

- (a) The EGM will not last for more than one day. Shareholders who attend shall bear their own travelling and accommodation expenses.
- (b) The address of the share registrar for H shares of Sinopec Corp., Computershare Hong Kong Investor Services Limited, is at:

Rooms 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

- (c) The registered address of Sinopec Corp. is at:

A6 Huixindong Street  
Chaoyang District  
Beijing 100029  
The People's Republic of China  
Telephone No.: (+86) 10 6499 0060  
Facsimile No.: (+86) 10 6499 0022