

CHINA PETROLEUM & CHEMICAL CORPORATION

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

ANNOUNCEMENT

On 2 November 2000, there were certain articles in the press in relation to potential reduction of shareholding in the Company by the Domestic Shareholders. The Board wishes to clarify that other than the transfer of certain Domestic Shares by the Domestic Shareholders back to Sinopec Group Company pursuant to the Debt Equity Swap Agreement which has been disclosed in the Prospectus, the Board is not aware of any proposed disposal of shareholding in the Company by the Domestic Shareholders. The Domestic Shareholders are subject to the lock-up provisions as more particularly described in the Prospectus.

Articles in the press

The Board noted that on 2 November 2000, there were certain articles in the press of Hong Kong in relation to potential reduction of shareholding in the Company by the Domestic Shareholders. The Board wishes to clarify that other than the transfer of certain Domestic Shares by the Domestic Shareholders back to Sinopec Group Company pursuant to the Debt Equity Swap Agreement, the Board is not aware of any potential reduction of shareholding in the Company by the Domestic Shareholders.

Transfer back under the Debt Equity Swap Agreement

As disclosed in the Prospectus, under the Debt Equity Swap Agreement, the Domestic Shareholders agreed to extinguish RMB30.15 billion of debt owed to them and waive any right to pursue Sinopec Group Company for any claims they may have in respect of such debt. In return, Sinopec Group Company transferred to the Domestic Shareholders an aggregate of approximately 21.1 billion Domestic Shares based on a valuation of approximately RMB1.43 per share. As a result, Sinopec Group Company, China Development Bank, China Cinda Asset Management Corporation, China Orient Asset Management Corporation and China Hua Rong Asset Management Corporation are currently holding 54.8%, 11.4%, 11.3%, 1.7% and 0.8% respectively of the entire issued share capital of the Company. According to the Debt Equity Swap Agreement, if the offer price per H Share in the initial public offering of the Company exceeds the per share valuation used in the debt to equity swap described above, the Domestic Shareholders may be obligated on a pro rate basis to transfer back to Sinopec Group Company without consideration a portion of the Company's shares held by them. Moreover, the Debt Equity Swap Agreement also provides that if the Domestic Shareholders collectively hold more than 23% of the enlarged issued share capital of the Company after the Company's initial public offering, the Domestic Shareholders may also be obliged on a pro rate basis to transfer back to Sinopec Group Company a portion of the Company's Domestic Shares held by them in order to ensure that Sinopec Group Company's shareholding remains at or above 51% of the Company's entire issued share capital. In this

instance, the amount of the debt which is equivalent to the value of the Domestic Shares so surrendered to Sinopec Group Company to maintain its 51% shareholding in the Company will become a one-year loan due from Sinopec Group Company. Since the offer price per H Share of the Company was HK\$1.61 (inclusive of 0.01% Stock Exchange transaction levy and 0.1% brokerage), which exceeds the per share valuation used in the debt to equity swap under the Debt Equity Swap Agreement, the Domestic Shareholders will transfer some of their Domestic Shares back to Sinopec Group Company according to the Debt Equity Swap Agreement. The Board is aware that Sinopec Group Company and the Domestic Shareholders are working together on the above transfer back. However, the number of Domestic Shares to be transferred back to Sinopec Group Company has not been determined yet. Since the transfer back have to be approved by the Ministry of Finance, it is difficult for the Company to estimate when the transfer back will take effect.

Lock-up

The Board wishes to further clarify that each of the Domestic Shareholders has undertaken that it will not during the period up to one year after the date on which trading in the H Shares commences on the Stock Exchanges, sell or otherwise transfer any of the shares of the Company except for transfer of shares to Sinopec Group Company as contemplated by the Debt Equity Swap Agreement. Each of China Development Bank and China Cinda Asset Management Corporation has also undertaken that it will not, during the period beginning 20 October 2001 until and including 19 October 2003, sell or otherwise transfer, during any six month period, more than 20% of the shares of the Company held by it.

Definitions

"Board"

means the board of directors of the Company;

"Company"

means China Petroleum & Chemical Corporation;

"Debt Equity Swap Agreement"

means the agreement dated 23 March 2000 entered into between Sinopec Group Company and the Domestic Shareholders in relation to the extinguishment of a debt totalling RMB30.15 billion in exchange for approximately 21.1 billion Domestic Shares;

"Domestic Shareholders"

means China Development Bank, China Cinda Asset Management Corporation, China Orient Asset Management Corporation and China Hua Rong Asset Management Corporation;

"Domestic Shares"

means shares of par value RMB1.00 each in the capital of the Company issued and subscribed for in Renminbi;

"HK\$"

means the lawful currency of the Hong Kong Special Administrative Region of the PRC;

"H Shares"

means overseas listed foreign shares with a par value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange;

"PRC"

means the People's Republic of China;

"Prospectus"

means the Company prospectus dated 9 October 2000;

"RMB" or "Renminbi"

means the lawful currency of the PRC;

"Sinopec Group Company"

means China Petroleum Corporation, being the controlling shareholders of the Company; and

By Order of the Board

China Petroleum & Chemical Corporation

Zhang Honglin

Company Secretary

Hong Kong, 2 November 2000