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)

PROPOSED APPLICATION TO ISSUE A SHARES IN THE PRC

Following the Annual General Meeting, which had approved, among others, the application and implementation of the A Share Issue and the proposed listing of such A Shares on the Shanghai Stock Exchange in the PRC, the Board is pleased to announce that CSRC has approved the A Share Issue on 20th June, 2001. The Preliminary Prospectus will be published in the newspapers in the PRC on 22nd June, 2001 and application will be made to the Shanghai Stock Exchange for the listing of the A Shares.

Reference is made to the announcements published by Sinopec Corp. on 17th April, 2001 and 6th June, 2001 regarding the proposed A Share Issue and the resolutions passed at the Annual General Meeting respectively. Following the Annual General Meeting, which had approved, among others, the application and implementation of the A Share Issue and the proposed listing of such A Shares on the Shanghai Stock Exchange, the Board is pleased to announce that CSRC has approved the A Share Issue on 20th June, 2001. The Preliminary Prospectus will be published in the PRC newspapers on 22nd June, 2001 and an application will be made to the Shanghai Stock Exchange for the listing of the A Shares.

STRUCTURE OF THE A SHARE ISSUE

Summary of the structure of the A Share Issue is set out below:

Stock exchange for the proposed listing of the A Shares:	Shanghai Stock Exchange
Type of securities to be issued:	domestically listed ordinary shares of par value RMB 1.00 per share (i.e. A Shares)
Number of A Shares to be issued:	2.8 billion A Shares
Target subscribers:	Natural persons and institutional investors in the PRC (except those prohibited by PRC laws or regulations) who and which have established shareholder accounts with the Shanghai Stock Exchange for A Shares
Issue price and pricing process:	The issue price will be within a fixed price range and determined based on the book-building method. The final issue price and the pricing process shall be determined by the Board, as approved at the Annual General Meeting.
Net asset value per Share as of 31st December, 2000 prepared under the PRC Accounting Rules and Regulations:	RMB 1.44
Use of proceeds:	approximately RMB 6,446.1 million from the proceeds will be used mainly for funding the acquisition by Sinopec Corp. of the equity interest of Sinopec National Star, a wholly-owned subsidiary of Sinopec Group Company, as mentioned in the announcement of Sinopec Corp. published on 17th April, 2001. Apart from this, approximately RMB 1.47 billion of the proceeds will be invested in the "Ningbo-Shanghai-Nanjing Crude Oil Import Pipeline" project and approximately RMB 2.44 billion of the proceeds will be invested in the "Maoming-Guizhou-Kunming Refined Oil Pipeline" project. After the proceeds of the A Share Issue have been used in the above projects in the above order, any remaining balance of the proceeds will be used as additional working capital of the Company. If the proceeds are not sufficient for funding the acquisition of the equity interest in Sinopec National Star and the pipeline projects, the Company will use its internal resources for funding.

REASONS FOR THE A SHARE ISSUE

The Board considers that the A Share Issue will provide Sinopec Corp. a new channel to raise capital and it is the right timing to issue A Shares because the market condition in the PRC is suitable.

EFFECTS OF THE A SHARE ISSUE ON SINOPEC CORP.'S CAPITAL STRUCTURE

Set out below is a summary of the changes in the shareholding percentage of Sinopec Corp. prior to and immediately after the completion of the A Share Issue based on the assumption that 2.8 billion A Shares will be issued:

Type of shares	Prior to the A Share Issue	Shareholding percentage (%) (Approximate)	Immediately after completion of the A Share Issue	Shareholding percentage (%) (Approximate)
State-owned shares	67,121,951,000	80	67,121,951,000	77.42
A Shares	—	—	2,800,000,000	3.23
H Shares	16,780,488,000	20	16,780,488,000	19.35
Total	83,902,439,000	100	86,702,439,000	100

PRELIMINARY PROSPECTUS

The Chinese version of the Preliminary Prospectus will be published in the China Securities, Shanghai Securities News, Securities Times and the website http://www.sse.com.cn on 22nd June, 2001.

The Preliminary Prospectus has included the Profit Forecast. The Profit Forecast is defined in this announcement to include the principal basic assumptions set out below.

The Profit Forecast, which was compiled on the principal basic of the assumptions made by the Directors, has been prepared under the Accounting Standard for Business Enterprises and Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the PRC ("PRC Accounting Rules and Regulations") and accounting policies consistent with those of the financial and accounting information of the Company as set out in the Preliminary Prospectus. The preparation of the Profit Forecast is solely the responsibility of the Board. The compilation and calculation of the Profit Forecast have been reviewed by Sinopec Corp.'s PRC certified public accountants, KPMG Peat Marwick Huazhen. The Company wishes to caution investors that the forward-looking statements set forth in the Profit Forecast below have not been prepared with a view toward compliance with published guidelines of the Hong Kong Society of Accountants or the American Institute of Certified Public Accountants regarding forecasts. The Profit Forecast may be subject to adjustment if it were to be prepared based on IAS and has not been reviewed by any independent financial adviser or auditors in Hong Kong. Investors are reminded that owing to the uncertainty of the assumptions on which the Profit Forecast is based, investors should read the Profit Forecast with caution and should not rely unduly on the Profit Forecast in making investment decisions.

The section headed "Profit Forecast" in the Preliminary Prospectus is reproduced below.

PROFIT FORECAST

1 **Introduction**

1.1 The Profit Forecast has been prepared for the year ending 31st December, 2001 in accordance with the principal basic assumptions set forth in section 3 and on the basis of the actual operating results of the Company. for the year ended 31st December, 2000 as audited by the PRC certified public accountants, after taking into consideration the investment plans, production plans, marketing plans and production and operating capacity of the Company for the year ending 31st December, 2001. The accounting policies adopted in preparing the Profit Forecast are consistent with those stated in the financial and accounting information set out in the A Share Prospectus. These accounting policies are in compliance with the PRC Accounting Rules and Regulations.

1.2 The Profit Forecast is prepared for the purpose of the proposed A Share Issue of Sinopec Corp. in 2001.

1.3 The Profit Forecast is solely the responsibility of the Directors. This report contains all the significant relevant information the Directors and the management used for the appraisal of the Profit Forecast. The information has not been audited and the relevant assumptions have not been independently verified.

1.4 The preparation of the Profit Forecast follows the prudence principle. However, the assumptions on which the Profit Forecast is based are subject to uncertainties, and investors should not rely unduly on this Profit Forecast in making investment decisions.

2 **Profit Forecast**

The Board estimates, in the absence of unforeseen circumstances and subject to the principal basic assumptions set forth in section 3, the forecast results for the year ending 31st December, 2001 under the PRC Accounting Rules and Regulations will be approximately RMB 18,023 million. The actual results for the year ended 31st December, 2000 under the PRC Accounting Rules and Regulations and the forecast results for the year ending 31st December, 2001 under the PRC Accounting Rules and Regulations of the Company are as follows:

	Year ending 31 December, 2001 (forecast) *RMB millions*	Year ended 31 December, 2000 (actual) *RMB millions*
Sales of goods	345,309	322,932
Cost of sales	266,630	249,234
Sales taxes and surcharge	12,998	12,101
Profit from principal operations	65,681	61,597
Total profit	28,323	25,937
Net profit	18,023	16,154

3 **Principal basic assumptions**

3.1 The principal basic assumptions underlying the Profit Forecast are set forth below.

3.2 The proposed A Share Issue will proceed, and the proposed acquisition of the business, assets and liabilities relating to crude oil and natural gas exploration, development and production of Sinopec National Star from Sinopec Group Company will be completed in August 2001. The proceeds from the A Share Issue will be adequate to pay for the consideration of the acquisition. Therefore, the acquisition of Sinopec National Star will not increase the liability nor decrease the assets of Sinopec Corp. The Profit Forecast does not take into account the potential impact on the financial expenses of the excess proceeds from the A Share Issue.

3.3 The forecast sales quantity of major petroleum and chemical products are 88.88 million tonnes and 9.03 million tonnes respectively. The forecast sales amount are approximately RMB 267,895 million and RMB 55,411 million respectively. The prices of major petroleum products are estimated on the basis of the FOB Singapore prices of finished oil products based on the Singapore crude oil price at the level of USD 25 per barrel and the ex-factory and retailing prices are then estimated in accordance with the principles established by relevant state authorities. The forecast prices of chemical products are based on the average actual prices during the second half of the year 2000.

3.4 The Company estimates that the average costs of crude oil applicable to the Company in 2001 will be maintained at USD 25 per barrel which is equivalent to RMB 1,511 per tonne (USD 25 per barrel multiplied by RMB 8.28 per USD and 7.3 tonne per barrel). The budgeted processing volume of crude oil in 2001 is 110.21 million tonnes, of which 81.47 million tonnes are externally purchased and 28.74 million tonnes are self-produced. The forecast processing cost for the purchased crude oil for the year 2001 is approximately RMB 141,540 million. In addition, Sinopec Corp. plans to process 2.97 million tonnes of processed crude oil, the cost of which is approximately RMB 5,960 million.

3.5 The Company estimates the forecast costs of other raw materials and ancillary materials other than the costs of crude oil and processed crude oil is approximately RMB 52,800 million in 2001. The costs of other raw materials and ancillary materials mainly represent raw materials outsourced by the exploration and production segment; fuel and utility, catalysts, addictives and auxiliary material consumed for the processing of crude oil by the refining segment; and gasoline, diesel and other raw materials outsourced by the marketing and distribution segment. In 2001, the marketing and distribution segment plans to outsource 8.85 million tonnes of petroleum products such as gasoline, diesel, kerosene, lubricants, heavy oils and LPG in the amount of approximately RMB 21,700 million. The consumption of catalysts and power is forecast to increase in line with the rise in crude oil processing volume in 2001.

3.6 According to the Company's fixed assets investment plan, depreciation, depletion and amortisation expenses included in the cost of production for 2001 will increase by approximately RMB 1,800 million. In addition, depreciation, depletion and amortisation expenses will further increase by RMB 200 million after the acquisition of Sinopec National Star. The total depreciation, depletion and amortisation expenses included in the cost of production will increase by RMB 2,000 million to RMB 23,100 million.

3.7 In 2001, salary and welfare expenses included in cost of sales represent salaries, staff welfare costs and a number of social security insurances accrued for in accordance with relevant regulations. The Company, as a measure to improve efficiency and profitability, will reduce 27,000 employees in 2001 through retirement, voluntary resignation and layoff. Total cost in connection with this plan will be approximately RMB 1,020 million. After factoring in a reduction of salary expenses for the year, the net increase in personnel expenses will be approximately RMB 850 million. In connection with the acquisition of Sinopec National Star in 2001, the workforce of the Company will increase by 13,000 and the salary and welfare expenses will increase by approximately RMB 100 million. In 2001, the salary and welfare expenses included in cost of sales is estimated to be RMB 7,397 million, which exceeds that of 2000 by approximately RMB 1,000 million.

3.8 Repair and maintenance expenses of the Company mainly represent regular maintenance and overhaul expenses of crude oil exploration facilities, refining and chemical production plants, crude oil and refined oil tanks. In view of the large scale acquisition of service stations and the commencement of operations of newly constructed facilities in the second half of the year 2000 and in 2001, the repair and maintenance expenses in 2001 are estimated to increase slightly by approximately RMB 300 million to RMB 5,431 million.

3.9 Gasoline and diesel are the major products of the Company which are subject to consumption tax. The tax rates are RMB 277.6 per tonne for gasoline and RMB 117.6 per tonne for diesel respectively. Consumption tax is levied during the production stage, included in the selling price and determined based on the volume. Export gasoline and diesel are fully exempted according to the PRC's relevant policies governing the consumption tax. The Company plans to produce 20.45 million tonnes of gasoline in 2001, and, after deducting export of 2.99 million tonnes, gasoline subject to consumption tax is 17.46 million tonnes and the amount of consumption tax is RMB 4,850 million. The Company plans to produce 39.45 million tonnes of diesel in 2001, and, after deducting export of 80,000 tonnes, diesel subject to consumption tax is 39.37 million tonnes and the amount of consumption tax is RMB 4,630 million. Total consumption tax on gasoline and diesel is estimated to be RMB 9,500 million. In addition, city construction tax and education surcharge are determined based on 7% and 3% respectively of the total of net VAT paid, consumption tax and business tax. Other taxes are determined based on production and sales volume. As a result of the forecast increase in crude oil processing volume and sales revenue in 2001, total sales taxes and surcharges will increase accordingly by approximately RMB 900 million to RMB 12,998 million.

3.10 The forecast gross profit margin of the Company in 2001 is 19.02%, which approximates the 19.07% in 2000, due to the offsetting effect of the following three reasons:

(i) Domestic petroleum product prices did not fully reflect the international market prices in the first half of the year 2000 which adversely affected the Company's gross profit margin. Domestic crude oil prices were set at prevailing international market prices, but the prices of the domestic petroleum products in the first half of the year 2000 were not adjusted in line with the prevailing international market prices. Consequently, domestic petroleum product prices did not timely reflect their respective crude oil costs, which resulted in the refining segment generating an operating loss. Although domestic petroleum product prices were eventually adjusted in line with the prevailing international market prices from the second half of the year 2000, the result for the year was affected by the loss incurred in the first half of the year and a decrease in the gross profit margin. In 2001, the Directors forecast that the gross profit margin of the refining segment will improve compared to last year, due to the absence of the aforesaid adverse pricing effect.

(ii) The Company plans to expand its distribution network through acquisition and construction of service stations. The Company has acquired or constructed 9,000 service stations in 2000 and will further acquire or construct 4,000 service stations in 2001. The Directors consider that the Company's sales volume will increase as a result of the increase in number of service stations, and forecast the retail to wholesale ratio in 2001 will increase to 48:52 (2000: 38:62). Therefore, the Directors forecast that gross profit margin of the marketing and distribution segment will increase as compared to last year as a result of the change in sales mix.

(iii) The operating profit and gross profit margin of the exploration and production segment will be lower as compared to last year due to a foreseeable decline in crude oil prices in 2001.

3.11 Sales generated from and expenses incurred to related parties will be in accordance with the related party transaction contract signed on 3rd June, 2000 as part of the reorganisation of Sinopec Corp.

3.12 There will be no material changes in the existing PRC government policies and laws (including legal system and regulations) that the Company has to comply with and there will be no material changes in the existing economic environment.

3.13 There will be no material impact on the Company's business and operations as a result of any changes in the legislation or regulations governing the petrochemical industry in the PRC.

3.14 There will be no material changes in the inflation rate, interest rates and major foreign currency exchange rates from those prevailing as at the date of the issuance of the Prospectus.

3.15 There will be no material changes in the tax bases or rates applicable to the Company.

3.16 There will be no adverse impact on the Company from any interruption of supply of raw materials (primarily crude oil) or finished oil products, labour disputes or any other reasons that are beyond the Directors' control.

3.17 The Company will continue to retain all the certificates and licenses necessary for running the planned business.

3.18 Except for those as set out in section 3.2, there will be no material changes in Sinopec Corp.'s existing shareholding in its subsidiaries until 31st December, 2001 after the A Share Issue.

3.19 There will be no extraordinary or exceptional items during the year ending 31st December, 2001.

SUPPLEMENTARY INFORMATION FOR THE SHAREHOLDERS OF H SHARE AND ADS

Differences between accounts prepared under the PRC Accounting Rules and Regulations and IAS

The accounts of the Company. for each of the three years ended 31st December, 2000 prepared under the PRC Accounting Rules and Regulations were set out in the A Share Prospectus. The major differences between the Company's accounts prepared under IAS and the PRC Accounting Rules and Regulations are set out below:

(i) **Depreciation of oil and gas properties**

Under the PRC Accounting Rules and Regulations, oil and gas properties are depreciated on a straight-line basis. Under IAS, oil and gas properties are depreciated on the unit of production method.

(ii) **Revaluation of fixed assets**

Revaluation was carried out for certain fixed assets of the Company prior to the reorganisation, and provision for depreciation was made based on the revalued amount under the PRC Accounting Rules and Regulations. However, under IAS as the revaluation had not been carried out simultaneously for the same class of fixed assets in previous years, fixed assets are stated and depreciated according to their historical costs. Accordingly, additional depreciation for the revaluation surplus recorded under the PRC Accounting Rules and Regulations has been reversed in the accounts prepared under IAS. After the revaluation on 30th September, 1999 in respect of the reorganisation, such differences are eliminated as fixed assets are stated at their revalued amounts both in the accounts prepared under IAS and the PRC Accounting Rules and Regulations.

(iii) **Gains from issuance of shares by subsidiaries**

Shares issued by certain subsidiaries of Sinopec Corp., which were listed domestically and overseas and sold to independent investors, resulted in an increase in Sinopec Corp.'s share of net assets of the subsidiaries. Under IAS, such increase in Sinopec Corp.'s share of net assets of the subsidiaries after the issuance of shares by the subsidiaries is recognised as income of the Company. Under the PRC Accounting Rules and Regulations, an increase in Sinopec Corp.'s share of net asset value of the subsidiaries is recognised as capital reserve.

(iv) **Amortisation of deferred exchange losses due to unification of foreign exchange rates**

According to the PRC Accounting Rules and Regulations, exchange losses resulted from the foreign exchange system reform on 1st January, 1994 should be capitalised and amortised over five years. Under IAS, exchange losses are recognised in the profit and loss account when incurred. As at 31st December, 1999, all deferred exchange losses arising from the unification of foreign exchange rates had been fully amortised.

(v) **Basis of presentation**

According to rules of overseas securities markets, the basis of presentation of Sinopec Corp. prior to the reorganisation should include the assets and liabilities and related results of operations of certain petroleum and chemical related enterprises that were historically associated with and retained by Sinopec Group Company. However, under the PRC Accounting Rules and Regulations, it is not required to include the assets and liabilities and related results of operation of these enterprises in the basis of presentation prior to the reorganisation. After 31st December, 1999, being the date of reorganisation, there is no difference in the basis of presentation.

(vi) **Allocation of staff quarters**

According to IAS, the loss on allocation of staff quarters should be stated in the profit and loss account. According to the PRC Accounting Rules and Regulations, losses arising from such allocation are debited in the housing fund in accordance with Caikuaizi No. 14 [1995] issued by the Ministry of Finance on 3rd March, 1995. Effects on deferred taxation that had been recognised in the accounts prepared under IAS were reversed to the profit and loss account during 2000.

(vii) **Impairment losses of long-lived assets**

According to the PRC Accounting Rules and Regulations and IAS, provisions for impairment losses will be recognised when the carrying value of long-lived assets exceeds the higher of their net selling price and the value in use. Value in use involves discounting the estimated future cash flows of the assets. Due to the differences in the depreciation method of oil and gas properties and the revaluation of fixed assets discussed in (i) and (ii) above, the provision for impairment losses and reversal of impairment losses under the PRC Accounting Rules and Regulations would be different from the amounts recorded under IAS.

(viii) **Dividends declared after the balance sheet date**

According to IAS, dividends are recognised as liability and stated in the accounts only on the date of its declaration.

Effects of major differences between the PRC Accounting Rules and Regulations and IAS on net profit/loss are analysed as follows:

		2000 *RMB millions*	1999 *RMB millions*	1998 *RMB millions*
Net profit shown in the accounts prepared under the PRC Accounting Rules and Regulations		16,154	5,665	37
Adjustments:				
Depreciation of oil and gas properties	(i)	4,372	1,560	1,148
Revaluation of fixed assets	(ii)	—	1,275	1,212
Gains from the issuance of shares by subsidiaries	(iii)	—	607	2,114
Amortisation of deferred exchange losses due to unification of foreign exchange rates	(iv)	—	41	518
Basis of presentation	(v)	—	(1,875)	(3,460)
Allocation of staff quarters	(vi)	—	(1,363)	(1,199)
Impairment losses of long-lived assets	(vii)	—	96	85
Reversal of provision for impairment losses of long-lived assets in previous year	(vii)	(113)	(905)	—
Other adjustments		—	(204)	(171)
Effects of the above adjustments on taxation		(1,409)	(225)	(586)
Net profit/(loss) as reported in the audited accounts prepared under IAS		19,004	4,672	(302)

Effects of major differences between the PRC Accounting Rules and Regulations and IAS on shareholders' equity / net assets are analysed as follows:

		2000 *RMB millions*	1999 *RMB millions*
Shareholders' equity / net assets shown in the accounts prepared under the PRC Accounting Rules and Regulations		120,793	87,604
Adjustments:			
Depreciation for oil and gas properties	(i)	4,372	—
Allocation of staff quarters	(vi)	(545)	(545)
Reversal of provision for impairment losses of long-lived assets	(vii)	(113)	—
Dividends declared after the balance sheet date	(viii)	6,712	—
Effects of the above adjustments on taxation		(1,348)	61
Shareholders' equity / net assets as reported in the audited accounts prepared under IAS		129,871	87,120

STATUS OF LAND USE RIGHTS AND BUILDING OWNERSHIP OF SINOPEC CORP.

The status of the Company's land and buildings is disclosed in the Preliminary Prospectus. A summary of it is set out below:

1. **Land Use Rights**

As at 31st December, 2000, the Company occupies 58,845 parcels of land with an aggregate area of 432,121,633 sq.m. which are summaried below:

	Parcels of land owned by the Company		Parcels of land leased from Sinopec Group Company		Other ways of use	
	parcels	*area (sq.m.)*	*parcels*	*areas (sq.m.)*	*parcels*	*areas (sq.m.)*
as set out in the Prospectus *(Note 1)*	269	22,081,000	50,477	380,325,587	2,130	9,536,000
as at 31st December, 2000	1,640	25,910,663	50,477	380,325,587	6,728	25,885,384

Note 1:

As mentioned on pages IV-8 to IV-9 of the Prospectus,

(i) the Company has obtained formal land use rights certificates for the 269 parcels of land for various terms from 44 years to 50 years;

(ii) out of the 50,477 parcels of land leased by the Company, 1,139 parcels of land are granted land owned by Sinopec Group Company, 49,338 parcels of land are State authorised land and the 50,477 parcels of land attributed no commercial value as the relevant land use rights lease agreements restrict from subletting;

(iii) the Company occupied 2,130 parcels of land by way of forming joint-operating enterprises, leases or acquisition. The Company has a clear title to 560 parcels of land out of the 2,130 parcels of land. The Company is in the process of going through all necessary procedures to legalise the titles of land for the remaining parcels of land.

Regarding the parcels of land mentioned in the Prospectus, Sinopec Group Company had undertaken (i) to be responsible for obtaining the formal land use rights certificates for the land leased from it and to complete necessary procedures for the purpose of ensuring Sinopec Corp. and its subsidiaries the lawful rights to use the collectively-owned land, and (ii) to indemnify Sinopec Corp. against any losses and claims and assume any costs and expenses arising therefrom. The undertaking remains effective.

As at 20th April, 2001, the status of ownership in respect of the land owned by Sinopec Corp. or leased from Sinopec Group Company as at 31st December, 2000 is as follows:

(i) the Company is in the process of obtaining land use rights certificates for the 490 parcels of land out of 1,640 parcels of land owned by the Company;

(ii) Sinopec Group Company has obtained land use rights certificates for 44,995 parcels of land out of 50,477 parcels of land leased by Sinopec Group Company as disclosed in the Prospectus. Sinopec Group Company has further obtained land use rights certificates for 4,941 parcels of land out of 5,482 parcels of land which did not have land use rights certificates but had general entitlement certificates. Sinopec Group Company is in the process of obtaining land use rights certficiates for the remaining 541 parcels of land. Although the time limit to obtain general entitlement certificates for these 541 parcels of land has expired, this will not affect the right to use these parcels of land because the bureau of land management has confirmed such land use rights and the undertaking remains effective;

(iii) The Company occupies 6,728 parcels of land by way of forming joint-operating enterprises, leases or acquisition. The Company has a clear title to 4,097 parcels of land out of the 6,728 parcels of land used by the Company under other ways of use. The Company is in the process of going through all necessary procedures to legalise the titles of land for the remaining 2,631 parcels of land.

2. **Building Ownership**

As at 31st December, 2000, the Company occupies buildings of an aggregate gross floor area of 25,776,553 sq.m. which are summarised below:

	Buildings owned by the Company *area (sq.m.)*	Buildings leased from Sinopec Group Company or third parties *area (sq.m.)*
as set out in the Prospectus	21,337,901	2,457,432
as at 31st December, 2000	23,319,122	2,457,432

Regarding the buildings mentioned in the Prospectus, Sinopec Group Company had undertaken (i) to obtain the building ownership certificates within one year from 25th February, 2000, (ii) to use its best endeavours to negotiate with the relevant third parties in respect of the leased building to ensure that the Company will have the lawful rights to use such leased buildings, and (iii) to indemnify Sinopec Corp. against any losses and claims and assume any costs and expenses arising therefrom. The undertaking remain effective and would require Sinopec Group Company to continue to comply with such undertaking.

As at 20th April, 2001, the status of ownership in respect of buildings owned by the Company or leased from Sinopec Group Company or third parties as at 31st December, 2000 is as follows:

(i) out of the buildings owned by the Company for an aggregate gross floor area of 23,319,122 sq.m.,

a) buildings for an aggregate gross floor area of 13,394,960 sq.m. had building ownership certificates;

b) buildings of an aggregate gross floor area of approximately 4,712,837 sq.m. had obtained building ownership entitlement certificates;

c) buildings of an aggregate gross floor area of approximately 5,211,325 sq.m. were either in the process of registration of transfer or had no proper title documents; out of these 5,211,325 sq.m. of buildings, buildings of an aggregate gross floor area of approximately 3,414,506 sq.m. were in the process of registration of transfer and buildings of an aggregate gross floor area of approximately 1,796,819 sq.m. had no proper title documents.

(ii) the status of ownership of the buildings leased by the Company from Sinopec Group Company or third parties had not changed. Sinopec Group Company or the relevant third parties continue to hold building ownership certificates for an aggregate gross floor area of approximately 1,975,459 sq.m. and for the remaining buildings of an aggregate gross floor area of approximately 499,873 sq.m.. Sinopec Group Company or the relevant third parties were in the process of obtaining formal building ownership certificates.

3. **Undertakings**

As mentioned in the A Share Prospectus, regarding the problems of lacking proper title documents of the above land and buildings, Sinopec Corp. and Sinopec Group Company undertakes, (i) to take the necessary measures for ensuring Sinopec Corp.'s lawful rights to use the land and buildings within a period of 3 years from 1st June, 2001 (including purchase of those parcels of land without proper title documents by Sinopec Group Company and lease them to Sinopec Corp.); and (ii) not to further increase the use of land and buildings which do not have proper title documents.

DEFINITIONS

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

"ADS"	American depositary shares of Sinopec Corp.;
"Annual General Meeting"	the annual general meeting of Sinopec Corp. for the year ended 31st December, 2000 held on 5th June, 2001;
"A Share Prospectus"	the prospectus of Sinopec Corp. in respect of the issue of A Shares to be published;
"A Share(s)"	the domestic ordinary share(s) of Sinopec Corp. with a nominal value of RMB1.00 each, proposed to be issued to natural persons and institutional investors in the PRC (except those prohibited by the PRC laws or regulations) by Sinopec Corp., which are to be traded on the Shanghai Stock Exchange;
"A Share Issue"	the proposed issue of A Shares to natural persons and institutional investors in the PRC by Sinopec Corp., which A Shares are proposed to be listed on the Shanghai Stock Exchange;
"Board"	board of Directors;
"Company"	Sinopec Corp. and its subsidiaries;
"CSRC"	China Securities Regulatory Commission;
"Directors"	the directors of Sinopec Corp.;
"FOB"	free on board, a standard term used in international trade;
"H Shares"	the overseas listed foreign shares of Sinopec Corp., with a nominal value of RMB1.00 each and listed on The Stock Exchange of Hong Kong Limited;
"IAS"	International Accounting Standards;
"PRC"	the People's Republic of China excluding, for the purposes of this announcement, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;
"Preliminary Prospectus"	the preliminary prospectus of Sinopec Corp. of the A Share Issue;
"Profit Forecast"	the profit forecast of Sinopec Corp. for the year ending 31st December, 2001 under the PRC Accounting Rules and Regulations (including the principal basic assumptions);
"Prospectus"	the prospectus of Sinopec Corp. dated 9th October, 2000;
"RMB"	Renminbi, the lawful currency of the PRC;
"Share(s)"	State-owned share(s), domestic ordinary share(s) and H Share(s) in Sinopec Corp.;
"Shanghai Stock Exchange"	Shanghai Stock Exchange of the PRC;
"Sinopec Corp."	China Petroleum Chemical Corporation, a joint stock limited company incorporated in the PRC with limited liability;
"Sinopec Group Company"	China Petrochemical Corporation, being the controlling shareholder of Sinopec Corp.;
"Sinopec National Star"	Sinopec National Star Petroleum Company;
"USD"	United States dollars, the lawful currency of the United States of America.

By Order of the Board
Zhang Honglin
Company Secretary

Beijing, the PRC, 21st June, 2001