

## Questionnaires on Acquisition of Tahe Petrochemical and Xi'an Petrochemical

### 1. The Benefits of Acquiring Tahe Petrochemical and Xi'an Petrochemical

Tahe Petrochemical is located in the **Xinjiang** Uygur Autonomous Region. Xi'an Petrochemical is located in Xi'an, Shaanxi Province, the most developed region in northwestern China. Both companies were subsidiaries of Sinopec Group before the acquisition. The acquisition will help Sinopec Corp. accomplish the following strategic objectives:

- Supply two oil refineries in the northwest region which will provide a steady supply of oil products for the sales network in the northwest.
- Create favorable conditions for accelerating the development of the Tahe oilfield. Capacity expansion for Tahe Petrochemical and Xi'an Petrochemical will be carried out after the acquisitions. Crude oil processing capacity at the two refineries after the expansion will exceed 3.5 million tonnes/year, which will be enough to process all the crude oil that is produced in Sinopec's Tahe oilfield at the present stage.
- Increase Sinopec Corp.'s advantage in asphalt products. In 2002, Sinopec Corp. produced 2.19 million tonnes of asphalt, which represents over 50% of China's asphalt production. Tahe Petrochemical and Xi'an Petrochemical will produce approximately 600,000 tonnes of asphalt in 2003. With the acquisitions, Sinopec Corp.'s total asphalt production will reach approximately 3 million tonnes per year, and they will help solidify the Company's position in the asphalt market.
- The acquisitions of Tahe Petrochemical and Xi'an Petrochemical will solidify the market positions of these two refineries, avoid competition with Sinopec Corp., and reduce connected transactions, thus enhancing Sinopec Corp.'s core business.

### 2. Processing Capacity of Tahe Petrochemical and Xi'an Petrochemical

The current crude oil processing capacity of Tahe Petrochemical is 700,000 tonnes/year, while Xi'an Petrochemical's is 1,500,000 tonnes/year. After completion of the acquisition, the Company plans to expand the capacity of these two refineries to over 3,500,000 tonnes/year, making it capable of processing all of the crude oil that is produced in the Tahe oilfield at the present stage.

### 3. Current Operation and Financial Status of Tahe Petrochemical and Xi'an Petrochemical

Excerpt from the balance sheet of Tahe Petrochemical as of 31 October, 2003, prepared in accordance with the PRC Accounting Rules and Regulations (in RMB millions):

Item	Amount	Item	Amount
Total current assets	333.45	Total current liabilities	272.26
Total fixed assets	230.45	Total long-term liabilities	250.00
Total assets	563.90	Net assets	41.64

Source: Financial Statements audited by Zhong Ruihua Hengxin Accountancy Firm

Key financial estimates of Tahe Petrochemical for 2003 in accordance with the PRC Accounting Rules and Regulations (in RMB millions):

	Ten-month period ended 31 October 2003 (Audited)	Estimate for 2003
Income from principal operations	875.65	960.00
Profit from principal operations	56.47	63.86
Operating Profit	27.52	30.54
Total profit	21.76	24.78
Net profit	18.52	21.09

Source: Financial Estimates audited by Zhong Ruihua Hengxin Accountancy Firm

Excerpt from the balance sheet of Xi'an Petrochemical as of 31 October, 2003 prepared in accordance with the PRC Accounting Rules and Regulations (in RMB millions):

Item	Amount	Item	Amount
Total current assets	348.62	Total current liabilities	528.88
Total fixed assets	510.53	Total long-term liabilities	160.27
Total assets	859.15	Net assets	170.01

Source: Financial Statements audited by Zhong Ruihua Hengxin Accountancy Firm

Key financial estimates of Xi'an Petrochemical for 2003 in accordance with the PRC Accounting Rules and Regulations (in RMB millions):

	Ten-month period ended 31 October 2003 (Audited)	Estimate for 2003
Income from principal operations	1,706.13	2,002.18
Profit from principal operations	90.07	99.61
Operating Profit	38.60	40.42
Total profit	33.07	34.90
Net profit	33.07	34.90

Source: Financial Estimates audited by Zhong Ruihua Hengxin Accountancy Firm

#### **4. Impact of the Acquisition of Tahe Petrochemical and Xi'an Petrochemical on Sinopec Corp.'s Profitability**

In addition to realizing the above mentioned strategic targets, the acquisition has the following impact on Sinopec Corp.:

A. According to the pro-forma estimates for 2003, the acquisition will slightly increase the Company's earning per share. With the recovery of the refining cycle, the additional contribution to EPS will become more significant.

B. The Company's refining capacity at the end of 2002 was 132.42 million tones per year, which will increase by about 1.7% after the acquisition. Capacity expansion for Tahe Petrochemical and Xi'an Petrochemical will be carried out after the Acquisitions. The crude oil processing capacity of the two refineries after the expansion will exceed 3.5 million tones per year, which will further increase Sinopec Corp.'s total refining capacity.

#### **5. Valuation of Assets during the Acquisition of Tahe Petrochemical and Xi'an Petrochemical**

The Replacement Cost Method is primarily used for the valuation of the assets of Tahe Petrochemical and Xi'an Petrochemical, taking into consideration the market environment, profitability and growth potential of the assets under acquisition. In accordance with the asset valuation conducted by Beijing Zhongzheng Valuation Co., Ltd and land valuation conducted by Beijing Zhongdi Huaxia Valuation Consultation Centre Co., Ltd., after negotiation by both parties, the acquisition price for Tahe Petrochemical is set at RMB 135.1573 million (approximately HKD 127.5069 million) and the acquisition price for Xi'an Petrochemical is set at RMB 220.763226 million (approximately HKD 208.2672 million).

The Directors (including the Independent Directors) consider that the acquisitions have been conducted on normal commercial terms after arm's length negotiations, the pricing to be fair and reasonable, and accordingly the acquisitions are in the interest of Sinopec Corp. and its shareholders.