



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)
 (Stock Code: 0386)

ANNOUNCEMENT ON CONNECTED TRANSACTION

Acquisition Agreement

The Board announces that on 6 December 2006, Sinopec Corp. and Shengli Administrative Bureau entered into the Acquisition Agreement, pursuant to which Sinopec Corp. has agreed to conditionally acquire the Target Assets owned by Shengli Administrative Bureau. The consideration for the Acquisition is RMB3.5 billion (approximately HK\$3.46535 billion) and Sinopec Corp. will use its own internal resources to pay the consideration.

Connected Transaction

Sinopec Group Company is the controlling shareholder of Sinopec Corp. As the Target Assets are owned by Shengli Administrative Bureau, a subsidiary of Sinopec Group Company, the acquisition of the Target Assets constitutes a connected transaction of Sinopec Corp. As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules of the Hong Kong Stock Exchange) applicable to the Acquisition is less than 2.5%, the Acquisition is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and exempted from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

I SPECIAL NOTICE

1 SUMMARY OF KEY INFORMATION

(1) Transaction Details

The 6th Meeting of the third session of the Board was held on 6 December 2006 at which the "Proposal Concerning the Acquisition of the Oil Production Assets Owned by Shengli Administrative Bureau of Sinopec Group Company" was considered and approved. According to the above proposal, Sinopec Corp. will acquire the Target Assets owned by Shengli Administrative Bureau, a subsidiary of Sinopec Group Company. Based on the Assets Valuation Report(s), the total appraised value of the net assets of the Target Assets is RMB3.4997 billion (approximately HK\$3.46504 billion) as at the Valuation Date (including 64.73% shareholding of Dongsheng of RMB2.594 billion (approximately HK\$2.568 billion), 100% equity interest of the Development Centre of RMB0.729 billion (approximately HK\$0.722 billion), 52% shareholding of Zhongsheng of RMB0.1 billion (approximately HK\$0.099 billion) and Shengda Assets of RMB 75.9 million (approximately HK\$ 75 million). Taking into account of the appraised value of the net assets of the Target Assets, the parties agreed that the consideration for the Target Assets should be RMB3.5 billion (approximately HK\$3.465 billion).

The Board has considered and approved the Acquisition Agreement which was entered into by Sinopec Corp. and Shengli Administrative Bureau.

(2) Connected persons abstained from voting

Sinopec Group Company is the controlling shareholder of Sinopec Corp. and the Target Assets proposed to be acquired by Sinopec Corp. are owned by Shengli Administrative Bureau, a subsidiary of Sinopec Group Company. Accordingly, the Acquisition of the Target Assets by Sinopec Corp. from Shengli Administrative Bureau constitutes a connected transaction between Sinopec Corp. and Sinopec Group Company.

All the directors of Sinopec Corp. who participated in the voting (including the independent non-executive directors) have approved the Acquisition and they are of the view that the terms of the Acquisition are based on normal commercial terms and the Acquisition is part of the ordinary course of business of Sinopec Corp., the consideration for the Acquisition and the terms of the Acquisition Agreements are also fair and reasonable and are in the interests of Sinopec Corp. and its shareholders as a whole. Mr. Chen Tonghai and Mr. Zhou Yuan, being connected persons, abstained from voting at the Board meeting where the proposed Acquisition was considered and voted by the Board.

(3) Effects on Sinopec Corp.

The Target Companies are all engaged in the business of production of crude oil in marginal and low-yield reserves. After several years of operations, the Target Companies have developed certain scale of production business and possessed substantial technologies and experience in this field. By acquiring the Target Assets, the upstream production capability and the overall competitiveness of Sinopec Corp. will be further strengthened.

Through the Acquisition, Sinopec Shengli Branch Company will centralize the management of the crude oil production business of the Target Companies and the administrative systems of Sinopec Shengli Branch Company will be streamlined and strengthened, meanwhile, competition in respect of the upstream business between Sinopec Corp. and Shengli Administrative Bureau will be reduced.

Through the Acquisition, the synergy of investment, management and purchasing between Sinopec Shengli Branch Company and the Target Companies will be achieved and production efficiency will be enhanced accordingly.

Through the Acquisition, the number of connected transactions relating to purchase and sales of crude oil between Sinopec Corp. and Shengli Administrative Bureau will be reduced.

(4) Issues Requiring the Attention of Investors

- All the financial figures including the financial figures contained in the balance sheet and income statement below relating to the Acquisition were prepared in accordance with the PRC Accounting Rules and Regulations.
- The Acquisition requires the approval of the SASAC concerning the grant of exemption from performing the procedures for the public trading of property rights. The Assets Valuation Reports will also be required to be filed with the SASAC. Additionally, the Acquisition will only be completed after all the other condition precedents set out in the related agreements of the Acquisition have been satisfied.

II SUMMARY OF THE CONNECTED TRANSACTION

1. Main Contents of this Connected Transaction

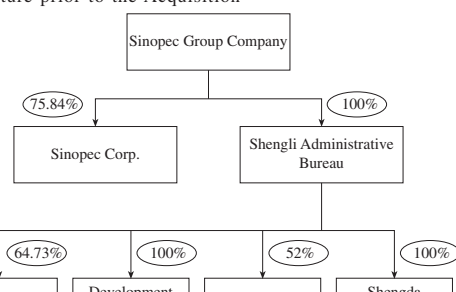
Sinopec Corp. and Shengli Administrative Bureau entered into the Acquisition Agreement on 6 December 2006.

Sinopec Corp. will acquire the Target Assets from Shengli Administrative Bureau, a subsidiary of Sinopec Group Company, pursuant to the Acquisition Agreement, including 64.73% shareholding of Dongsheng, 100% equity interests of Development Center, 52% shareholding of Zhongsheng and Shengda Assets.

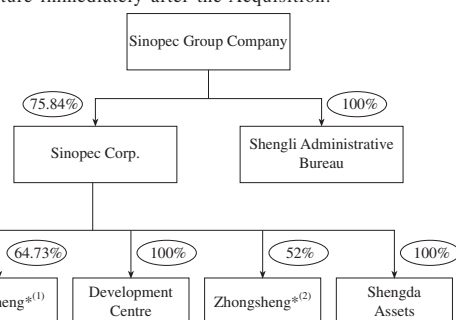
According to the appraisal conducted by Beijing Zhongsheng Appraisal Co., Ltd. an entity possessing the qualification for engaging in the securities business within China and a third party independent of the Company and connected persons of the Company, the total of the appraised value of the net assets of the Target Assets is RMB3.4997 billion (approximately HK\$3.46504 billion).

Taking into account of the appraised value of the net assets of the Target Assets, the parties agreed that the consideration for the Target Assets should be RMB3.5 billion (approximately HK\$3.46535 billion).

The shareholding structure prior to the Acquisition



The shareholding structure immediately after the Acquisition:



* (1) Apart from the shareholders set out above, the remaining shareholders of Dongsheng are as follows:

Name of the shareholder	Number of Shares held by the shareholder	Shareholding percentage
ShanDong DongYing Petrochemical Group Corporation (山東省東營市石油化學工業集團總公司)	35,000,000	6.66%
Guohua Energy Investment Company Limited (國華能源投資有限公司)	30,000,000	5.71%
Shandong International Investment Industrial Company Limited (山東國際投資實業股份有限公司)	25,000,000	4.76%
Shandong Petroleum and Gas Company Limited (山東石油天然氣股份有限公司)	20,000,000	3.81%
Shengli Oilfields Huabin Industrial Company (勝利油田華濱實業總公司)	15,758,005	3%
Shandong Shida Technology Group Company Limited (山東石大科技集團有限公司)	13,638,271	2.6%
Shengli Oilfields Xingda Petroleum Technology Industrial & Trade Company Limited (勝利油田興達石油科技工業有限公司)	13,638,271	2.6%
The Labor Union of Dongsheng (勝利油田東勝石油開發集團股份有限公司工會職工持股會)	10,000,000	1.9%
State-owned Assets Operation Company Limited of Dongying District, Dongying City (東營市東營區國有資產經營有限公司)	5,950,000	1.13%
Beijing Ke Sheng Bo Da Technology Company Limited (北京科勝博達技術有限公司)	5,000,000	0.95%
Shandong Shengli Tonghai Group Company Limited (山東勝利通海集團有限公司)	4,092,814	0.78%
Shengli Oilfields Shengda Industrial Company (勝利油田勝大實業總公司)	4,092,814	0.78%
The Finance Bureau of Dongying City (東營市財政局)	3,209,601	0.61%
Total		35.28%

* (2) Apart from the shareholders set out above, the remaining shareholders of Zhongsheng are as follows:

Name of the shareholder	Contribution (RMB yuan)	Shareholding percentage
Shengli Oilfields Zhongsheng Industrial Company Limited (勝利油田中勝實業有限公司)	20,002,500	40%

Name of the shareholder	Contribution (RMB yuan)	Shareholding percentage
Shengli Oilfields Xingda Petroleum Technology Industrial & Trade Company Limited (勝利油田興達石油科技工業有限公司)	4,016,500	8%
Total	24,019,000	48%

The remaining shareholders of Dongsheng and Zhongsheng set out above are third parties independent of the Company and the connected person of the Company. Sinopec Corp. currently has no plan or intention to purchase any equity interest from the remaining shareholders of Dongsheng and Zhongsheng set out above.

2. Connected Relationship

The Target Assets to be acquired by Sinopec Corp. are owned by Shengli Administrative Bureau, a subsidiary of Sinopec Group Company, and Sinopec Corp. entered into the Acquisition Agreement with Shengli Administrative Bureau. Sinopec Group Company is the controlling shareholder of Sinopec Corp., pursuant to the Listing Rules of the Shanghai Stock Exchange and the Listing Rules of the Hong Kong Stock Exchange, Sinopec Group Company (and its subsidiaries) are connected persons to Sinopec Corp. and, therefore, the Acquisition constitutes a connected transaction of Sinopec Corp. As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules of the Hong Kong Stock Exchange) applicable to this Acquisition is less than 2.5%, the Acquisition is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules of the Hong Kong Stock Exchange and is exempted from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules of the Hong Kong Stock Exchange.

3. Information on the Review and Approval of the Connected Transaction

This Connected Transaction was considered and approved at the 6th meeting of the third session of the Board. The independent directors gave their independent opinions in relation to this Connected Transaction at the meeting as set out in Part VIII under the heading "Opinion of the Independent Non-Executive Directors". All the connected directors abstained from considering and voting and all the non-connected directors, including the independent non-executive directors, approved this Connected Transaction unanimously.

Given that the percentage ratios (as defined in Rule 14.07 of the Listing Rules of the Hong Kong Stock Exchange) applicable to the Acquisition are below 2.5%, the Acquisition is not subject to the approval of the independent shareholders of Sinopec Corp. and the Acquisition Agreement will come into effect upon the obtaining of the approval from the Board.

4. Approval to be obtained and other Issues

The Acquisition requires the approval of the SASAC concerning the grant of exemption from performing the procedures for the public trading of property rights. The Assets Valuation Reports will also be required to be filed with the SASAC. Additionally, the Acquisition will only be completed after all the other condition precedents set out in the related agreements of the Acquisition have been satisfied.

III INTRODUCTION OF THE PARTIES OF THIS CONNECTED TRANSACTION

1. Sinopec Corp.

Sinopec Corp. is a Chinese company currently listed in Hong Kong, New York, London and Shanghai, and is an integrated energy and chemical company with upstream, midstream and downstream operations. The principal operations of Sinopec Corp. and its subsidiaries include:

- Exploring for and developing, producing and trading of crude oil and natural gas;
- Processing crude oil into refined oil products, producing refined oil products and trading, transporting, distributing and marketing refined oil products; and
- Producing, distributing and trading of petrochemical products.

2. Information on Shengli Administrative Bureau

Shengli Administrative Bureau is a subsidiary of Sinopec Group Company registered with the Administration for Industry and Commerce of Dongying City with a registered capital of RMB 11,376.14 million, its legal address is No.258, Jinnan Road, Dongying District, Dongying City.

The business scope of Shengli Administrative Bureau is as follows: the exploitation and utilization of oil, gas and paragenetic minerals, resources exploration, drilling and well-measuring; construction and installation; mechanical maintenance; transportation; water and electricity supply; communications; processing and sale of chemical products; contract for the overseas and domestic bidding-investment projects of this industry, provision of production and labor services.

IV INFORMATION ON THE TARGET ASSETS

1. General Information on the Target Assets

The Target Assets to be acquired and sold are all the oil fields production assets owned by Shengli Administrative Bureau, including 64.73% shareholding of Dongsheng, 100% equity interests of the Development Center, 52% shareholding of Zhongsheng and the Shengda Assets. The book value of the net assets of the Target Assets is RMB 2,089 billion (approximately HK\$2,068 billion), and the appraised value of the net assets of the Target Assets is RMB 3,499.7 billion (approximately HK\$3,465.04 billion). The difference between book and appraised net assets value of RMB 1,411 billion is mainly due to the increment in the valuation made to the oil wells. Since the time span for the construction of the oil wells was relatively long, the costs of construction of oil wells during the early stage were comparatively low. Meanwhile, straight-line method was adopted for the calculation of depreciation of oil wells and as the depreciation period was relatively short, the net book value of some of the oil wells have been reduced to zero. However, as all the oil wells of the Target Assets still possess certain production capability, the appraised value of the Target Assets exceeded their net book value.

However, no royalty right within the scope of oil production areas of the relevant oil fields is attached to the Target Assets as such royalty rights are owned by Sinopec Corp. The Target Companies and Shengli Administrative Bureau respectively conducted crude oil production business within the scope of oil production areas mentioned above based on the cooperative relationship between them and Sinopec Corp. The Target Companies and Shengli Administrative Bureau own the relevant oil production facilities. Among which, the Target Companies own 1,308 oil wells located at the oil production areas of 114 oil fields together with the crude oil production equipments, crude oil storage depots and oil transportation pipelines complementary to the oil wells. Shengda Assets are the assets owned by Shengli Administrative Bureau which consists of 27 oil wells located at the oil production areas of 4 oil fields together with the crude oil production equipments, oil transportation pipelines and other relevant assets complementary to the oil wells.

Beijing Zhongsheng Appraisal Co., Ltd., an entity possessing the qualification for engaging in the securities businesses within China and a third party independent of the Company and connected persons of the Company, conducted the appraisal to the above assets and issued the respective Assets Valuation Reports in relation to such assets. The Assets Valuation Reports need to be filed with the SASAC.

According to the Asset Valuation Reports, the appraisal results of the Target Assets to be acquired were as follows:

Unit: Thousand RMB

	Total Assets	Total Liabilities	Net Assets
Dongsheng	6,183,196.03	2,174,971.76	4,008,224.27
Development Centre	1,549,928.82	820,834.15	729,094.67
Zhongsheng	264,597.79	71,588.60	193,009.19
Shengda Assets	75,904.47	0	75,904.47

2. Specific Information on each of the Target Assets

(a) 64.73% shareholding of Dongsheng

General Information of Dongsheng

As a stock company with limited liability registered and established in Dongying City, Shandong Province of China, Dongsheng holds the Business License for an Enterprise Legal Person with the registration number of 370001807999 approved and issued by the Administration for Industry and Commerce of Shandong Province. The total issued shares are 525,527,800 and its registered capital is RMB 525,527,800. Its legal address is No.260 Xisi Road, Dongying District of Dongying City, Shengli Administrative Bureau holds 340,147,975 issued shares of Dongsheng, representing 64.73% of the total issued shares.

The business scope of Dongsheng is: the exploration and development of petroleum and gas within the scope of areas authorized by Shengli Administrative Bureau; the sales of the drilling and mining equipments and the provision of related technological services; sales of electronic instruments and electronic mechanical products.

Dongsheng is principally engaged in the business of production of crude oil with its current production areas located at 84 oil production areas of Shengli Oilfields. Dongsheng now owns 1,023 oil wells.

(b) Financial Status

According to the consolidated financial statements of the year 2004, 2005 and the six months ended 30 June 2006 of Dongsheng prepared under the PRC Accounting Rules and Regulations and audited by Beijing Tin Wha CPAs, an entity possessing the qualification for engaging in the securities businesses within China and a third party independent of the Company and connected persons of the Company, the major financial indicators of Dongsheng during the above periods were as follows:

Balance Sheet Unit: Thousand RMB

Item	30 June 2006	31 December 2005	31 December 2004
Total assets	4,292,237.32	3,183,704.27	2,706,804.82
Total current liabilities	1,465,726.12	855,549.28	1,025,362.96
Total non-current liabilities	0	0	0
Total liabilities	1,465,726.12	855,549.28	1,025,362.96
Minority interests	584,826.66	487,173.11	295,651.11
Shareholders' funds	2,241,684.54	1,840,981.88	1,385,790.74
Total liabilities and shareholders' funds	4,292,237.32	3,183,704.27	2,706,804.82

Income Statement Unit: Thousand RMB

Item	For the six months ended 30 June of 2006	For the year ended 31 December 2005	For the year ended 31 December 2004
Income from principal operations	1,457,171.22	1,868,649.00	1,303,750.53
Profit before taxation and minority interests ⁽¹⁾	1,056,208.66	1,094,635.51	688,161.36
Net profit ⁽²⁾	552,307.59	547,814.50	364,246.34
Net profit before non-operating profits/losses	445,725.56	552,426.54	362,780.29

Note:

⁽¹⁾ the profit before taxation and minority interests attributable to 64.73% shareholding of Dongsheng for the two financial years ended 31 December 2005 and 2004 were RMB 708.50 million and 445.41 million; and

⁽²⁾ the net profit attributable to 64.73% shareholding of Dongsheng for the two financial years ended 31 December 2005 and 2004 were RMB 354.57 million and RMB 235.76 million.

Based on the Asset Valuation Report on Equity Transfer Project of Dongsheng (No. 117-1 Zhong-zheng-ping-bao-zi [2006]) issued by Beijing Zhongzheng Appraisal Co., Ltd., an entity possessing the qualification for engaging in the securities businesses within China and a third party independent of the Company and connected persons of the Company, by adopting the replacement cost valuation method, the appraisal results of the assets mentioned above as at the Valuation Date are as follows:

Unit: Thousand RMB

Item	Book Value	Book Value after Adjustment	The Appraised Value	The Increment/Decrease Amount	The Rate of Increment %
Fixed assets	562,608.12	562,608.12	829,149.42	266,541.30	47.38
Total assets	4,416,656.30	4,416,656.30	6,183,196.03	1,766,539.73	40.00
Total liabilities	2,174,971.76	2,174,971.76	2,174,971.76	0	0
Net assets	2,241,684.54	2,241,684.54	4,008,224.27	1,766,539.73	78.80

In respect of the Acquisition, the appraised value of 64.73% shareholding of Dongsheng is RMB2.594 billion (approximately HK\$2.569 billion).

100% Equity Interests of the Development Centre

General Information of the Development Centre

As a state-owned enterprise registered and established in Dongying City, Shandong Province of China, the Development Centre holds the Business License for an Enterprise Legal Person with the registration number of 3705001804655 approved and issued by the Administration for Industry and Commerce of Shandong Province. The registered capital is RMB 100,000,000 and the legal address is No.12 Yingshi Street, Dongying District of Dongying City. The Development Centre is a subsidiary wholly owned by Shengli Administrative Bureau.

The business scope of the Development Centre is: the exploration of and production in marginal reserves and the high-cost crude oil area (operation with a licence).

The Development Centre is principally engaged in the business of production of crude oil with its current production areas located at 23 oil production areas of China Shandong Shengli Oil Field. The Development Centre now owns 244 oil wells.

Financial Status

According to the financial statements of the year 2004, 2005 and the six months ended 30 June 2006 of Dongsheng prepared under the PRC Accounting Rules and Regulations and audited by Beijing Tin Wha CPAs, an entity possessing the qualification for engaging in the securities businesses within China and a third party independent of the Company and connected persons of the Company, the major financial indicators of the Development Centre during the above periods were as follows:

Balance Sheet Unit: Thousand RMB

Item	30 June 2006	31 December 2005	31 December 2004
Total assets	1,334,276.50	982,579.47	275,496.85
Total current liabilities	820,834.15	700,548.15	151,800.95
Total non-current liabilities	0.00	0.00	0.00
Total liabilities	820,834.15	700,548.15	151,800.95
Shareholders' funds	513,442.35	282,031.32	123,695.90
Total liabilities and shareholders' funds	1,334,276.50	982,579.47	275,496.85

Income Statement Unit: Thousand RMB

Item	For the six months ended 30 June of 2006	For the year ended 31 December 2005	For the year ended 31 December 2004
Income of principal operations	707,301.14	587,547.77	128,799.17
Profit before taxation and minority interests	344,712.66	236,797.63	35,548.80
Net profit	230,216.76	158,335.42	23,689.93
Net profit before non-operating profits/losses	229,926.85	158,308.97	23,433.56

Based on the Asset Valuation Report on Equity Transfer Project of the Development Centre (No.117-2 Zhong-zheng-ping-bao-zi [2006]) issued by Beijing Zhongzheng Appraisal Co., Ltd., an entity possessing the qualification for engaging in the securities businesses within China and a third party independent of the Company and connected persons of the Company, by adopting the replacement cost valuation method, the appraisal results of the assets as mentioned above at the Valuation Date were as follows:

Unit: Thousand RMB

Item	Book Value	Book Value after Adjustment	The Appraised Value	The Increment/Decrease Amount	The Rate of Increment %
Fixed assets	1,138,837.71	1,138,837.71	1,350,031.74	211,194.03	18.54
Total assets	1,334,276.50	1,334,276.50	1,549,928.82	215,652.32	16.16
Total liabilities	820,834.15	820,834.15	820,834.15	0.00	0.00
Net assets	513,442.35	513,442.35	729,094.67	215,652.32	42.00

In respect of the Acquisition, the appraised value of 100% equity interest of the Development Centre is RMB0.729 billion (approximately HK\$0.722 billion).

(3) 52% shareholding of Zhongsheng

General Information of Zhongsheng

As a limited liability company registered and established in Dongying City, Shandong Province of China, Zhongsheng holds the Business License for an Enterprise Legal Person with the registration number of 3705001804109 approved and issued by the Administration for Industry and Commerce of Dongying City. The registered capital of Zhongsheng is RMB 50 million and its legal address is Zhongduan, Beiji Road, Dongying District of Dongying City. Shengli Administrative Bureau holds 52% shareholding in Zhongsheng.

The business scope of Zhongsheng is: production in marginal reserves and oil wells at remote areas' consultation and transfer of petroleum technology development, sale of petroleum mechanical and electrical products (other than cars), oil, gas and chemical products (other than dangerous products).

Zhongsheng is principally engaged in the business of production of crude oil, with its current production areas located at six (6) oil production areas of Shengli Oilfields. Zhongsheng currently owns forty one (41) oil wells.</

(4) **Shengda Assets**

(a) **General Information of Shengda**

Shengda Assets include 28 oil wells located at the oil production areas of 5 oil fields together with the crude oil production equipments, oil transportation pipelines and other relevant assets complementary to the oil wells, which are owned by Shengli Administrative Bureau.

(b) **Result of Asset Valuation**

Based on the Asset Valuation Report on Transfer of Shengda Assets Project of Shengda (No. 117-4 Zhong-zheng-ping-bao-zi (2006)) issued by Beijing Zhongzheng Appraisal Co., Ltd., an entity possessing the qualification for engaging in the securities businesses within China and a third party independent of the Company and connected persons of the Company, the book value of the net assets of Shengda Assets as at the Valuation Date is RMB59.8 million (approximately HK\$9.2 million). By adopting the replacement cost valuation method, the appraisal result of the net assets of the above assets at the Valuation Date was RMB 75.9 million (approximately HK\$ 75.2 million), which represents an increment of 26.93% above the book value.

The Directors confirm that based on the information available to Sinopec Corp., there has been no material adverse change on the financial position of the Target Assets since the Valuation Date.

V THE MAJOR TERMS OF THE ACQUISITION AGREEMENT

1 **Date:** 6 December 2006

2 **Parties to the Agreement:**

The Purchaser : Sinopec Corp.

The Seller : Shengli Administrative Bureau

3 **Pricing Policy and Consideration**

The consideration for the acquisition was determined by reference to the appraisal result concluded from the Assets Valuation Reports. The consideration for the Acquisition was negotiated and determined by the parties on the arm's length basis based on the factors including potential profit capability of the Target Assets, the quality of the Target Assets, the potential development of the Target Assets and the industry they belong to.

Sinopec Corp. will use its own internal resources to pay for the consideration of approximately RMB3.5 billion (approximately HK\$3.46535 billion).

Any profits or losses incurred in connection with the Target Assets during the period from the Valuation Date to the Date of Completion shall belong to or be borne by (as the case may be) Shengli Administrative Bureau whilst any profits or losses incurred in connection with the Target Assets after the Date of Completion will belong to or be borne by Sinopec Corp..

4 **Method of Payment**

Sinopec Corp. and Shengli Administrative Bureau agree that Sinopec shall make a one-off payment in full of the consideration pursuant to the Acquisition Agreement to Shengli Administrative Bureau within 20 working days after the Date of Completion.

5 **Completion and the Date of Completion**

(1) **Completion**

Shengli Administrative Bureau shall transfer the ownership of the Target Assets to Sinopec Corp. and deliver the documents relating to the ownership of the Target Assets, including the ownership certificates, government approvals, personnel information and other legal documents such as agreements or information that reflect the status of the Target Assets, to Sinopec Corp. on the Date of Completion. Shengli Administrative Bureau shall carry out the necessary legal procedures to enable Sinopec Corp. to own and control the Target Assets. Sinopec Corp. shall bear the liabilities within the scope of the Target Assets from the Date of Completion.

(2) **Date of Completion**

Both parties to the Acquisition Agreement agree that the Date of Completion shall take place on 31 December 2006 or some other date as agreed by both parties in writing.

6 **Other Major Terms of the Acquisition Agreement**

(1) **Conditions of the Acquisition Agreement Coming into Effect:**

(a) The Acquisition Agreement having been executed by the legal representatives of both parties or other authorized representatives of both parties.

(b) Each party having completed its internal approval procedures for the transfer of the Target Assets and has obtained all the corresponding written approval documents.

(2) **Condition Precedents for Completion of Acquisition of Target Assets:**

The acquisition of the Target Assets will only be satisfied and completed upon each of all the following conditions having been satisfied or waived:

(a) the Acquisition agreement becoming effective;

(b) the Asset Valuation Reports of the Target Assets having been filed with the SASAC;

(c) the approval of the SASAC concerning the grant of exemption from performing the procedures for the public trading of the property rights having been obtained;

(d) there having been no breach occurred under the Acquisition Agreement or no evidence was found to prove any breach under the Acquisition Agreement would occur;

(e) the consent, authorization and approval of the third parties connected with the implementation of this Acquisition having been obtained (Sinopec is entitled to waive this condition precedent);

(f) no material adverse changes having occurred in terms of the assets, financial status, business operation and prospects of the Target Companies involved in this Acquisition prior to the Date of Completion.

VI REASONS FOR THE ACQUISITION AND AND EFFECT OF THE CONNECTED TRANSACTION ON SINOPEC CORP.

1. The Target Companies are all engaged in the business of production of crude oil in marginal and low-yield reserves and they have developed certain scale of production business and possess substantial production technologies after their development for several years. By acquiring the Target Assets (including the Target Companies) at the time when the price of oil is higher, the upstream production capability and the overall competitiveness of Sinopec Corp. will be strengthened.

2. Through the Acquisition, Sinopec Shengli Branch Company will centralize the management of the crude oil production business of the Target Companies and the administrative systems of Sinopec Shengli Branch Company will be streamlined and strengthened, meanwhile, competition in respect of the upstream business between Sinopec Corp. and Shengli Administrative Bureau will be reduced.

3. Through the Acquisition, the coordination of investment, management and purchasing between Sinopec Shengli Branch Company and the Target Companies will be achieved and production efficiency will be enhanced accordingly.

4. Through the Acquisition, the number of connected transactions relating to sale and purchase of crude oil between Sinopec Corp. and Shengli Administrative Bureau will be reduced.

VII OTHER ARRANGEMENTS IN RELATION TO THIS ACQUISITION

In respect of the arrangement of personnel involved in the Acquisition, both parties confirm that the labor relationship and the social insurance relationship (including but not limited to the pension and the medical insurance) of all of the registered employees (including the management and ordinary staff) involved in the Target Assets of this Acquisition shall be taken over by Sinopec Corp..

VIII OPINION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of Sinopec Corp. are of the view that the Acquisition was conducted on normal commercial terms in the ordinary course of business of Sinopec Corp., the consideration for the Acquisition and other terms of the Acquisition Agreements are fair and reasonable to Sinopec Corp. and all the shareholders of Sinopec Corp. as a whole. The terms of the Acquisition are based on normal commercial terms and the Acquisition is part of the ordinary course of business of Sinopec Corp., the consideration for the Acquisition and the terms of the Acquisition Agreements are also fair and reasonable and in the interests of Sinopec Corp. and its shareholders as a whole. Mr. Chen Tonghai and Mr. Zhou Yuan, being connected persons, abstained from voting at the Board meeting where the proposed Acquisition was considered and voted by the Board. The voting procedures complied with the relevant domestic and overseas laws, regulations and regulatory documents and the Articles of Association of Sinopec Corp.

IX LIST OF DOCUMENTS FOR INSPECTION

The following documents will be available for inspection during normal working hours at the registered address of Sinopec from the date of this announcement:

(a) the resolutions of the 6th meeting of the third session of the Board of Sinopec Corp. (including the opinion of independent non-executive directors)

(b) the Acquisition Agreement

(c) the Audited Report of Target Assets(3 copies)

(d) the Valuation Report of Target assets(4 copies)

X DEFINITIONS

Names	Definitions
Acquisition Agreement	the "Agreement Concerning the Acquisition of the Oilfield Production Assets" dated 6 December 2006 entered into by and between Sinopec Corp. and Shengli Administrative Bureau
Acquisition	the acquisition of the Target Assets to be carried out by Sinopec Corp. in accordance with the Acquisition Agreement, which constitutes a connected transaction of Sinopec Corp. under the Listing Rules of the Hong Kong Stock Exchange (the "Connected Transaction")
Assets Valuation Report(s)	The valuation reports issued by the Beijing Zhongsheng Appraisal Co., Ltd, an entity possessing the qualification for engaging in the securities business within China, based on its appraisal of the Target Assets as at the Valuation Date
Board	the Board of Directors of Sinopec Corp.
Business Day	a day not being a Saturday, Sunday or any other day on which banks in the PRC are required by applicable laws or authorized to be closed for business
CSRC	China Securities Regulatory Commission
Date of Completion	31 December 2006 or such other date as Sinopec Corp. and Shengli Administrative Bureau agree otherwise in writing
Development Center	Petroleum Development Center of Shengli Petroleum Administrative Bureau (勝利石油管理局石油開發中心)
Directors	the directors of Sinopec Corp.
Dongsheng	Shengli Oilfield Dongsheng Jingtong Petroleum Development Stock Limited Company (勝利油田東勝精采石油開發集團股份有限公司)
HK\$	The lawful currency of Hong Kong Special Administrative Region of the People's Republic of China with the exchange rate of HK\$1.00 equivalent to approximately RMB1.01; however, it does not mean that RMB can be converted into Hong Kong dollar at such rate; and vice versa
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Listing Rules of the Hong Kong Stock Exchange	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Listing Rules of the Shanghai Stock Exchange	Rules Governing the Listing of Stock on the Shanghai Stock Exchange (上海證券交易所《股票上市規則》)
Payment Date	within 20 working days after the Date of Completion
RMB	the lawful currency of the People's Republic of China
SASAC	the PRC State-owned Assets Supervision and Administration Commission of the State Council
Shanghai Stock Exchange	The Shanghai Stock Exchange
Shengda Assets	the oil wells and related oil production assets located in China Shandong Shengli Oilfields which are originally owned by Shengda and currently held by Shengli Administrative Bureau
Shengda	Shengda Group Oil and Gas Company (勝大集團油氣公司), an internal organization of Shengli Petroleum Administrative Bureau without a legal person status
Shengli Oilfields	China Shandong Shengli Oilfields (中國山東勝利油田)
Shengli Administrative Bureau	Shengli Petroleum Administrative Bureau of Sinopec Group Company (中國石化集團勝利石油管理局)
Sinopec Group Company	China Petrochemical Corporation (中國石油化工有限公司), the controlling shareholder of Sinopec Corp.
Sinopec Shengli Branch Company	Sinopec Shengli Oilfields Branch Company (中國石化勝利油田分公司), a branch company of Sinopec Corp.
Target Assets	The oil production assets owned by Shengli Petroleum Administrative Bureau, a subsidiary of Sinopec Group Company (including 64.73% shareholding of Dongsheng, 100% equity interests of the Development Center Administrative Bureau, 52% shareholding of Zhongsheng and Shengda Assets)
Target Companies	Dongsheng, the Development Center and Zhongsheng
Sinopec Corp.	China Petroleum & Chemical Corporation (中國石油化工有限公司)
Valuation Date	30 June 2006
Zhongsheng	Shengli Oilfield Zhongsheng Petroleum Development Co., Ltd (勝利油田中勝石油開發有限公司)

For and on behalf of the Board of Directors
China Petroleum & Chemical Corporation
Chen Ge
Secretary to the Board of Directors

Beijing, PRC, 6 December 2006

As at the date of this announcement, the executive directors of Sinopec Corp. are Messrs. Wang Tianpu, Zhang Jianhua, Wang Zhigang, Dai Houliang; the non-executive directors are Messrs. Chen Tonghai, Zhou Yuan, Fan Yifan and Yao Zhongmin; the independent non-executive directors are Messrs. Shi Wanpeng, Liu Zhongli and Li Deshui.