

Integration of A Shares

The Company entered into share transfer agreements and share custody agreements with Xian Feitian Science, Industrial and Trading Group Company Limited (“Xian Feitian”) and Wuhan Luzhou Enterprise (Group) Company Limited (“Wuhan Luzhou”), respectively on May 23, 2002. The share transfer agreements provide that the Company shall transfer by agreement 27% and 8.90% of the state-owned legal person shares in Petroleum Long Champ (Group) Co., Ltd. (“Long Champ”) to Xian Feitian and Wuhan Luzhou, respectively. Under the share custody agreements, the transferees have been entrusted with the exercise of all the rights other than the title to the legal person shares subject to state policies.

The Company entered into a share transfer agreement with China Electronic Information Industrial Group Company (“China Electronic”) on July 12, 2002. The share transfer agreement provides that the Company shall transfer 51.60% of the state-owned legal person shares in Gansu Tristar Petrochemical (Group) Co., Ltd. (“Tristar”) to China Electronic. On July 25, 2002, the Ministry of Finance granted its approval to the transfer of the state-owned legal person shares in Tristar. The Company will cease to have any interest in Tristar upon completion of the share transfer.

The entire proceeds from the transfer of shares in Long Champ and Tristar will be used for the repurchase of those assets connected with the principal business of pipeline transmission of oil from Long Champ and those assets connected with the principal business of oil refining and chemical industry from Tristar.