

1 AGREEMENTS CONCERNING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN THE COMPANY AND SINOPEC GROUP COMPANY

In order to ensure the normal operation of production and businesses of the Company and Sinopec Group Company, the two parties entered into a number of agreements on connected transactions before Sinopec Corp. was listed overseas. The particular connected transactions include the following:

- (1) Agreement for Mutual Provision of Ancillary Services Including Products, Production and Construction Services ("Mutual Supply Agreement");
- (2) Sinopec Group Company provides trademarks and patents proprietary and computer software licence to the Company for free of charge;
- (3) Sinopec Group Company provides cultural, educational, hygiene and community services to the Company;
- (4) Sinopec Group Company provides leasing of land and certain buildings to the Company;
- (5) Sinopec Group Company provides consolidated insurance to the Company;
- (6) Sinopec Group Company provides shareholders' loan to the Company;
- (7) The Company provides agency marketing services on products to Sinopec Group Company; and
- (8) The Company provides petrol stations franchise to Sinopec Group Company.

2 WAIVER IN RESPECT OF THE CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND SINOPEC GROUP COMPANY GRANTED BY THE HONG KONG STOCK EXCHANGE

In accordance to the Listing Rules of the Hong Kong Stock Exchange, the above

transactions are subject to full disclosure, depending on their nature and the value of consideration, with prior approval from independent directors and the Hong Kong Stock Exchange. At the time of listing, Sinopec Corp. applied for waivers from the Hong Kong Stock Exchange from full compliance with the Listing Rules for the transactions mentioned above. The Hong Kong Stock Exchange conditionally exempted Sinopec Corp. from undertaking the obligation of continuous disclosure.

At the extraordinary general meeting of Sinopec Corp. held on August 24, 2001, the Connected Transaction Adjustment Agreement was approved, and the connected transactions were adjusted accordingly. Please refer to the relevant description in section 7 of the prospectus published by Sinopec Corp. in China Securities News, Shanghai Securities News and Securities Times on June 22, 2001.

On June 29, 2001, the Hong Kong Stock Exchange conditionally agreed to grant the new waivers on continuous disclosure obligations to Sinopec Corp. and granted Sinopec Corp. a waiver from compliance with the relevant requirements of the Listing Rules in respect of these transactions for a period of three financial years expiring on December 31, 2003, but Sinopec Corp. must satisfy the conditions of waiver. The conditions for the waivers on continuous disclosure obligations were set out in Section 8 of the Letter from the Chairman that was incorporated in the circular to holders of H Shares concerning the connected transactions and on-going connected transactions which was dispatched on June 30, 2001 and published in Annex 3 to the Announcement of the 2001 Extraordinary General Meeting of Sinopec Corp. as published in China Securities News, Shanghai Securities News and Securities Times on July 10, 2001.

3 THE PROVISIONS FOR THE WAIVER ON DISCLOSURE AND APPROVAL REGULATIONS OF CONNECTED TRANSACTIONS ENTERED INTO BETWEEN SINOPEC CORP. AND SINOPEC GROUP COMPANY UNDER THE LISTING RULES OF THE SHANGHAI STOCK EXCHANGE

In the prospectus for the issue of A shares of Sinopec Corp., the above connected transactions together with agreements and arrangements between the Company and Sinopec Group Company were fully disclosed. In accordance with the Listing Rules of the Shanghai Stock Exchange, in the event that there is no significant change in the agreements governing the above connected transactions during the period under review, Sinopec Corp. would be exempted from the disclosure and approval regulations for connected transactions under the Listing Rules of the Shanghai Stock Exchange.

4 CONNECTED TRANSACTIONS ENTERED INTO BY THE COMPANY DURING THIS YEAR

As reviewed by the auditors of Sinopec Corp., the amount of the connected transactions entered into by the Company during this year amounted to an aggregate amount of RMB87.156 billion. Of which, incoming trade amounted to RMB50.672 billion and outgoing trade amounted to RMB36.484 billion (including outgoing products and services amounted to RMB36.343 billion, total amount of interest received was RMB0.104 billion, the agency fee receivable was RMB37 million). These satisfied the conditions of the waiver imposed by the Hong Kong Stock Exchange. In 2002, the products and services provided by Sinopec Group Company (purchase, storage, exploration and production services and production-related services) to the Company amounted to RMB45.365 billion, representing 14.55% of the Company's annual operating expenses, with a 1.81% increase and was within the cap of 18%; the auxiliary and community services provided by Sinopec Group Company to the Company

amounted to RMB1.945 billion, representing 0.62% of operating expenses, with a slight decrease when compared with 0.69% in the preceding year and was within the cap of 3%. In 2002, the product sales from the Company to Sinopec Group Company amounted to RMB36.343 billion, representing 10.69% of the Company's operating income, and was within the cap of 16%. With regard to the Land Use Right Leasing Agreement, the amount of rental payable by the Company for the year ended December 31, 2002 was approximately RMB2.018 billion. With regard to the premium payable according to the SPI Fund Document, the amount payable by the Company per annum should not be less than the amount as stipulated in the SPI Fund Document.

Please refer to Note 31 of the Financial Statement prepared in accordance with IFRS in this Annual Report for the details of the connected transactions actually incurred during this year.

The above mentioned connected transactions in 2002 were already approved at the 31st meeting of the first session of the Board of Directors of Sinopec Corp.

The auditors of Sinopec Corp. have confirmed to the Board of Directors in writing that:

- (a) The transactions have been approved by the Board of Directors;
- (b) The transactions have been entered into at amounts consistent with the pricing policies as stated in the relevant agreements;
- (c) The transactions have been entered into in accordance with the terms of the respective agreements and documents governing the transactions; and
- (d) The relevant amount has not exceeded the relevant cap amount.

After reviewing the above relevant transactions, the independent directors of Sinopec Corp. have confirmed that:

- (a) The transactions have been entered into by Sinopec Corp. in its ordinary and usual course of businesses;
- (b) The transactions have been concluded:
 - i on normal commercial terms;
 - ii on terms no less favorable than those available from/to independent third parties; or
 - iii where there is no available comparison for the purpose of determining whether Item i or ii is satisfied, on terms that are fair and reasonable so far as the shareholders of Sinopec Corp. are concerned; and
- (c) The total values of the transactions have not exceeded the respective limits.

5 OTHER MATERIAL CONNECTED TRANSACTIONS ENTERED INTO DURING THIS YEAR

(1) Connected Transaction for Assets Swap

At the 26th meeting of the first session of the Board of Directors of Sinopec Corp. held on December 19, 2002, the Board approved the proposal on assets swap with Sinopec Group Company and the two parties signed an assets swap agreement on the same day of the meeting. According to the agreement, Sinopec Corp. swapped some of the water plants, maintenance and repair equipment and physical and chemical exploration assets owned by it (including some relevant liabilities) for some petrol stations, oil depots (including the relevant liabilities) and owned by Sinopec Group Company on the basis of an equal value. Sinopec Corp. paid the value difference of RMB2.1321 million (about HK\$2.0095 million) in cash to Sinopec

Group Company. Upon completion of the assets swap, industry competition in ancillary production will be reduced. The assets to be swapped by Sinopec Corp. are mainly the ancillary and service assets of its main production services, including water plants, inspection and maintenance and exploration which fall under the business scope of Sinopec Group Company and should be wholly operated and managed by Sinopec Group Company. The incorporation of such assets into Sinopec Group Company is propitious to reducing the industry competition between Sinopec Corp. and Sinopec Group Company in such area and the development of Sinopec Group Company and will enhance the profitability of Sinopec Corp. As Sinopec Group Company is the controlling shareholder of Sinopec Corp., the Assets Swap and the Assets Swap Agreement constituted a connected transaction for Sinopec Corp. under the Listing Rules of the Shanghai Stock Exchange and paragraph 14.25(1) of the Listing Rules of the Hong Kong Stock Exchange. For details, see the relevant announcement published in China Securities News, Shanghai Securities News and Securities Times in China and South China Morning Post and Hong Kong Economic Times in Hong Kong on December 21, 2002.

In accordance with the Assets Swap Agreement and the documents filed to the Ministry of Finance, the two parties appropriately adjusted the relevant assets. As jointly confirmed by Sinopec Corp. and Sinopec Group Company, the appraised value of Sinopec Group Company's assets included in this asset transaction was RMB1,039,986,200 (about HK\$980,194,300); the appraised value of Sinopec Corp.'s assets was RMB1,021,424,900 (about HK\$962,700,200); the difference

RMB18,561,300 (about HK\$17,494,200) was paid by Sinopec Corp. to Sinopec Group Company in cash; and the transfer of both physical assets and fund was completed on December 31, 2002.

(2) Connected Transaction for Leasing of Petrol Stations

On April 29, 2002, Sinopec Corp. issued an announcement about the lease of petrol stations by a number of Sinopec Corp.'s subsidiaries from some subsidiaries of Sinopec Group Company; the two parties signed lease agreements for the lease of 2,138 petrol stations and expected to sign new lease agreements for the lease of around 460 other petrol stations in 2002. Due to the situations, geographical locations and sizes of some petrol stations, the lease of about 988 petrol stations already expired or the relevant agreements were not signed at all. The total amount of rental occurring in this reporting period was RMB87.88 million, which was in conformity with the conditions of waiver approved by the Hong Kong Stock Exchange for such connected transactions. The auditors of Sinopec Corp. have issued a letter to the Board of Directors to certify that:

- (a) the leasing agreements mentioned above have been approved by the Board of Directors;
- (b) the leasing agreements mentioned above have been completed according to relevant terms; and
- (c) the rentals paid in accordance with the leasing agreements did not exceed the cap amount.

After reviewing the connected transactions above, the independent directors of Sinopec Corp. confirmed the following:

- (a) the leasing agreements mentioned above:
 - (i) have been concluded on normal business and procedures;
 - (ii) have been completed on commercial terms (the terminology hereby referred to that applicable to transactions of similar nature, and shall be made by similar Chinese entities); or (b) (where there is no available comparison), on terms that are fair and reasonable so far as the independent shareholders of Sinopec Corp. are concerned; and
 - (iii) have been completed in accordance with the formal provisions of the standard leasing agreement;
- (b) The total rentals incurred in Sinopec Corp.'s fiscal year under the leasing agreement have not exceeded the cap amount for the relevant fiscal year.

In 2003, the Company will rent around 983 petrol stations from certain subsidiaries of Sinopec Group Company, and will sign around 983 leasing agreements. Each new agreement shall expire on December 31, 2003, with a term of one year. It is expected that the rentals incurred in 2003 under the new leasing agreements shall be around RMB120 million (or about HK\$113.1 million). For details, see the relevant announcements published in China Securities News, Shanghai Securities News and Securities Times in China and South China Morning Post and Hong Kong Economic Times in Hong Kong on April 29, 2002 and January 20, 2003.

(3) Connected Transactions Regarding 450 thousand tonnes PTA per year

Sinopec Yizheng Chemical Fibre Company Limited (“Yizheng”) entered into the following agreements in respect of the construction and design of a PTA production plant with annual production capacity of 450,000 tonnes of PTA and the construction of auxiliary facilities with five legal persons of Sinopec Group Company.

(I) Construction design agreement

- a Date of signing: August 13, 2001
- b Parties: Yizheng and CPC Construction Co., Ltd.
- c This agreement is mainly for the detail design of the PTA Project and the auxiliary facilities in relation to the PTA Project.
- d The consideration payable by Yizheng under this agreement is RMB42,760,000 payable in cash (equivalent to approximately by HK\$40,301,602) which was determined after arm’s length negotiations.

(II) Component installation construction agreement

- a Date of signing: November 16, 2001
- b Parties: Yizheng and CPC The Second Construction Co., Ltd.
- c This agreement is mainly for the construction of the main component of the PTA project and relevant auxiliary facilities.
- d After an open tender process the consideration payable by Yizheng under this agreement is RMB40,409,330 payable in cash (equivalent to approximately HK\$38,086,079).

(III) PX storing section and relevant auxiliary facilities construction agreement

- a Date of signing: November 16, 2001
- b Parties: Yizheng and CPC The Fifth Construction Co., Ltd.

- c This agreement is mainly for the construction of storage tanker in PX storing section of the PTA Project and relevant auxiliary facilities.
- d After an open tender process the consideration payable by Yizheng under this agreement is RMB8,000,000 payable in cash (equivalent to approximately HK\$7,540,056).

(IV) Waste water treatment plant construction contract

- a Date of signing: August 31, 2001
- b Parties: Yizheng and CPC The Fifth Construction Co., Ltd.
- c This agreement is mainly for the construction of waster water treatment plant for the PTA Project.
- d After an open tender process the consideration payable by Yizheng under the Agreement is RMB31,000,000 payable in cash (equivalent to approximately HK\$29,217,719).

(V) Construction of auxiliary facilities within the PTA Project’s construction site and some tankers outside the project site agreement

- a Date of signing: November 16, 2001
- b Parties: Yizheng and Yizheng Chemical Installation & Maintenance Engineering Company
- c This agreement is mainly for the construction of auxiliary facilities within the PTA Project’s construction site and some tankers outside the PTA Project site.
- d After an open tender process the consideration payable by Yizheng under this agreement is RMB75,000,000 payable in cash (equivalent to approximately HK\$70,688,030).

(VI) Construction of non-standard auxiliary facilities within the PTA Project site agreement.

- a Date of signing: November 16, 2001
- b Parties: Yizheng and Yizheng Chemical Installation & Maintenance Engineering Company
- c This agreement is mainly for the construction of non-standard auxiliary facilities within the PTA Project site.
- d After an open tender process the consideration payable by Yizheng under this agreement is RMB2,171,066.38 payable in cash (equivalent to approximately HK\$2,046,245).

The aggregate consideration for the above six agreements is RMB199,340,396.38 (equivalent to approximately HK\$187,879,732), and 40% of the agreements’ total consideration is to be paid from internal resource of Yizheng. The remaining 60% is financed by bank loan.

As those legal persons are either directly or indirectly wholly-owned subsidiaries of Sinopec Group Company and Sinopec Group Company is the holding company of Sinopec Corp. and Yizheng, and Yizheng is a subsidiary of Sinopec Corp. Under Chapter 14 of the Listing Rules of the Hong Kong Stock Exchange, the legal persons are connected persons of Sinopec Corp. Thus, the transactions constitute connected transactions of Sinopec Corp. under the Listing Rules.