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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: 00386)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND  
DISCLOSEABLE TRANSACTIONS**

Reference is made to the circular of Sinopec Corp. dated 7 September 2018 in relation to the continuing connected transactions between the Company and Sinopec Group. At Sinopec Corp.'s first extraordinary general meeting of 2018, the Independent Shareholders approved, among other things, the Major Continuing Connected Transactions, and the annual caps for three years ending 31 December 2021 for the Major Continuing Connected Transactions and the Non-Major Continuing Connected Transactions.

Sinopec Corp. anticipates that the continuing connected transactions with Sinopec Group will continue after 31 December 2021. In respect of the continuing connected transactions commencing from 1 January 2022, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Sixth Supplemental Agreement on 27 August 2021, pursuant to which, amendments were made to the terms of certain Continuing Connected Transactions under the Mutual Supply Agreement and the Properties Leasing Agreement.

Pursuant to the Hong Kong Listing Rules and the Shanghai Listing Rules, China Petrochemical Corporation, holding approximately 68.31% of the total issued share capital of Sinopec Corp., and its associates will constitute connected persons of Sinopec Corp. As such, the continuing transactions between the Company and Sinopec Group constitute continuing connected transactions of Sinopec Corp. under Chapter 14A of the Hong Kong Listing Rules. Sinopec Corp. shall comply with the reporting, announcement and Independent Shareholders' approval (if necessary) requirements in respect of such continuing connected transactions. In addition, the deposit services to be provided by Sinopec Financial Institutions to the Company will also constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

Sinopec Corp. will seek the approval of Independent Shareholders in respect of the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps), and, in accordance with the requirements of the SSE, the Non-Major Continuing Connected Transactions and the Exempted Continuing Connected Transactions (including the relevant proposed caps). A circular containing, among other things, (i) further details of the Continuing Connected Transactions, (ii) a letter from the Independent Board Committee and (iii) a letter from the IFA, will be dispatched and/or notified to the Shareholders within 15 business days after the date of this announcement.

## **1. BACKGROUND**

Reference is made to the circular of Sinopec Corp. dated 7 September 2018 in relation to the continuing connected transactions between the Company and Sinopec Group. At Sinopec Corp.'s first extraordinary general meeting of 2018, the Independent Shareholders approved, among other things, the Major Continuing Connected Transactions, and the annual caps for three years ending 31 December 2021 for the Major Continuing Connected Transactions and the Non-Major Continuing Connected Transactions.

Sinopec Corp. anticipates that the continuing connected transactions with Sinopec Group will continue after 31 December 2021. In respect of the continuing connected transactions commencing from 1 January 2022, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Sixth Supplemental Agreement on 27 August 2021, pursuant to which, amendments were made to the terms of certain Continuing Connected Transactions under the Mutual Supply Agreement and the Properties Leasing Agreement.

## **2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS**

### **(I) Mutual Supply Agreement**

#### ***1. Signing Date and Term***

Sinopec Corp. and China Petrochemical Corporation entered into the Mutual Supply Agreement on 3 June 2000 and the Continuing Connected Transactions Fifth Supplemental Agreement on 24 August 2018, the term of which ends on 31 December 2021. Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Sixth Supplemental Agreement dated 27 August 2021 to amend certain terms of the Mutual Supply Agreement including extending the Mutual Supply Agreement to 31 December 2024.

#### ***2. Scope of Service***

The following transactions are contemplated under the Mutual Supply Agreement:

- (1) Products and services provided by the Company, including
  - (a) Crude oil, natural gas, refined and petrochemical products and by-products, semi-finished products, coal, steel, water, electricity, gas, heat, measurements, quality inspection, other related or similar products and services, and guarantee;
  - (b) Financial services including entrusted loan to the Connected Subsidiaries.
- (2) Products and services provided by Sinopec Group, including:
  - (a) Supply: fresh water, chemical water, recycled water, industrial air, hydrogen, nitrogen, electricity, steam, heat supply, materials and equipment parts, chemical raw materials, precious metals, the sourcing of crude oil and natural gas (including crude oil and natural gas from overseas), and other related or similar products and services;
  - (b) Storage and transportation: railway, vehicular transport, water transport, pipeline transmission, loading and unloading, wharves, warehousing and other related or similar services;
  - (c) Ancillary production: well drilling, well surveying, well logging, exploration and development testing, technological research, communication, fire control, security guards,

public security, chemical examination, material examination, information, pressure containers and pipelines inspection, metering inspection, computer services, equipment research, airports, feasibility study, design, construction, installation, production of electromechanical instruments, inspection and maintenance of equipment devices and electrical equipment meters, projects supervision, environmental protection, repair and maintenance of roads, bridges and culverts and slope protection, flood control and other related or similar services;

- (d) Training and auxiliary services<sup>1</sup>: staff training, culture and sports, newspapers and magazines, radio and TV, office and factory property management, canteens, dormitories, commuting, re-employment service centres and other related or similar services;
- (e) Others: deposit and loan service, loan guarantee service, agent services in the collection and payment of administrative services fees, labour services, asset leasing, insurance, insurance agency service, entrusted loans, foreign exchange services, settlement services and other intermediary services, sharing services including finance, human resources, business travelling and information technology etc., and other related or similar services.

Specifically, the financial and insurance services provided by Sinopec Group to the Company, which mainly include the followings:

- (i) Deposit services provided as part of the settlements process. The annual caps for such transactions have been proposed on page 13 of this announcement;
- (ii) Loan services, as such loans will be on normal commercial terms and the Company does not provide any security in connection with such loan, such transactions will be fully exempted continuing connected transactions;
- (iii) Loan guarantee services, as such transactions will be on normal commercial terms and the Company does not provide any security in connection with such guarantee, such transactions will be fully exempted continuing connected transactions;
- (iv) Finance sharing services, the annual cap for such transactions have been included in the proposed caps for products and services provided by Sinopec Group to the Company;
- (v) Insurance services, the annual cap for such transactions have been included in the proposed caps for products and services provided by Sinopec Group to the Company; and
- (vi) Insurance agency service, entrusted loans, foreign exchange services, settlement service and other intermediary services. The proposed annual caps for such transactions have been included in the proposed annual caps for products and services provided by Sinopec Group to the Company.

Pursuant to the Mutual Supply Agreement, the Company and Sinopec Group will supply each other with crude oil, natural gas and utilities (i.e. water, electricity, steam, industrial air, etc.). Such mutual supply will bring convenience and flexibility to both parties' production and operation. In particular:

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<sup>1</sup> The term of the Cultural, Educational, Hygiene and Auxiliary Service Agreement will expire on 31 December 2021, and will not be renewed due to the significant decrease in the service scale after the separation and transfer of assets and business such as the Three Supplies and One Industry Assets etc. Cultural and educational services related or similar to training and auxiliary services thereunder will be incorporated into the Mutual Supply Agreement.

- (I) In terms of crude oil, on one hand, according to relevant regulations in China, overseas crude oil purchases require relevant qualifications, which Sinopec Group lacks. China International United Petroleum and Chemical Company Limited, being a subsidiary of Sinopec Corp., has the relevant qualifications and is a leading crude oil trading company in China. By purchasing crude oil from China International United Petroleum and Chemical Company Limited, Sinopec Group can ensure stable production and operation. On the other hand, the Company purchases a large amount of crude oil from overseas every year in order to meet its production and operation demands, a small portion of which is overseas equity crude oil of Sinopec Group. In addition, taking into account factors such as transport time, market demand, and the crude oil's adaptability to facilities, the Company will purchase crude oil from Sinopec Group's commercial petroleum storage company in the same region from time to time;
- (II) In terms of natural gas, on one hand, since Sinopec Group has demands for natural gas as raw material, fuel and for other uses whereas the Company is engaged in natural gas exploration and production, Sinopec Group needs to purchase natural gas from the Company for production and operation. On the other hand, since some of the Company's gas-consuming member enterprises and the Company's natural gas exploration and production member enterprises are located in different regions, a small number of the Company's member enterprises need to occasionally purchase a small amount of natural gas for production and operation from Sinopec Group in order to reduce costs;
- (III) In terms of utilities, utilities in some regions belong to the Company while utilities in some other regions belong to Sinopec Group. Under circumstances where member enterprises of the Company and Sinopec Group are located in the same region, one party will purchase the utility products belonging to the other party so as to satisfy its production and operation demands and to ensure its stable operation.

### **3. Pricing Policy**

The transactions conducted under Mutual Supply Agreement shall be priced in accordance with the following terms:

- (1) government-prescribed price;
- (2) where there is no government-prescribed price but government guidance price exists, the government guidance price will apply;
- (3) where there is neither a government-prescribed price nor a government guidance price, the market price will apply; or
- (4) where none of the above is applicable, the price is to be agreed between relevant parties for the provision of the above products or service, which shall be the reasonable cost incurred in providing the same plus 6% or less of such cost.

In particular:

#### **(1) Government-prescribed price (including government guidance price)**

Applicable to gasoline, diesel, nature gas, liquefied gas, water supply, electricity supply and heating supply (plus diversion costs in respect of water, electricity and heating supply). The government pricing for different products and services is determined based on the following:

<b>Types of product/service with government-prescribed price</b>	<b>Primary basis for price determination</b>
Refined oil products (i.e. gasoline and diesel)	According to the Circular on Further Improving the Issues Concerning the Pricing Formation Mechanism of Refined Oil (Fa Gai Jia Ge [2016] No.64) (《關於進一步完善成品油價格形成機制有關問題的通知》(發改價格[2016]64號)) issued by the NDRC on 13 January 2016, government guidance price shall be applied for the retail price and wholesale price of gasoline and diesel, as well as the supply price of gasoline and diesel to special users such as social wholesale enterprises, railway and transportation etc.; government-prescribed price shall be applied for the supply price of gasoline and diesel to the national reserve and other entities, and the factory price of aviation gasoline. The price of gasoline and diesel may be adjusted every ten working days with reference to the changes in the international market price of crude oil. The NDRC prescribes the maximum retail price of gasoline and diesel for all provinces (autonomous regions, municipalities) or central cities, and the supply price of gasoline and diesel to the national reserve and other entities, as well as the factory price of aviation gasoline. The price adjustment for refined oil products is subject to the documents issued by the relevant national competent authorities for pricing.
Natural gas	In recent years, the state has continued to promote natural gas market reform. According to the Circular on the Adjustment Reducing of the Gate Station Prices of Non-residential Natural Gas and Further Promoting Price Marketisation Reform Prices (Fa Gai Jia Ge [2015] No.2688) (《關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知》(發改價格[2015] 2688號)) issued by the NDRC on November 2015, the price for natural gas used by non-residents was converted from the highest gate station price management to the benchmark gate station price management. The supplying party and requisitioning party can negotiate and determine the price within the range of up to 20%, down to unlimited range based on the benchmark gas station price. In 2016, the NDRC loosened its hold on the price of fertiliser-used gas and the price associated with gas storage facilities. In September 2017, considering the downward adjustment of natural gas pipeline price, the gas station price of natural gas used by non-residents was reduced by RMB 0.1 per square. At the end of May 2018, the NDRC released the Circular on Adjustment Rationalising of the Gas Station Price of Natural Gas used by Residents (《關於理順居民用氣門站價格的通知》) to rationalise the gate station price of natural gas used by residents by increasing it, thus realising the integration of gas prices used by residents and non-residents. The price for gas used by residents after the integration will rise starting from 10 June 2019.
Water supply	Subject to the regulations of the relevant local government authorities of commodity prices.
Power supply	Pursuant to the Circular of the NDRC on Reducing the On-Grid Price for Coal-fired Power and Electricity Prices for Industrial and Commercial Use

(Fa Gai Jia Ge [2015] No.748) (《國家發展改革委關於降低燃煤發電上網電價和工商業用電價格的通知》(發改價格[2015]748 號)), electricity supply is subject to the government-prescribed price. For diverted power supply, the price should be government-prescribed price plus diversion cost.

Heating supply Subject to the regulations of the relevant local government authorities of commodity.

**(2) Relevant market price (including tender price)**

Applicable to crude oil, refined oil products (jet fuel, light chemical feedstock, lubricant, heavy oil etc.), chemical products, coal, asset leasing, machinery repairs, transportation, warehousing, material procurement and so on. The relevant market price for each of the products is determined as per below:

<b>Types of product/service with relevant market price</b>	<b>Primary basis for price determination</b>
Crude oil	The relevant market price of crude oil is determined with reference to crude oil quoted prices on international markets, such as Brent, Dubai and Oman.
Refined oil products (jet fuel, light chemical feedstock, lubricant, heavy oil)	The relevant market price of jet fuel is determined in accordance with the CIF cum tax price for jet fuel imports from the Singapore market; the relevant market price of light chemical feedstock is determined in accordance with the CIF cum tax price for naphtha imports from Japan and Singapore markets; the relevant market price of lubricant is determined by referring to the quotations on the relevant domestic price websites for lubricant; the relevant market price of heavy oil is determined in accordance with the CIF cum tax price for imports of 180C heavy oil from Singapore market. Such product prices in Singapore and Japan markets are publicly available.
Chemical products	The relevant market price is determined in accordance with the order price or contract price of external sales, taking into account factors such as freight rate and quality.
Coal	The market price is determined through price enquiry and comparison on the relevant price websites and by tender through the e-commerce system in accordance with the type of coal and the quality requirements.
Asset leasing, machinery repairs, transportation, warehousing and materials procurement, etc.	The relevant market price is determined through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system.

The Company has established procedures and internal control system for pricing and terms of the continuing connected transactions. Please refer to pages 10-11 of this announcement.

**(3) Agreed price (determined as reasonable cost incurred plus reasonable profit<sup>2</sup>)**

<b>Types of product/service with agreed price</b>	<b>Primary basis for price determination</b>
Steam, industrial water, industrial air, hydrogen, nitrogen, oxygen and other utility products	Prices for connected transactions are determined as reasonable cost plus reasonable profit. Reasonable cost mainly refers to the comparable average cost of similar enterprises in proximity and reasonable profit margin is determined with reference to bank lending rates. For products and services with prices determined by agreement, the supplier will provide a cost list, the purchaser will conduct comparison with the comparable average cost of similar enterprises in proximity or the cost of same type of products of the Company to determine the reasonable cost for ascertaining the price of connected transaction. The price of connected transactions, once determined and signed, shall not be changed by either party unilaterally.
Finance, human resources, business travelling, information technology and other sharing services	The connected transaction price is determined at a reasonable cost plus a reasonable profit. The reasonable cost is determined on the basis of FTE (full-time labour equivalent). The cost and tax are used as the cost benchmark, and the profit rate is controlled within 6% to determine the price of the sharing services. The price of connected transactions, once determined and signed, shall not be changed by either party unilaterally.
Training and auxiliary services	The connected transaction price is determined at a reasonable cost plus a reasonable profit. The cost and tax are used as the cost benchmark, and the profit rate is controlled within 6% to determine the price of the services.

**(4) For certain products or services, the following pricing principles are adopted**

<b>Types of product/service</b>	<b>Primary basis for price determination</b>
Well drilling, well surveying, well logging and other petroleum	The connected transactions are determined, via public tendering <sup>3</sup> with reference to design budget and commissioned construction work content, which are dependent on the geological block, well type, and depth of well. If no public tendering has been made, price is determined based on professional fixed unit price <sup>4</sup> of petroleum engineering published by Sinopec Group. For

<sup>2</sup> 6% or less of such cost.

<sup>3</sup> The Company has established a tender management committee (or special group) for sending bidding invitations to qualified suppliers to participate in public tender or invitation tender according to the specific conditions of the project, and observes the principles of openness, fairness, economy, safe protection and timely supply in evaluating the tenders submitted adopting the lowest bid price method or comprehensive evaluation method to determine the specific supplier.

<sup>4</sup> The preparation method and composition of professional fixed unit price of petroleum engineering is determined in accordance with the industry pricing rules. Sinopec Corp. has taken the lead in formulating the professional fixed unit price of petroleum engineering

engineering services	engineering design, construction and installation of building and inspection and maintenance projects, the price is determined via public tendering with reference to the unit price of project budget and pricing standards set by relevant government department or Sinopec Group.
Deposit services	The interest rate of the deposit services provided by Sinopec Finance shall be determined in accordance with the relevant interest rate as promulgated by the People's Bank of China. For deposit services provided by Sinopec Financial Institutions to the Company, the interest rates of the relevant deposit will be not lower than those provided by independent third parties for the deposits of the same nature and the same maturity.
Insurance and other financial services	The price shall be determined based on the prices prescribed by government authorities including, among others, People's Bank of China and CBIRC, and the fee charging standards published by the aforementioned relevant regulatory authorities and are negotiated on arm's length with reference to the fee rates charged by major insurance companies for similar insurance products and/or commercial banks for comparable services provided to the Company.
Financial services including entrusted loan	Financial services including entrusted loan are provided by the Company based on the interest rate and relevant charging standards announced by People's Bank of China with reference to the market prices.

## (II) Land Use Rights Leasing Agreement

Sinopec Corp. and China Petrochemical Corporation entered into the Land Use Rights Leasing Agreement on 3 June 2000 and the Land Use Rights Leasing Agreement Fourth Amendment Memo on 24 August 2018. The leased land will mainly be used for main production facilities, ancillary production facilities of the Company and certain petrol stations operated by Sinopec Corp.

The leased land can be categorised into the following two types:

- (1) authorised land for operation; and
- (2) assigned land.

The members of Sinopec Group agreed to lease land parcels to the Company with an aggregate area of approximately 410 million square metres with the annual rent for leased land parcels of RMB 14 billion. The rent payable under the Land Use Rights Leasing Agreement is determined taking into consideration various factors, including the area of the land parcels, their locations and the remaining terms of the use. According to the Land Use Rights Leasing Agreement, the rent may be adjusted every three years, and any such adjusted rent shall not be higher than the prevailing market rent as confirmed by an independent valuer.

Regarding authorised land for operation owned by members of Sinopec Group, land for industrial use is leased for a term of 50 years, while land for commercial use is leased for a term of 40 years. Regarding the land parcels with land use right assigned to members of Sinopec Group, they are leased for a term up to the expiry of the respective land use right certificates. The term of the lease in each land parcel commenced from 1 January 2000. The Company may require members of Sinopec Group to renew the term of the lease by giving them notice

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published by Sinopec Group. The values used in pricing a project are determined in accordance with factors such as zone plots of different geological conditions, well types, well depth and the level of average advanced cost.



twelve months before the expiry of the lease. Members of Sinopec Group shall, upon receipt of the said notice and before the expiry of the lease, make best efforts to obtain all government approvals and complete all the procedures with relevant governmental authorities required for the renewal of the land use right.

### **(III) Safety Production Insurance Fund (the “SPI Fund”)**

With the approval of the Ministry of Finance, China Petrochemical Corporation has established the SPI Fund. The SPI Fund currently provides property insurance covering the operations of the Company.

Pursuant to the SPI Fund Document, Sinopec Corp. is required to pay twice a year an insurance premium amounting to a maximum of 0.2% (a statutory requirement by the PRC Government) of the historical value of the fixed assets and the average month-end inventory value for the previous six months of the Company. After the receipt by China Petrochemical Corporation of the premium from Sinopec Corp., China Petrochemical Corporation will refund 20% of the paid premium to Sinopec Corp. if Sinopec Corp. pays the semi-annual premium on time according to the SPI Fund Document (the “**Refund**”). The Refund would equal to 17% of the paid premium if Sinopec Corp. fails to pay the semi-annual premium on time. The Refund shall be used by Sinopec Corp. in dealing with accidents and potential risks and safety measures, in safety education and training, in preventing major accidents and potential risks, and as rewards to units and individuals who have made a special contribution to safety production.

### **(IV) Properties Leasing Agreement**

On 3 June 2000, Sinopec Corp. and China Petrochemical Corporation entered into Properties Leasing Agreement, with effective from 1 January 2000 for a term of 20 years. Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Fifth Supplemental Agreement on 24 August 2018 to amend the term of the Properties Leasing Agreements. Pursuant to the Continuing Connected Transactions Fifth Supplemental Agreement, the term of the amended Properties Leasing Agreements was extended to 31 December 2021. The leased properties are used for ancillary production facilities, offices premises and petrol stations operated by the Company. Under the Properties Leasing Agreement, Sinopec Group has agreed to lease certain properties to the Company. The rent payable under the Properties Leasing Agreement is determined taking into consideration various factors, including the area of the properties involved, their locations and the nature and purpose of use of the properties. The rent may be adjusted once a year, and any adjusted rent shall not be higher than the prevailing market rent as confirmed by an independent valuer. Property taxes, land use fees and other statutory taxes or fees in relation to the properties shall be borne by Sinopec Group.

The Company may require Sinopec Group to renew the term of the lease by giving written notice six months before the expiry of the lease. Since the Properties Leasing Agreements will expire on 31 December 2021, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Sixth Supplemental Agreement on 27 August 2021 to amend the term of the Properties Leasing Agreements. Pursuant to the Continuing Connected Transactions Sixth Supplemental Agreement, the term of the amended Properties Leasing Agreements is extended to 31 December 2024. In addition, the Company can increase the leasing scope and area of the properties in the agreements according to the Company’s actual production and operation needs.

If China Petrochemical Corporation is in negotiation to sell a property, which has been leased to the Company, to a third party, the Company shall have a pre-emptive right to purchase such property under the same terms.

### **(V) Intellectual Property License Agreements**

Sinopec Corp. and China Petrochemical Corporation entered into the Intellectual Property License Agreements on 3 June 2000. Each of the Intellectual Property License Agreements is for a term of 10 years commencing from 1 January 2000. On 21 August 2009, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Second Supplemental Agreement, pursuant to which, the term of each of the Intellectual Property License Agreements was extended to 31 December 2019. On 24 August 2018, Sinopec

Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Fifth Supplemental Agreement, pursuant to which, the term of each of the Intellectual Property License Agreements was extended to 31 December 2029.

While the intellectual property rights under the Intellectual Property License Agreements are granted to the Company at nil consideration, Sinopec Corp. shall, before 31 December of each year, pay all such expenses which are payable by China Petrochemical Corporation in respective year according to relevant laws and regulations for maintaining the validity of relevant trademarks, patents and computer software.

### **3. PROCEDURES AND INTERNAL CONTROL SYSTEM FOR PRICING AND TERMS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Company has established a series of internal control system in order to ensure that the pricing mechanism and terms of the above continuing connected transactions are fair and reasonable and no less favourable than the terms provided by any independent third party, as well as in the interest of the Company and its Shareholders as a whole. Such system mainly includes:

- (I) The transactions contemplated under the connected transactions agreements are conducted on a non-exclusive basis;
- (II) As for the pricing mechanism of the Company's procurement and/or sales of products or services from Sinopec Group, according to the Company's procurement and sales measures, if there is no government-prescribed price or government-guided price, the Company will actively obtain information about market price through various channels, such as taking into consideration the transaction prices of at least two comparable transactions of the Company with independent third parties for the same period and transactions among independent third parties for the same period, conducting market price research through various independent industry information providers (such as industry websites), and participating in activities organised by leading industry organisations. Market price information will also be provided to other departments and subsidiaries of Sinopec Corp. so as to assist in pricing of relevant continuing connected transactions. Such price is determined by parties involved (i.e. the subsidiaries of Sinopec Corp. and the subsidiaries of China Petrochemical Corporation) on normal commercial terms with reference to aforementioned price information. For products and services with agreed prices, for the purpose of ascertaining the connected transaction prices, the supplier will provide a cost list, while the purchaser will compare the comparable average cost of similar companies in proximity or the cost of same type of products to determine reasonable cost. For the Company, such price is subject to the approval of the financial department of Sinopec Corp. The price of connected transactions, once determined and signed, shall not be changed by either party unilaterally;
- (III) As for the Company's procurement process of relevant products or services, according to the Company's procurement measures, the Company will request suppliers, including Sinopec Group and other independent suppliers, to provide price quotations in respect of the requested services or products. Following the receipt of quotations, the Company will compare the quotations and negotiate the terms of quotations with suppliers. The Company will confirm supplier selection after taking into account factors such as price quotations, quality of the products or services, particular needs of parties involved, technical advantages of the supplier, ability of the supplier in performing the contracts and providing follow-up services, and qualifications and relevant experiences of the supplier;
- (IV) The Company's internal control and risk management departments will conduct regular internal assessments on the internal control measures every year to examine the completeness and effectiveness of internal control measures in respect of connected transactions. The legal and contract management departments of the Company will conduct prudent reviews of the connected transaction

contracts, while the departments executing relevant contracts will monitor the connected transaction amounts in a timely manner;

- (V) The Company will implement connected transactions in accordance with the internal control procedures, and review the accounting statements on connected transactions submitted by relevant subsidiaries on a monthly basis. Review and analysis on the connected transaction statements and price implementation are conducted on a quarterly basis, and analysis report on the implementation of connected transactions will be prepared to recommend rectification measures for any issues identified;
- (VI) The Board will review the implementation of the continuing connected transactions on an annual basis, and review the financial report, which included the implementation of the continuing connected transactions, on a half-year basis mainly in respect of matters such as: whether the Company and relevant connected parties performed the continuing connected transaction agreement during relevant period; whether the actual transaction amounts incurred are within the annual caps as approved at the general meeting. The independent non-executive directors report their performance of duties at general meeting on an annual basis, and particularly express their opinions on whether the continuing connected transactions exceed relevant caps as approved at the general meeting, whether the continuing connected transactions are performed pursuant to the agreements, and whether the continuing connected transactions are fair and reasonable and in the interests of the shareholders of Sinopec Corp. as a whole;
- (VII) The board of supervisors of Sinopec Corp. will supervise the continuing connected transactions, and review the annual financial report and interim financial report, which include the implementation of the continuing connected transactions, on an annual basis. It will also review the domestic and overseas compliance of the connected transactions entered into between the Company and connected parties in respective year, whether the prices are fair and reasonable, and whether there are any acts which are detrimental to the interests of the Company and the Shareholders;
- (VIII) The Audit Committee of Sinopec Corp. will review the annual financial statements, annual report, interim financial statements and interim report, which include the implementation of the continuing connected transactions, and express opinion on the connected transactions conducted during relevant periods mainly in respect of matters such as: whether the connected transactions are fair, and whether the actual connected transaction amounts incurred are within the annual caps;
- (IX) The external auditor of the Company will conduct interim review and annual audit for each year, express opinions on the implementation of the pricing policies and whether the actual connected transaction amounts incurred are within relevant annual caps for respective year pursuant to the Hong Kong Listing Rules, issue relevant letter to the Board and submit the same to the Stock Exchange.

By implementing the above internal control measures and procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of the connected transactions will be on market terms and be conducted on normal commercial terms, and will be fair and reasonable to the Company and the Shareholders as a whole.

#### **4. HISTORICAL FIGURES AND EXISTING CAPS**

The historical figures and caps of the aforementioned continuing connected transactions for the past two financial years and the six months ended 30 June 2021 are set out below:

Continuing Connected Transactions	Historical Amount (RMB100 million)			The six months ended 30 June 2021
	Caps for 2021	2019	2020	
<b>1. Mutual Supply Agreement</b>				
(1) Products and services (except for financial services) provided by the Company to Sinopec Group	2,999	1,598	1,328	650
(2) Financial services including entrusted loan provided by the Company to the Connected Subsidiaries	-	-	-	-
(3) Products and services (except for financial services) provided by Sinopec Group to the Company <sup>5</sup>	4,930	2,696	2,358	1,301
(4) Maximum daily amount of deposits and total accrued interests of the deposit service provided by Sinopec Financial Institutions to the Company <sup>6</sup>	800	765.8	785.6	752.2
<b>2. Land Use Rights Leasing Agreement</b>				
Annual land rent payable by the Company to Sinopec Group <sup>7</sup>	140	113.3	110.86	54.02

### 3. SPI Fund Document

<sup>5</sup> The historical transaction amount under the Cultural, Educational, Hygiene and Auxiliary Service Agreement amounted to RMB3.097 billion, RMB3.126 billion and RMB0.642 billion for 2019, 2020 and the six months ended 30 June 2021, respectively.

<sup>6</sup> The maximum daily amount of deposits and total accrued interests refer to the maximum amount of deposits and accrued interests thereof at any point of time in one day.

<sup>7</sup> Historical transaction amount is calculated based on the annual land rent payable by the Company to Sinopec Group. As International Financial Reporting Standards 16 Lease has taken effect on 1 January 2019, for 2019, 2020 and the six months ended 30 June 2021, the amount of the total value of right-of-use assets of leased lands under the Land Use Rights Leasing Agreement amounted to RMB31 billion, RMB20.687 billion and RMB5.277 billion, respectively. The right-of-use assets were recognised based on the leasing conditions of lands from 2019 to 2021. The amount of right-of-use assets corresponding to the leased land in the Company's 2019 and 2020 annual reports and 2021 interim report is based on the aforementioned period and confirmed after taking into consideration of the renewal option.

Annual premium payable by the Company <sup>8</sup>	33	21.78	21.81	11.27
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#### 4. Properties Leasing

##### Agreement

Annual property rent payable by the Company to Sinopec Group <sup>9</sup>	7.3	5.09	5.65	2.72
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As at the date of this announcement, none of the above annual caps had been exceeded.

### 5. PROPOSED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

(I) Sinopec Corp. proposes the annual caps for the Continuing Connected Transactions for the years from 2022 to 2024 as follows:

Continuing Connected Transactions	Proposed annual caps for the year ended 31 December (RMB100 million)		
	2022	2023	2024
<b>1. Mutual Supply Agreement</b>			
(1) Products and services (except for financial services) provided by the Company to Sinopec Group	1,891	2,007	2,095
(2) Financial services including entrusted loan provided by the Company to the Connected Subsidiaries	100	100	100
(3) Products and services (except for deposit services) provided by Sinopec Group to the Company	3,597	3,733	3,877
(4) Maximum daily amount of deposits and total accrued interests of the deposit service provided by Sinopec Financial Institutions to the Company	800	800	800
<b>2. Land Use Rights Leasing Agreement</b>			
Annual value of right-of-use assets of lands leased by the Company from Sinopec Group	383.05	249.40	133.65
<b>3. SPI Fund Document</b>			

<sup>8</sup> After excluding the return of payments to Sinopec Corp. by Sinopec Group pursuant to the rules for implementation of the SPI Fund Document, in 2019, 2020 and the six months ended 30 June 2021, the actual aggregate amount paid by Sinopec Corp. to Sinopec Group were RMB871 million, RMB878 million and RMB525 million, respectively.

<sup>9</sup> Historical transaction amount is calculated based on the annual properties rent payable by the Company to Sinopec Group. As International Financial Reporting Standards 16 Lease has taken effect as at 1 January 2019, for 2019, 2020 and the six months ended 30 June 2021, the amount of the total value of right-of-use assets of leased lands under the Land Use Rights Leasing Agreement amounted to RMB1.393 billion, RMB1.054 billion and RMB0.266 billion, respectively. The right-of-use assets were recognised based on the leasing conditions of properties from 2019 to 2021. The amount of right-of-use assets corresponding to the leased properties in the Company's 2019 and 2020 annual reports and 2021 interim report was based on the aforementioned period and confirmed after taking into consideration of the renewal option.

Annual premium payable by the Company	33	33	33
<b>4. Properties Leasing Agreement</b>			
Annual value of right-of-use assets of properties leased by the Company from Sinopec Group	38.30	24.94	13.37

(II)The following are the basis for the proposed annual caps for each type of Continuing Connected Transactions:

### Continuing Connected Transactions

### Basis for the proposed annual caps

#### 1. Mutual Supply Agreement

- |  |   |
|--|---|
| <p>(1) Products and services (except for financial services) provided by the Company to Sinopec Group</p>    | <p>The proposed annual caps for 2022 to 2024 have decreased as compared to the annual caps for 2019 to 2021, with the following major factors taken into consideration:</p> <p>(i) The Company assumed that the prices of crude oil for 2022-2024 will be USD80/barrel, USD85/barrel and USD85/barrel, respectively, which are lower than the prices of crude oil used when determining the caps for 2019-2021 (USD90/barrel, USD95/barrel and USD95/barrel) by about 11%, and the prices of chemical products and refined oil products will also decrease accordingly based on the decline in prices of crude oil. Due to the decline in commodity prices, it is expected that the transaction amount between the Company and Sinopec Group will decrease significantly.</p> <p>(ii) With the mergers and acquisitions of the Company, Sinopec Baling Petrochemical Company Limited has become a Connected Subsidiary of Sinopec Corp. since 2020, and Sinopec Hainan Refining and Chemical Company Limited and Sinopec Zhanjiang Dongxing Petrochemical Company Limited have ceased to be the Connected Subsidiaries of Sinopec Corp. It is expected that the total transaction amount between the Company and the Connected Subsidiaries will drop significantly.</p> <p>(iii) Based on (a) the transaction amounts and the utilisation rates of the annual caps over the past three years; and (b) taking into account the significance of the Company's sales of products and services to Sinopec Group under the Mutual Supply Agreement to the Company's revenue, the business development of the Company and Sinopec Group, as well as the volatility of crude oil, natural gas, petrochemical products, exchange rates and others, the Company believes that the transaction caps should be flexible to accommodate various maximum possibilities under contemplation.</p> |
| <p>(2) Financial services including entrusted loan provided by the Company to the Connected Subsidiaries</p> | <p>The following major factors were taken into consideration for the proposed annual caps for 2022 to 2024:</p> <p>(i) Based on (a) the Connected Subsidiaries' expected business development and corresponding capital needs in</p>  |

view of the companies' development plans and the market trend; (b) the relatively sufficient funds of the Company; (c) the capital market situation in the regions where the Connected Subsidiaries are located; (d) the Company's pricing policy for providing entrusted loans and other financial services; (e) the expected interest on the entrusted loans; and (f) taking into account the uncertainties of products, capital markets and the progress of development of the relevant business, the Company believes that the transaction caps should be flexible to accommodate various maximum possibilities under contemplation.

(ii) the Connected Subsidiaries are consolidated in the financial statements of the Company. Providing financial services such as entrusted loans with reference to market prices can help the Company improve capital utilisation efficiency.

(3) Products and services (except for deposit services) provided by Sinopec Group to the Company

The proposed annual caps for 2022 to 2024 have decreased as compared to the annual caps for 2019 to 2021, with the following major factors taken into consideration:

(i) The Company assumed that the prices of crude oil for 2022-2024 will be USD80/barrel, USD85/barrel and USD85/barrel, respectively, which are lower than the prices of crude oil used when determining the caps for 2019-2021 (USD90/barrel, USD95/barrel and USD95/barrel) by about 11%, and the prices of chemical products and refined oil products will also decrease accordingly based on the decline in prices of crude oil. Due to the decline in commodity prices, it is expected that the transaction amount between the Company and Sinopec Group will decrease significantly.

(ii) With the mergers and acquisitions of the Company, Sinopec Baling Petrochemical Company Limited has become a Connected Subsidiary of Sinopec Corp. since 2020, and Sinopec Hainan Refining and Chemical Company Limited and Sinopec Zhanjiang Dongxing Petrochemical Company Limited have ceased to be the Connected Subsidiaries of Sinopec Corp. It is expected that the total transaction amount between the Company and the Connected Subsidiaries will drop significantly.

(iii) The Company has strengthened the exploration and development of crude oil and natural gas and extended the downstream chemical industry chain. It is expected that the Company's purchase of related products and services will increase to a certain extent.

(iv) Based on (a) the transaction amounts and the utilisation rates of the annual caps over the past three years; and (b) taking into account the significance of the Company's sales of products and services to Sinopec Group under the Mutual Supply Agreement to the Company's revenue, the business development of the Company and Sinopec Group, as well as the volatility of crude oil, natural gas, petrochemical products, exchange rates and others, the Company believes that the transaction caps should be

flexible to accommodate various maximum possibilities under contemplation.

(4) Deposit services provided by Sinopec Financial Institutions to the Company

The proposed annual caps for 2022 to 2024 remain unchanged as compared to the annual caps for 2019 to 2021, mainly taking into consideration of the transaction amounts and the utilisation rates of the annual caps over the past three years, as well as the future business development and scale of fund settlement of the Company.

**2. Land Use Rights Leasing Agreement**

Annual value of right-of-use assets of lands leased by the Company from Sinopec Group

Since International Financial Reporting Standards 16 was effective on 1 January 2019, pursuant to the requirements of the Stock Exchange, the Company changed the basis of determination of the proposed annual cap for the period from 2022 to 2024 with reference to the annual value of right-of-use assets relating to land lease. The annual value of right-of-use assets is mainly based on the recognition of the current value of the minimum lease payment and the measurement of the corresponding lease liability.

The proposed annual caps of land leasing for 2022 to 2024 are based on: (1) the corresponding total value of right-of-use assets relating to land lease for 2022 to 2024; (2) the annual land rent payable by the Company to Sinopec Group (the “**Expected Land Rent Payment**”) is approximately RMB14 billion; (3) the discount rate is determined based on the interest rate of the incremental borrowings of the Company.

The Expected Land Rent Payment for 2022 to 2024 remain unchanged as compared to the rent caps of land lease for 2019 to 2021.

**3. SPI Fund Document**

Annual premium payable by the Company

The proposed annual caps for 2022 to 2024 remain unchanged as compared to the annual cap for 2021, mainly taking into consideration the following factors: the transaction figures of the past three years, the historical average growth rate of fixed assets and inventory size caused by the amount of fixed assets and the scale of business expansion as of 30 June 2021.

**4. Properties Leasing Agreement**

Annual value of right-of-use assets of properties leased by the Company from Sinopec Group

Since International Financial Reporting Standards 16 was effective on 1 January 2019, pursuant to the requirements of the Stock Exchange, the Company changed the basis of determination of the proposed annual cap for the period from 2022 to 2024 with reference to the annual value of right-of-use assets relating to property lease. The annual value of right-of-use asset is mainly based on the recognition of the current value of the minimum lease payment and the measurement of the corresponding lease liability.

The proposed annual caps of property leasing for 2022 to 2024 are based on: (1) the corresponding total value of right-of-use assets relating to property leasing for 2022 to 2024; (2) the annual payment of property rent by the Company to Sinopec Group (the “**Expected Property Rent Payment**”) is approximately RMB1.4



billion; (3) the discount rate is determined based on interest rate of the incremental borrowings of the Company.

The Expected Property Rent Payment for 2022 to 2024 has increased as compared to the rent caps of property lease for 2019 to 2021, mainly taking into consideration, among others, the transaction amounts and the utilisation rates of the annual caps over the past three years, the future possible scale of increase in the property rents in the PRC, and the potential new property leases to be entered into between the Company and Sinopec Group.

## **6. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS**

Sinopec Group operated with the Company as an integrated organisation prior to the reorganisation of China Petrochemical Corporation and the establishment of Sinopec Corp., and a number of intra-group transactions were conducted every year. After the reorganisation and the listing of the shares of Sinopec Corp. on both the Stock Exchange and the SSE, a number of transactions conducted or to be conducted between the Company and Sinopec Group that are necessary for businesses development of the Company constituted continuing connected transactions under the Hong Kong Listing Rules and/or the Shanghai Listing Rules.

The Board is of the view that entering into the Continuing Connected Transactions is essential to the continuation of the Company's business, and is and will be beneficial to the Company's business operation and growth, and will reduce unnecessary risks which may arise in the course of operation. This is mainly reflected in:

- (I) Sinopec Group has advantages in various aspects, with a good reputation and a gigantic scale. The Company has established a long-term cooperative relationship with Sinopec Group;
- (II) The engineering technology, production and financial services provided by Sinopec Group to the Company have competitive advantages in the domestic industry. Compared with other service providers, there are significant empirical, technological and cost advantages;
- (III) The petroleum industry has its unique technological and quality requirements, and the oil and gas engineering and technological services provided by Sinopec Group are of higher standards within the industry, which can satisfy the technological and quality standards of the projects invested in and operated by the Company. At the same time, high quality services can also reduce safety and environmental protection risks of the Company significantly;
- (IV) The shared services provided by Sinopec Group to the Company can lower the cost through centralised processing and can help the Company to improve management refinement and operational efficiency;
- (V) The land and properties leased by the Company from Sinopec Group is necessary for the Company's continuous and stable operation, and the rent thereof is no higher than the then market rent confirmed by the independent valuer.

As for financial services, Sinopec Financial Institutions focus on serving China Petrochemical Corporation and its subsidiaries, with the institutions' strong financial capabilities, providing efficient financial services for the Company's domestic and overseas business. The reasons and benefits of financial services are as follows:

- (I) Realising centralised treasury management, improving treasury management efficiency: In the ordinary course of business, the Company's members trade internally, while the Company trades with China Petrochemical Corporation and its associates. Sinopec Financial Institutions are platforms for internal settlement, financing and treasury management of the Company and Sinopec Group, and the

relevant subsidiaries and associates usually open a settlement account in Sinopec Financial Institutions. Sinopec Financial Institutions provide deposits and other financial services to the Company to facilitate settlement within the members of the Company and between the Company and members of Sinopec Group (some of them are customers of the Company) and shorten the time required for transfer and turnover of funds. Compared with opening bank accounts by Sinopec Group and the Company separately in independent commercial banks, clearing and settlement between both sides would be more efficient. Sinopec Financial Institutions will enable the Company to lower the cost by improving the efficiency of the internal settlement and help to realise optimisation of cost and operational efficiency. The Company's centralised deposit of funds in Sinopec Financial Institutions would enable the Company to have access to a centralised managed pool of domestic and offshore funds service, and the Company is able to withdraw cash to satisfy the flexible requirements of treasury timely at any time without limitation. The Company is also entitled to choose early termination of deposits in Sinopec Financial Institutions. Meanwhile, the Company may, at its sole discretion, deposit its funds into Sinopec Financial Institutions or independent domestic or overseas commercial banks without any restrictions;

- (II) Familiar with the Company's business: Since Sinopec Financial Institutions mainly provide financial services to China Petrochemical Corporation and its subsidiaries, they have accumulated in-depth knowledge in related industries such as oil and gas, refining and petrochemical industries over the years. Sinopec Financial Institutions are familiar with the capital structure, business operation, capital requirements and cash flow pattern of the Company, enabling it to better forecast the capital requirements of the Company. Therefore, Sinopec Financial Institutions can provide flexible, convenient and low cost service to the Company at any time, while it will be difficult for independent commercial banks to provide equivalent services;
- (III) Offering favourable commercial terms: As professional/centralised treasury management platforms, Sinopec Financial Institutions generally can offer Sinopec Corp. terms and interest rates no less favourable as compared to the services of the same nature and the same maturity from major commercial banks. Under normal circumstances, the deposit interest rate offered by Sinopec Financial Institutions will be no lower than that offered by major commercial banks for the deposits of the same nature and the same maturity. The loan interest rate will be no higher than that offered by major commercial banks for the loans of the same nature and the same maturity;
- (IV) Implementing internal control and risk management measures, guarantee the security of capital: The Company, Sinopec Finance and Sinopec Century Bright have taken various internal control and risk control measures for financial services so as to guarantee the security of capital and to ensure the Company's interests. Sinopec Financial Institutions have strict internal control system and risk management system established by Sinopec Group. Such regulations, internal control and risk control measures include but not limited to the followings:
  - 1. Sinopec Finance is a major domestic non-banking financial institution under the supervision of the CBIRC. The Beijing Bureau, being the dispatched agency of CBIRC, conducts daily supervision on Sinopec Finance, as well as on-site and off-site inspections. Meanwhile, Sinopec Century Bright holds the Money Lenders License issued by Hong Kong Government, and is supervised by the Hong Kong Government, the Companies Registry and other relevant regulatory authorities in Hong Kong;
  - 2. In order to regulate the connected transactions between the Company and Sinopec Finance, Sinopec Corp. and Sinopec Finance formulated the Risk Control System on Connected Transactions between China Petroleum & Chemical Corporation and Sinopec Finance Co., Ltd., which covers the relevant risk control system and the risk management plan to prevent financial risks of the Company and to ensure that the deposits of the Company in the Sinopec Finance can be utilised at the Company's discretion. Meanwhile, in order to regulate connected transactions between the Company and Sinopec Century Bright, Sinopec Century Bright is able

to ensure the safety of the Company's deposits placed with it by strengthening its internal risk control and receiving various supports from Sinopec Group. Sinopec Group has issued a number of internal rules, including Internal Control Regulations, the Rules for Implementation of Overseas Capital Management Methods and the Provisional Methods for Overseas Fund Platform Management, to impose strict rules on Sinopec Century Bright for providing overseas financial services to each business under Sinopec Group. Sinopec Century Bright has also established the Rules for the Implementation of the Internal Control System. The formulation of such management systems has strengthened the control over internal risks, and secured the safety of the deposits of the Company in Sinopec Century Bright;

3. According to the regulatory requirements, Sinopec Finance has established a complete corporate governance structure with board of directors and board of supervisors, which can facilitate the stable operation and effective supervision of Sinopec Finance. In accordance with relevant regulatory requirements of the CBIRC, Sinopec Finance has established an internal control system which covers all business areas, dynamically updated annually according to business needs, and through measures such as audit inspections. Sinopec Finance has ensured an effective internal control and a strict implementation of rules and regulations. Sinopec Finance has established a relatively completed risk management organisation structure, and the risk controls have been implemented. All regulatory indicators are in line with regulatory requirements. According to relevant regulations, Sinopec Century Bright carries out internal control assessment every quarter and risk evaluations when necessary;
4. As the controlling shareholder of Sinopec Finance, China Petrochemical Corporation undertakes that in case of an emergency where the Sinopec Finance has difficulties making payments, China Petrochemical Corporation will increase the capital of Sinopec Finance based on actual needs in order to solve payment difficulties. At the same time, as the sole shareholder of Sinopec Century Bright, China Petrochemical Corporation entered into a keep-well agreement with Sinopec Century Bright, under which China Petrochemical Corporation undertakes that it will ensure that the repayment obligations of Sinopec Century Bright can be fulfilled through various channels if Sinopec Century Bright encounters any repayment difficulties. In respect of liquidity, the credit rating of China Petrochemical Corporation is higher than many enterprises, and even banks. Sinopec Finance, as a major domestic non-bank financial institution, is under the supervision of CBIRC, and has achieved the regulatory requirements as determined by regulatory indicators over the years. Sinopec Century Bright was granted credit rating of A/A2 from Standard & Poor's and Moody's, respectively;
5. Sinopec Corp. holds 49% equity interest in Sinopec Finance. The majority of the directors in Sinopec Finance was appointed by Sinopec Corp. to oversee its operations. Each of Sinopec Finance and Sinopec Century Bright shall provide sufficient information, including various financial indicators (as well as annual and interim financial reports), quarterly so that the Company can monitor the financial conditions of Sinopec Finance and Sinopec Century Bright continuously. Sinopec Finance publicly disclose its annual report and financial information (<http://www.sfc.sinopec.com/en/info/info.html>);
6. Sinopec Finance and Sinopec Century Bright shall monitor the maximum daily amount of deposits (including accrued interests) of the Company to ensure that relevant amount do not exceed the applicable annual caps; and
7. In the course of annual audit for Sinopec Corp., the auditor will review and express opinions on the connected transactions between the Company, Sinopec Finance and Sinopec Century Bright, while Sinopec Corp. will timely perform the information disclosure obligations according to the requirements of Hong Kong Listing Rules.

The aforesaid internal control and risk management measures will be able to mitigate potential financial risks of the Company to greatest extent, and safeguard the interests of Sinopec Corp. and its Shareholders. The Directors are of the view that the above internal control and risk management measures are adequate and effective in monitoring relevant deposit transactions in all material respects.

In addition, the Board has considered the risks associated with the use of deposit services provided by Sinopec Financial Institutions mainly including: (1) risks commonly faced by the banking industry; and (2) risks arising from the fact that Sinopec Financial Institutions are the financial institutions controlled by Sinopec Group. After taking into account various factors as disclosed above, the Directors are of the view that the Company actually faces no greater risks commonly faced by the banking industry for the use of deposit services provided by Sinopec Financial Institutions. For the risks arising from the fact that Sinopec Financial Institutions are the financial institutions controlled by Sinopec Group (e.g. the possible liquidation of Sinopec Group or diversion of fund by Sinopec Group etc.), the Directors are of the view that such risks are either remote or can be minimised/avoided by control and risk management measures as disclosed above. As such, having regarded such disadvantages/risks, the Directors still consider that it is in the interests of the Company and its Shareholders as a whole to use those financial services.

The Continuing Connected Transactions of the Company are conducted in the ordinary and usual course of business of the Company. Such transactions will continue to be conducted on an arm's length basis and on terms that are fair and reasonable to the Company. Directors of the Company (including independent non-executive directors) believe that the Continuing Connected Transactions have been conducted on the basis of normal commercial terms or better terms, fair and reasonable, and are in the interests of the Company and Shareholders as a whole, and the proposed annual caps of the Continuing Connected Transactions are fair and reasonable, and are in the interests of the Company and Shareholders as a whole.

## **7. THE HONG KONG LISTING RULES AND THE SHANGHAI LISTING RULES REQUIREMENTS**

Pursuant to the Hong Kong Listing Rules and the Shanghai Listing Rules, China Petrochemical Corporation, holding approximately 68.31% of the total issued share capital of Sinopec Corp., and its associates will constitute connected persons of Sinopec Corp. As such, the continuing transactions between the Company and Sinopec Group constitute continuing connected transactions of Sinopec Corp. under Chapter 14A of the Hong Kong Listing Rules. Sinopec Corp. shall comply with the reporting, announcement and Independent Shareholders' approval (if necessary) requirements in respect of such continuing connected transactions. In addition, the deposit services to be provided by Sinopec Financial Institutions to the Company will also constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

### **Continuing Connected Transactions**

### **Hong Kong Listing Rules Requirements**

#### ***(1) Major Continuing Connected Transactions***

- |   |   |
|---|---|
| 1. Mutual Supply Agreement (exclusive of provision of financial services including entrusted loan by the Company to the Connected Subsidiaries) | As the proposed annual caps of each of the transactions exceed 5% of the applicable percentage ratios, it is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. |
| 2. Land Use Rights Leasing Agreement  |   |

#### ***(2) Non-Major Continuing Connected Transactions***

- |  |   |
|--|---|
| 3. SPI Fund Document   | As the proposed annual caps of each of the transactions are less than 5% but more than 0.1% of the applicable percentage ratios, the relevant transactions are subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but will be exempt from independent shareholders' approval requirements. |
| 4. Properties Leasing Agreement  |   |
| 5. Provision of financial services including entrusted loan by the Company to the Connected Subsidiaries under the Mutual Supply Agreement |   |

**(3) Exempted Continuing Connected Transactions**

- |   |   |
|---|---|
| 6. Intellectual Property License Agreements | As Sinopec Corp. estimates that the annual fee payable by the Company to Sinopec Group for such transactions will be less than 0.1% of each of the applicable percentage ratios, the relevant transactions will be exempt from reporting, announcement and independent shareholders' approval requirements. |
|---|---|

The transactions under 1 to 6 above (including the relevant proposed caps) will be subject to the announcement and independent shareholders' approval requirements in accordance with Chapter 10 of the Shanghai Listing Rules.

**8. APPROVAL BY THE BOARD AND INDEPENDENT SHAREHOLDERS**

On 27 August 2021, the second meeting of the eighth session of the Board was convened by way of onsite meeting, at which non-connected Directors approved the Renewal of Continuing Connected Transactions (including the relevant proposed caps). Connected Directors, namely Ma Yongsheng, Zhao Dong, Yu Baocai, Liu Hongbin, Ling Yiqun and Li Yonglin, are abstained from voting on relevant resolutions. Save as disclosed above, none of the Directors has any material interest in the abovementioned transactions.

According to the requirements of the Hong Kong Listing Rules, an Independent Board Committee has been formed, which will advise the Independent Shareholders in respect of the fairness and the reasonableness of the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps), and whether such transactions are in the interests of Sinopec Corp. and its Shareholders as a whole. Furthermore, the Independent Board Committee will advise Shareholders on how to vote, taking into account the recommendations of the IFA. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Continuing Connected Transactions.

Somerley has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, the fairness and reasonableness of the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps) and whether such transactions are in the interests of Sinopec Corp. and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote. The IFA will also advise on the duration of the Land Use Rights Leasing Agreement and the SPI Fund Document in accordance with 14A.52 of the Hong Kong Listing Rules.

Sinopec Corp. will convene the EGM for the Independent Shareholders to approve the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps), and, also in accordance with the requirements of the Shanghai Stock Exchange, the Renewal of Continuing Connected Transactions (including the relevant proposed caps). China Petrochemical Corporation and its associates, holding approximately 68.77% of the total share capital of Sinopec Corp. including China Petrochemical Corporation holding approximately 68.31% of the share capital of Sinopec Corp. and Sinopec Century Bright (an overseas wholly-owned subsidiary of China Petrochemical Corporation) through HKSCC Nominees Limited holding approximately 0.46% of the

share capital of Sinopec Corp., will abstain from voting at the EGM in respect of the ordinary resolution to approve the above matters.

## 9. GENERAL INFORMATION

Sinopec Corp. is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of petroleum refining products, petrochemical products, coal chemical products, synthetic fibre and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

China Petrochemical Corporation is a company established under the laws of the PRC with limited liability, and a state-authorized investment organization. Its controlling shareholder is the State. Its principal operations include: exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of oil and natural gas; oil refining; wholesale and retail of refined oil products; production, sales, storage, transportation of petrochemical products, gas-based chemicals, coal chemical products and other chemical products; industrial investment and investment management; production, sales, storage and transportation of energy products such as new energy and geothermal energy; design, consultation, construction and installation of petroleum and petrochemical engineering projects; repairing and maintenance of petroleum and petrochemical equipment; R&D, manufacturing and sales of electrical and mechanical equipment; production and sale of electricity, steam, water and industrial gas; research, development, application and consulting services of technology, e-commerce, information and alternative energy products; proprietary and agency import and export of relevant products, commodities and technologies; foreign project contracting, bidding and purchasing, and labour export; international storage and logistics business.

## 10. DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meaning set out below:

“amended Continuing Connected Transactions Agreements”	collectively refer to the Mutual Supply Agreement and the Properties Leasing Agreement amended by the Continuing Connected Transactions Sixth Supplemental Agreement dated 27 August 2021;
“amended Mutual Supply Agreement”	the Mutual Supply Agreement amended by the Continuing Connected Transactions Sixth Supplemental Agreement dated 27 August 2021;
“associates”	has the meaning under the Hong Kong Listing Rules;
“Board”	the board of directors of Sinopec Corp.;
“CBIRC”	China Banking and Insurance Regulatory Commission;
“China Petrochemical Corporation”	China Petrochemical Corporation, being the controlling shareholder of Sinopec Corp.;
“Company”	Sinopec Corp. and its subsidiaries;

“Computer Software License Agreement”	the computer software license agreement dated 3 June 2000 (as amended) regarding the granting of license by Sinopec Group to the Company to use certain computer software of Sinopec Group;
“Continuing Connected Transactions”	the Exempted Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the Major Continuing Connected Transactions;
“Continuing Connected Transactions Fifth Supplemental Agreement”	the agreement dated 24 August 2018 entered into between Sinopec Corp. and China Petrochemical Corporation regarding the amendments of the terms of the Continuing Connected Transactions;
“Continuing Connected Transactions Second Supplemental Agreement”	the agreement dated 21 August 2009 entered into between Sinopec Corp. and China Petrochemical Corporation regarding the amendments of the terms of the continuing connected transactions;
“Continuing Connected Transactions Sixth Supplemental Agreement”	the agreement dated 27 August 2021 entered into between Sinopec Corp. and China Petrochemical Corporation regarding the amendments of the terms of the Continuing Connected Transactions;
“Connected Subsidiaries”	the subsidiaries of Sinopec Corp. in which China Petrochemical Corporation and its associates hold at least 10% of the direct interest (excluding any indirect interest in the subsidiaries of Sinopec Corp. held by China Petrochemical Corporation and its associates through the Company), and any subsidiaries of such subsidiaries;
“Cultural, Educational, Hygiene and Auxiliary Service Agreement”	the amended Cultural, Educational, Hygiene and Community Services Agreement dated 24 August 2018;
“Cultural, Educational, Hygiene and Community Services Agreement”	the cultural, educational, hygiene and community services agreement dated 3 June 2000 and the supplemental agreement dated 26 September 2000 (as amended) regarding the provision of, inter alia, certain cultural, educational, hygiene and community services. And the agreement was further revised as Cultural, Educational, Hygiene and Auxiliary Service Agreement pursuant to the Continuing Connected Transactions Fifth Supplemental Agreement dated 24 August 2018;
“Directors”	the directors of Sinopec Corp.;
“EGM”	the first extraordinary general meeting of 2021 of Sinopec Corp. to be held for Independent Shareholders to consider and approve the Renewal of Continuing Connected Transactions (including the relevant proposed caps);
“Exempted Continuing Connected Transactions”	the transactions contemplated under the Intellectual Property License Agreements;
“Hong Kong”	Hong Kong Special Administrative Region;

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“IFA” or “Somerley”	Somerley Capital Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders;
“Independent Board Committee”	an independent board committee of the Board comprising all independent non-executive Directors, namely Mr. Cai Hongbin, Mr. Ng, Kar Ling Johnny, Ms. Shi Dan and Mr. Bi Mingjian;
“Independent Shareholders”	the shareholders of Sinopec Corp. other than China Petrochemical Corporation and its associates;
“Intellectual Property License Agreements”	the Trademarks License Agreement, the Computer Software License Agreement and the Patents and Proprietary Technology License Agreement;
“Land Use Rights Leasing Agreement”	the land use rights leasing agreement dated 3 June 2000 (as amended) regarding the leasing of certain land use rights by Sinopec Group to the Company;
“Land Use Rights Leasing Agreement Fourth Amendment Memo”	the memo dated 24 August 2018 regarding the amendments to the Land Use Rights Leasing Agreement;
“Major Continuing Connected Transactions”	the transactions relating to the sales and supply of products and services, deposit service provided by the Sinopec Financial Institutions to the Company under the Mutual Supply Agreement and relating to the land use rights leasing under the Land Use Rights Leasing Agreement, subject to the Independent Shareholders’ approval under the Hong Kong Listing Rules;
“Ministry of Finance”	the Ministry of Finance of the PRC;
“Mutual Supply Agreement”	the mutual supply agreement dated 3 June 2000 and the Supplemental agreement dated 26 September 2000 (as amended) regarding the provision of a range of products and services from time to time (1) by Sinopec Group to the Company; and (2) by the Company to Sinopec Group;
“NDRC”	the National Development and Reform Commission;
“Non-Major Continuing Connected Transactions”	the transactions contemplated under the SPI Fund Document and the Properties Leasing Agreement, and the financial services including entrusted loan provided by the Company to the Connected Subsidiaries under the Mutual Supply Agreement;
“Patents and Proprietary Technology License Agreement”	the patents and proprietary technology license agreement dated 3 June 2000 (as amended) regarding the granting of license by Sinopec Group to the Company to use certain patents and proprietary technology of Sinopec Group;
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special



	Administrative Region and Taiwan Region of the People’s Republic of China;
“Properties Leasing Agreement”	the properties leasing agreement dated 3 June 2000 (as amended) regarding the leasing of certain properties by Sinopec Group to the Company;
“Renewal of Continuing Connected Transactions”	renewal of the Continuing Connected Transactions pursuant to the amended Continuing Connected Transactions Agreements;
“Renewal of Major Continuing Connected Transactions”	renewal of the Major Continuing Connected Transactions pursuant to the amended Continuing Connected Transactions Agreements;
“RMB”	the lawful currency of the PRC;
“Shanghai Listing Rules”	the Share Listing Rules of Shanghai Stock Exchange;
“Shares”	the ordinary shares of RMB1.00 each in the share capital of Sinopec Corp., including the A Shares and H Shares;
“Shareholders”	the shareholders of Sinopec Corp.;
“Sinopec Century Bright”	Sinopec Century Bright Capital Investment Limited, a wholly-owned subsidiary of China Petrochemical Corporation;
“Sinopec Corp.”	China Petroleum & Chemical Corporation, a joint stock limited company incorporated in the PRC with limited liability;
“Sinopec Finance”	Sinopec Finance Co., Ltd, a subsidiary of China Petrochemical Corporation jointly established with Sinopec Corp.;
“Sinopec Financial Institutions”	Sinopec Finance and Sinopec Century Bright;
“Sinopec Group”	(i) China Petrochemical Corporation and its associates (other than Sinopec Corp. and its subsidiaries except for those mentioned in (ii)); and (ii) Connected Subsidiaries;
“SPI Fund Document”	Safety Production Insurance Fund Document, a document jointly issued in 1997 by the Ministry of Finance and the ministerial level enterprise of China Petrochemical Corporation and its associated company before the industry reorganisation in 1998 (Cai Gong Zi 1997 No. 268) relating to the payment of insurance premium by Sinopec Corp. to the China Petrochemical Corporation;
“SSE”	the Shanghai Stock Exchange;
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Three Supplies and One Industry Assets”	assets related to water supply, community power supply, community gas supply (heating supply) and property management; and
“Trademarks License Agreement”	the trademarks license agreement dated 3 June 2000 (as amended) regarding the granting of license by Sinopec Group to the Company to use certain trademarks of Sinopec Group.

By Order of the Board

**China Petroleum & Chemical Corporation**

**Huang Wensheng**

*Vice President and Secretary to the Board of Directors*

Beijing, the PRC  
27 August 2021

*As of the date of this announcement, directors of the Company are: Ma Yongsheng<sup>#</sup>, Zhao Dong\*, Yu Baocai<sup>#</sup>, Liu Hongbin<sup>#</sup>, Ling Yiqun<sup>#</sup>, Li Yonglin<sup>#</sup>, Cai Hongbin<sup>+</sup>, Ng, Kar Ling Johnny<sup>+</sup>, Shi Dan<sup>+</sup> and Bi Mingjian<sup>+</sup>.*

<sup>#</sup> *Executive Director*

<sup>\*</sup> *Non-executive Director*

<sup>+</sup> *Independent Non-executive Director*