THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Petroleum & Chemical Corporation, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for delivery to the purchaser or transferee.

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中国石化
SINOPEC

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

IFA to the Independent Board Committee and Independent Shareholders

SOMERLEY CAPITAL LIMITED

Sinopec Corp. will hold the EGM at Swissôtel Beijing Hong Kong Macau Center, No. 2 Chaoyangmen North Street, Dongcheng District, Beijing, China on Tuesday, 22 October 2024 at 9 a.m., and the notice of the EGM is set out in this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the relevant forms of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM (i.e. before 9 a.m. on 21 October 2024). Completion and return of the forms of proxy shall not preclude you from attending and voting in person at the EGM or at any adjourned EGM should you so wish.

30 August 2024

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

"amended Mutual Supply Agreement"	the Mutual Supply Agreement amended by the Continuing Connected Transactions Seventh Supplemental Agreement dated 23 August 2024;
"associates"	has the meaning under the Hong Kong Listing Rules;
"Board"	the board of directors of Sinopec Corp.;
"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;
"Connected Subsidiaries"	the subsidiaries of Sinopec Corp. in which China Petrochemical Corporation and its associates hold at least 10% of the direct equity interest (excluding any indirect interest in the subsidiaries of Sinopec Corp. held by China Petrochemical Corporation and its associates through Sinopec Corp.), and any subsidiaries of such subsidiaries;
"Continuing Connected Transactions"	the Exempted Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the Major Continuing Connected Transactions;
"Continuing Connected Transactions Seventh Supplemental Agreement"	the agreement dated 23 August 2024 entered into between Sinopec Corp. and China Petrochemical Corporation regarding the amendments of the terms of the Continuing Connected Transactions;
"Directors"	the directors of Sinopec Corp.;
"EGM"	the first extraordinary general meeting of 2024 of the Sinopec Corp. to be held at 9:00 a.m. on 22 October 2024 for Independent Shareholders to consider and approve the renewal of the Continuing Connected Transactions (including the relevant proposed caps);

"Exempted Continuing Connected Transactions"	the transactions contemplated under the Intellectual Property License Agreements, the comprehensive credit facilities services and the agency and handling fees for other financial services provided to the Company by Sinopec Financial Institutions under the Financial Services Agreement;
"Financial Services Agreement"	the financial services agreement dated 23 August 2024 entered into between Sinopec Corp. and Sinopec Financial Institutions regarding the provision of financial services to the Company by Sinopec Financial Institutions;
"Hong Kong"	Hong Kong Special Administrative Region of China;
"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. Xu Lin, Ms. Zhang Liying, Mr. Liu Tsz Bun Bennett and Mr. Zhang Xiliang;
"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;
"Latest Practicable Date"	27 August 2024;

"Major Continuing Connected Transactions"	the transactions relating to the supply and purchase of products and services, transactions in respect of the lease of land use rights under the Land Use Rights Leasing Agreement and the provision of deposit services to the Company by Sinopec Financial Institutions under the Financial Services 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;
"NFRA"	the National Financial Regulatory Administration;
"Non-Major Continuing Connected Transactions"	the entrusted loan provided by the Company to the Connected Subsidiaries under the Mutual Supply Agreement and the transactions contemplated under the SPI Fund Document and the Properties Leasing 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 circular, excluding Hong Kong Special Administrative Region of China, 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;
"RMB"	the lawful currency of the PRC;
"Shanghai Listing Rules"	the Share Listing Rules of Shanghai Stock Exchange;

“Shareholders”	the shareholders of Sinopec Corp.;
“Shares”	the ordinary shares of RMB1.00 each in the share capital of Sinopec Corp., including A Shares and H Shares;
“Sinopec Century Bright”	Sinopec Century Bright Capital Investment Limited, a wholly-owned subsidiary of China Petrochemical Corporation;

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RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS

1. Background

Reference is made to the circular of Sinopec Corp. dated 3 September 2021 in relation to the Continuing Connected Transactions between the Company and Sinopec Group. At Sinopec Corp.'s first extraordinary general meeting of 2021, the Independent Shareholders approved, among other things, the Major Continuing Connected Transactions, and the annual caps for three years ending 31 December 2024 for the Major Continuing Connected Transactions and the Non-Major Continuing Connected Transactions.

Sinopec Corp. anticipates that the Continuing Connected Transactions with Sinopec Group and Sinopec Financial Institutions will continue after 31 December 2024. In respect of the Continuing Connected Transactions commencing from 1 January 2025, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Seventh Supplemental Agreement on 23 August 2024, to amend the terms of the Continuing Connected Transactions under the Mutual Supply Agreement, the Land Use Rights Leasing Agreement and the Properties Leasing Agreement. At the same time, Sinopec Corp. and Sinopec Financial Institutions entered into the Financial Services Agreement on 23 August 2024, pursuant to which it is proposed that Sinopec Financial Institutions will continue providing the financial services previously provided under the Mutual Supply Agreement.

Pursuant to the Hong Kong Listing Rules and the Shanghai Listing Rules, the renewal of the Continuing Connected Transactions (including the relevant proposed caps) is subject to requirements including reporting, announcement, annual review, and Independent Shareholders' approval (if applicable).

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. Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Seventh Supplemental Agreement on 23 August 2024 to amend the Mutual Supply Agreement, and the term of the amended Mutual Supply Agreement was extended to 31 December 2027.

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;

(b) 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: 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: agent services in the collection and payment of administrative services fees, labour services, asset leasing, insurance, insurance agency service, entrusted loans and other intermediary services, sharing services (including finance, human resources, business travel and information technology sharing, etc.), and other related or similar services.

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:

(a) 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 companies in the same region from time to time;

(b) 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;

(c) 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 the 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;

(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 principles:

Types of product/service with government-prescribed price	Primary basis for price determination
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) (ë õ † S É • Ó Ü 0 ø – Ó Ú S Þ ë * Z Y ·] ‘ (ï · ø [2016]64î)) 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.

Types of product/service with government-prescribed price	Primary basis for price determination
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) (ë õ % - ¢ ¢ O \ Â Í ˜ g ø († S É ª † ø 9 · · ' Y ·] ‘ (ï · ø [2015]2688î) 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, 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 benchmark station price of natural gas used by non-residents was reduced by RMB0.1 per square. At the end of May 2018, NDRC released the Circular on Adjustment Rationalising of the Gas Station Price of Natural Gas used by Residents (ë õ # ± ¢ O \ ˜ g ø Y ·] ‘) to rationalise the gate station price of natural gas used by domestic 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.

Types of product/service with government-prescribed price	Primary basis for price determination
Power supply	Pursuant to the Circular of 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) (ï 7 • ï • · ' ‰ ë õ % - ÷ i ï e j c e q ˆ 8 \ e ø Y ·] ‘ (ï · ø[2015]748î)), 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 prices.

(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 based on the following principles:

Types of product/service with relevant market price	Primary basis for price determination
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.

Types of product/service with agreed price	Primary basis for price determination
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.

The historical amount of the above products and services priced at reasonable cost plus reasonable profit in 2022-2023 did not exceed 5% of the transaction amount of the products and services provided between the Company and Sinopec Group under the Mutual Supply Agreement. These products and services are necessary for the daily production and operation of the Company and Sinopec Group, and in order to ensure their long-term and stable supply, the Company entered into the Mutual Supply Agreement with Sinopec Group at the time of its listing in 2000 and determined such pricing principle. As most of the Company's subsidiaries are located in the same independent industrial and mining areas with Sinopec Group in remote locations, where it is difficult to obtain the same type and quality products or services from independent third parties on the same conditions, those products and services are mainly provided between the Company and Sinopec Corp. The profit margin of those transactions between Sinopec Group and the Company are within 6% and relevant prices are not less favorable than the prices offered to independent third parties. Accordingly, the Company is of the view that

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

Certain types of product/service	Primary basis for price determination
Well drilling, well surveying, well logging and other petroleum engineering services	The connected transactions are determined, via public tendering[3] 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[4] of petroleum engineering published by Sinopec Group. For 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.
Entrusted loans services	The entrusted loans provided by the Company to the Connected Subsidiaries are priced with reference to market prices based on the interest rates of the same maturity announced by the People's Bank of China.
Insurance and other financial services	The price shall be determined pursuant to the regulations of the People's Bank of China, the NFRA and other government authorities, with reference to the service fee for the same type of insurance, futures brokerage and other financial services provided by financial institutions, such as major commercial insurance companies and major domestic futures companies, and the gain of the major banking financial institutions for providing the same type of financial services; and normal commercial terms.

3 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.

4 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 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.

(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 signed the Continuing Connected Transactions Seventh Supplemental Agreement on 23 August 2024. 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., and the leased land can be categorised into the following two types:

(1) authorised land for operation; and

(2) assigned land.

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. Based on the appraisal and calculation of the market rent of the land conducted by the independent valuer, the Company and Sinopec Group decided to adjust the area of the rented land parcels and the rent, Upon adjustment, the area of the land rent by the Company from Sinopec Group is approximately 396 million square meters and the annual rent is approximately RMB13.99 billion. In addition, the Company and Sinopec Group may adjust the scope, area and rent of the leased land in accordance with the production and operation needs and the relevant land management regulations, provided that the aggregate annual rent shall not exceed the caps approved by the Board and the general meeting.

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 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.

Having discussed with the management of Sinopec Corp. on the reasons for the land lease duration being more than three years, the IFA understood that the relevant decision was made considering the importance of such leases to the Company's operation as such the land parcels are required for the Company to carry out its normal business. Furthermore, the management of Sinopec Corp. has emphasised that stable leases are crucial as it can avoid the unnecessary relocation costs and interruption to the Company's business and such long duration conforms with normal business practice.

To ascertain whether long term land use right leases are common in the Company's industry, the IFA has researched from publicly available information published by a peer of Sinopec Corp. and noted that such arrangement was also made. In this respect, the IFA concurs with the view of Sinopec Corp.'s management that entering into the Land Use Rights Leasing Agreement for a period exceeding three years is of normal business practice.

(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 contribution to safety production.

The IFA noted that the establishment of the SPI Fund was approved by the State Council and the SPI Fund Document was issued by Ministry of Finance and after IFA's discussion with the management of Sinopec Corp., it is the IFA's understanding that the SPI Fund Document will continue to remain effective unless otherwise indicated by the State Council or the Ministry of Finance. In this respect, IFA concurs with the Directors that it would be impracticable to request the Ministry of Finance to renew the SPI Fund Document every three years in accordance with the requirement of the Hong Kong Listing Rules and, therefore, the IFA considers the duration of the SPI Fund Document, which is longer than three years, to be a normal business practice.

(IV) Properties Leasing Agreement

On 3 June 2000, Sinopec Corp. and China Petrochemical Corporation entered into Properties Leasing Agreement and entered into the Continuing Connected Transactions Seventh Supplemental Agreement on 23 August 2024. The term of the amended Properties Leasing Agreements was extended to 31 December 2027. The leased properties are used for ancillary production facilities, offices premises and petrol stations operated by the Company. Accordingly, 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. In addition, the Company can adjust 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. Sinopec Corp. and China Petrochemical Corporation subsequently entered into the certain supplemental agreements to extend the terms of each of the Intellectual Property License Agreements 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.

(VI) Financial Services Agreement

1. Signing Date and Term

Sinopec Corp. and Sinopec Financial Institutions entered into the Financial Services Agreement on 23 August 2024, which proposed that Sinopec Financial Institutions will continue to provide the financial type of services originally provided under the Mutual Supply Agreement for a term from 1 January 2025 to 31 December 2027.

2. Scope of Service

The financial services provided to the Company by Sinopec Financial Institutions mainly include deposits and loans, discounting and acceptance of bills, letters of credit, entrusted loans, non-financial guarantees, settlements and other financial services permitted by relevant laws and regulations to be carried out by Sinopec Financial Institutions:

(a) The annual caps for the deposit service are set out in "5. Proposed Annual Caps for Continuing Connected Transactions" of this circular;

(b) Comprehensive credit facilities business such as loan services, discounting and acceptance of bills, letters of credit and non-financial guarantees: The maximum daily balance of the comprehensive credit facilities provided by Sinopec Financial Institutions to the Company from 2025 to 2027 shall not exceed RMB410 billion. Such transaction is a fully-exempted continuing connected transaction as it will be conducted on normal commercial terms and the Company will not provide any security in respect of the relevant loan or other credit facility business;

(c) Agency and handling fees charged by acceptance of bills, letters of credit, entrusted loans, non-financial guarantees, settlements and other financial services permitted by the relevant laws and regulations to be carried out by Sinopec Financial Institutions: The fees to be charged by Sinopec Financial Institutions for the provision of financial services shall not exceed RMB200 million per year from 2025 to 2027. As the applicable percentage ratios for the relevant fee caps are less than 0.1%, the transactions will be exempt from the reporting, announcement or Independent Shareholders' approval requirements.

3. Pricing Policy

The pricing of transactions under the Financial Services Agreement is subject to the following terms:

Deposit Services	For deposit services provided by Sinopec Finance, the deposit interest rates shall be determined in accordance with the relevant interest rates promulgated by the People's Bank of China and shall not lower than the interest rates for deposits of the same type and maturity offered by major domestic commercial banks. For deposit services provided by Sinopec Century Bright, the relevant deposit interest rates shall not lower than the interest rates for deposits of the same type and maturity offered by major overseas commercial banks.
Loan business services	The interest rate of the loan provided by Sinopec Finance shall be determined with reference to the quoted interest rates in the lending market and shall not be higher than the interest rates for the loan of the same type and maturity offered by major commercial banks in the PRC; and the interest rates of loans provided by Sinopec Century Bright are not higher than the interest rates for the loan of the same type and maturity offered by major overseas commercial banks.

Discounting and acceptance of bills, letters of credit, entrusted loans, non-financial guarantees, settlements and other financial services	The fee shall be negotiated between the Company and Sinopec Financial Institutions in accordance with the principles of fairness and voluntariness, and the fees or interest rates shall be implemented in accordance with the relevant state regulations, or if there are no state regulations, with reference to the market prices. The fee standard or interest rate charged by Sinopec Finance shall not be higher than the fee standard or interest rate charged by major commercial banks for the same type of services in the domestic market during the same period, and the fee standard or interest rate charged by Sinopec Century Bright shall not be higher than the fee standard or interest rate charged by major commercial banks for the same type of services in the overseas market during the same period.

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 during the same period and transactions among independent third parties during 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 the same type of companies in proximity or the cost of the 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, and issue relevant letter to the Board.

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 2024 are set out below:

	Historical Amount (RMB/billion)			
Continuing Connected Transactions	Highest annual cap for 2022-2024	2022	2023	The six months ended 30 June 2024
1. Mutual Supply Agreement				
(1) Products and services (except for financial services) provided by the Company to Sinopec Group	209.5	134.489	133.66	78.893
(2) Entrusted loans to the Connected Subsidiaries	10	0.55	0.001	0.001
(3) Products and services (except for financial services) provided by Sinopec Group to the Company	387.7	230.84	249.952	115.521

Continuing Connected Transactions	Historical Amount (RMB/billion)			
	Highest annual cap for 2022-2024	2022	2023	The six months ended 30 June 2024
(4) Maximum daily amount of deposits and total accrued interests of the deposit service provided by Sinopec Financial Institutions to the Company[5]	80	79.891	79.686	78.943
2. Land Use Rights Leasing Agreement				
Annual value of the Company's right-to-use assets in respect of land leased from Sinopec Group[6]	38.305	30.222	20.389	5.216
3. SPI Fund Document				
Annual premium payable by the Company[7]	3.3	2.47	2.645	1.372
4. Properties Leasing Agreement				
Annual value of the Company's right-to-use assets in respect of properties leased from Sinopec Group[8]	3.83	2.565	1.958	0.524

As at the Latest Practicable Date, none of the above annual caps had been exceeded.

5 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.

6 The calculation of the historical transaction amount is based on the annual land rental paid by the Company to Sinopec Group. The annual land rental paid by the Company to Sinopec Group for the years 2022, 2023 and the six months ended 30 June 2024 are approximately RMB11.046 billion, RMB10.926 billion and RMB5.464 billion, respectively.

7 After excluding the return of payments to Sinopec Corp. by Sinopec Group pursuant to the rules for implementation of the SPI Fund Document, in 2022, 2023 and the six months ended 30 June 2024, the actual aggregate amount paid by Sinopec Corp. to Sinopec Group were RMB991 million, RMB1,055 million and RMB539 million, respectively.

8 The calculation of the historical transaction amounts is based on the annual rental payments of the Company's properties to Sinopec Group. The annual rental payments of the Company's properties to Sinopec Group for 2022, 2023 and the six months ended 30 June 2024 were approximately RMB938 million, RMB1,050 million, and RMB549 million, respectively.

5. Proposed Annual Caps for the Continuing Connected Transactions

(I) Sinopec Corp. proposes the annual caps for the cuing connected transactions for the years from 2025 to 2027 as follows:

Continuing Connected Transactions	Proposed annual caps for the year ended 31 December (RMB/billion) 2025	2026	2027
1. Mutual Supply Agreement			
(1) Products and services provided by the Company to Sinopec Group	254.8	254.8	263.2
(2) Entrusted loan services provided by the Company to the Connected Subsidiaries	6	6	6
(3) Products and services provided by Sinopec Group to the Company	403.9	421.5	422.9
2. Land Use Rights Leasing Agreement			
Annual value of right-of-use assets of lands leased by the Company from Sinopec Group	38.305	24.94	13.365
3. SPI Fund Document			
Annual premium payable by the Company	3.3	3.3	3.3
4. Properties Leasing Agreement			
Annual value of right-of-use assets of properties leased by the Company from Sinopec Group	3.83	2.494	1.432
5. Financial Services Agreement			
Maximum daily amount of deposits and total accrued interests of the deposit service provided by Sinopec Financial Institutions to the Company	90	90	90

(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	
(1) Products and services provided by the Company to Sinopec Group	The proposed annual caps for the provision of products and services by the Company to Sinopec Group are determined with reference to: (i) the transactions and amounts in the past for the provision of products and services by the Company to Sinopec Group; (ii) the prices of crude oil and other petroleum and petrochemical products. The Company assumed that the prices of crude oil for 2025 to 2027 will be USD85/barrel, USD85/barrel and USD85/barrel, respectively; (iii) the expected business development of the Company and Sinopec Group; and (iv) the Company is of the view that the annual caps on the transactions should be flexible with a buffer of 15% to accommodate the maximum amount considering various possibilities, taking into account: (a) both the Company and Sinopec Group are large enterprises with large scale and volume, there is certain volatility in prices of crude oil, natural gas, petroleum and petrochemical products and exchange rates, etc., thus there will be potential contingencies that may be difficult to accurately anticipate in the future; and (b) the sale of the Company's products and services to Sinopec Group in accordance with the Mutual Supply Agreement is significant to the Company's revenue.

Continuing Connected Transactions	Basis for the proposed annual caps
	The utilization rate of 2023 annual caps is approximately 67%. The differences between the historical transaction amount in 2023 and the 2023 annual cap as well as the proposed annual caps are mainly due to: (i) the significant change in the transaction amount of crude oil, petroleum and petrochemical products, etc. due to the fluctuation of the international crude oil price and the macroeconomic environment; (ii) the changes in the scope and business of the Company's connected subsidiaries, including Shanghai SECCO Petrochemical Company Limited ("Shanghai SECCO") ceasing to be a connected subsidiary of the Company in 2022 and the original business of the Company's Changling Branch being incorporated into Sinopec Hunan Petrochemical Company Limited ("Hunan Petrochemical") in 2024, so it is expected that the transaction amount between the Company and its connected subsidiaries will increase overall in the next three years; and (iii) both the Company and Sinopec Group are large enterprises with large scale and volume, and considering the changes in the macro environment, the business development of the Company and Sinopec Group, changes in the commercial reserves of crude oil of Sinopec Group and other factors, it is difficult for the Company to anticipate all the contingencies that may occur during the period accurately, and therefore, the annual caps are determined on a commercially viable plan taking into account the maximum amount for various possibilities.

Continuing Connected Transactions	Basis for the proposed annual caps
(2) Entrusted loan provided by the Company to the Connected Subsidiaries	The annual trading caps for 2025 to 2027 have decreased as compared to the annual caps for 2022 to 2024, with the following major factors taken into consideration: (i) Based on (a) the transaction amounts and the utilization rates of the annual caps over the past three years; (b) the Connected Subsidiaries' expected business development and corresponding capital needs in view of the companies' development plans and the market trend; (c) the relatively sufficient funds of the Company; (d) the capital market situation in the regions where the Connected Subsidiaries are located; (e) the Company's pricing policy for providing entrusted loans and other financial services; (f) the expected interest on the entrusted loans; and (g) 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. (iii) Other shareholders of the Connected Subsidiaries will provide entrusted loans corresponding to their shareholdings on equal conditions.

Continuing Connected Transactions	Basis for the proposed annual caps
	The utilization rate of 2023 annual caps is approximately 67%. The differences between the historical transaction amount in 2023 and the 2023 annual cap as well as the proposed annual caps are mainly due to: (i) the significant change in the transaction amount of crude oil, petroleum and petrochemical products, etc. due to the fluctuation of the international crude oil price and the macroeconomic environment; (ii) the change in the scope and business of the Company's connected subsidiaries, including Shanghai SECCO ceasing to be a connected subsidiary of the Company in 2022 and the original business of the Company's Changling Branch being incorporated into Hunan Petrochemical in 2024, so it is expected that the transaction amount between the Company and its connected subsidiaries will increase overall in the next three years; (iii) the expected increase in the procurement amount of relevant products and services because of reserves and production increase of the Company's upstream business, transformation and update of the refining and chemical business, and the needs of new energy, new materials and other business development; and (iv) both the Company and Sinopec Group are large enterprises with large scale and volume, and considering the changes in the macro environment, the business development of the Company and Sinopec Group, changes in procurement amount of the commercial reserves of crude oil of Sinopec Group and other factors, it is difficult for the Company to anticipate all the contingencies that may occur during the period accurately, and therefore, the annual caps are determined on a commercially viable plan taking into account the maximum amount for various possibilities.

Continuing Connected Transactions	Basis for the proposed annual caps
2. Land Use Rights Leasing Agreement	
Annual value of right-of-use assets of lands leased by the Company from Sinopec Group	The annual value of right-of-use assets on leased land from 2025 to 2027 remains unchanged from the annual value of right-of-use assets on leased land from 2022 to 2024. The proposed annual caps of land leasing for 2025 to 2027 are based on: (a) the annual land rent caps payable by the Company to Sinopec Group (the "Expected Land Rent Payment Caps") are expected to be RMB14 billion for 2025 to 2027, which is unchanged as compared with the Expected Land Rental Payment Caps for the years 2022 to 2024; (b) the corresponding total value of right-of-use assets relating to land lease for 2025 to 2027; (c) the discount rate is determined based on the interest rate of the incremental borrowings of the Company. 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.
3. SPI Fund Document	
Annual premium payable by the Company	The proposed annual caps for 2025 to 2027 remain unchanged as compared to the annual cap for 2024, 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 2024.

Continuing Connected Transactions	Basis for the proposed annual caps
4. Properties Leasing Agreement	
Annual value of right-of-use assets of properties leased by the Company from Sinopec Group	The annual value of right-of-use assets of leased properties from 2025 to 2027 is basically the same as the annual value of the right-of-use assets of leased properties from 2022 to 2024. The proposed annual caps of property leasing for 2025 to 2027 are based on: (a) the annual payment of property rent caps by the Company to Sinopec Group (the "Expected Property Rent Payment Caps") are expected to be RMB1.4 billion, RMB1.4 billion and RMB1.5 billion for 2025 to 2027, which are basically the same as compared with the Expected Property Rent Payment Caps for the years 2022-2024 (RMB1.4 billion, RMB1.4 billion, RMB1.4 billion), mainly taking into account the transaction amounts and utilisation rates of the annual caps in the past three years, as well as the potential new property leases entered into by the Company and Sinopec Group; (b) the corresponding total value of right-of-use assets relating to property leasing for 2025 to 2027; (c) the discount rate is determined based on interest rate of the incremental borrowings of the Company. 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.

Continuing Connected Transactions	Basis for the proposed annual caps
5. Financial Services Agreement	
Maximum daily amount of deposits and total accrued interests of the deposit service provided by Sinopec Financial Institutions to the Company	The annual trading caps for 2025 to 2027 increase from the 2022-2024 trading caps, with the following major factors taken into consideration: (i) high transaction amounts and utilisation rates of the annual caps over the past three years with execution rates of 99.86% and 99.61% in 2022 and 2023, respectively, impacting the flexibility of daily funds settlements and allocations. (ii) the movement between the highest and lowest exchange rate of USD/CNY from the end of 2021 to the end of the first half of 2024 reached 16%, and the exchange rate is expected to remain certain volatility in the future. (iii) the Company's future business development, cash flow position, the scale of funding settlement, etc.

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 shall not be higher than the then market rent confirmed by the independent valuer.

As for financial services, Sinopec Financial Institutions, with strong financial capabilities, provide high-quality 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, funds management and financial services of the Company and Sinopec Group, to provide deposits, loans and other financial services to the Company, which facilitates the turnover of funds within members of the Company and enhances the synergistic use of the Company's funds. Within the members of the Company and between the Company and members of Sinopec Group (some of them are customers of the Company), settlement accounts in Sinopec Financial Institutions are opened to conduct settlement, compared with opening bank accounts by the Company and Sinopec Group separately in independent commercial banks, which shortens the

time required for transfer and turnover of funds, renders clearing and settlement more efficient and further reduce the working capital needs of the Company. Sinopec Financial Institutions will enable the Company to lower the cost by

2. Sinopec Financial Institutions undertake that the deposits obtained from the Company will be primarily used for the Company's capital needs and ensure the safety of the deposits. In the event that the Company has a need for funds in excess of those deposited with Sinopec Financial Institutions, Sinopec Financial Institutions will use their best endeavours to satisfy the aforesaid needs of the Company in accordance with the relevant provisions under the Financial Services Agreement.

3. China Petrochemical Corporation undertakes that in case of an emergency where 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. China Petrochemical Corporation is in line with China's sovereign credit rating level and has received a credit rating of A1 from Moody's and A+ from Standard & Poor's, with credit ratings higher than many enterprises, and even banks.

4. Sinopec Finance is a major domestic non-banking financial institution under the supervision of NFRA. The Beijing Bureau, being the dispatched agency of NFRA, conducts daily supervision on Sinopec Finance, as well as on-site and off-site inspections. Over the years, all its regulatory indicators have met the regulatory requirements. As at 31 December 2023, Sinopec Finance had total assets of RMB214.12 billion, net assets of RMB33.754 billion, registered capital of RMB18 billion, capital adequacy ratio of 17.62%, liquidity ratio of 78.18%. According to the unaudited financial data of Sinopec Finance, as at 30 June 2024, Sinopec Finance had total assets of RMB219.329 billion, net assets of RMB33.906 billion, registered capital of RMB18 billion, capital adequacy ratio of 16.50%, liquidity ratio of 69.24%. Sinopec Century Bright holds a money lender licence issued by the Hong Kong government and is subject to the management of the Hong Kong government, the Hong Kong Companies Registry and other relevant regulatory bodies. As at 31 December 2023, Sinopec Century Bright had total assets of RMB320.927 billion and net assets of RMB30.346 billion. According to the unaudited financial data of Sinopec Century Bright, as at 30 June 2024, Sinopec Century Bright had total assets of RMB316.694 billion and net assets of RMB32.642 billion. Currently, Sinopec Century Bright has a credit rating of A2 from Moody's and A from Standard & Poor's.

5. The Board of Sinopec Corp. has formulated the Risk Disposal Plan for financial business with Sinopec Financial Institutions and issued a Risk Assessment Report in respect of the financial business; in addition, the Board of Sinopec Corp. regularly evaluates the risks of the financial business of Sinopec Financial Institutions and issues the Continuous Risk Assessment Report, to provide assurance against capital risks for the Company. Among them, 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 to ensure that the deposits of the Company in 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 Measures for the Supervision and Administration of Offshore Funds Platforms, 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.

6. Sinopec Financial Institutions have established complete corporate governance structures with board of directors and board of supervisors, which can facilitate the stable operation and effective supervision of Sinopec Financial Institutions; have established relatively completed risk management organization structures and strictly implemented risk control measures with all regulatory indicators in line with regulatory requirements; have established internal control systems which cover all business areas, dynamically updated according to business needs annually, and through measures such as audit inspections to ensure an effective internal control and a strict implementation of rules and regulations.

7. Sinopec Corp. holds 49% equity interest in Sinopec Finance. The majority of the directors in Sinopec Finance was appointed by Sinopec Corp. to ensure effective overseeing on its operations. Sinopec Financial Institutions 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 Financial Institutions and the utilisation of the Company's deposits with Sinopec Financial Institutions continuously. Sinopec Finance's publicly released annual reports and financial information are available on its corporate website (cwgs.sinopec.com).

8. Sinopec Financial Institutions shall monitor the maximum daily amount of deposits (amount of the Company and the total interest receivable on such deposits to ensure that relevant amount do not exceed the applicable annual caps.

9. In the course of annual audit for Sinopec Corp., the auditor will review and express opinions on the connected transactions between the Company and Sinopec Financial Institutions, while Sinopec Corp. will timely perform the information disclosure obligations according to the requirements of Hong Kong Listing Rules.

Based on the abovementioned benefits, Sinopec Financial Institutions are more familiar with the Company's business than other independent commercial banks and are able to offer better commercial terms, and the abovementioned internal control and risk management measures can reasonably and effectively assist the Company in monitoring the relevant financial services, minimize the potential financial risks of the Company. The Company is of the view that the risks faced by the Company in depositing funds with Sinopec Financial Institutions will not be higher than depositing funds with independent commercial banks. Meanwhile, it will be more efficient for the Company in terms of fund management and enable the Company to enjoy high-quality financial services, which is in line with the interests of the Company and its shareholders as a whole.

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, as at the Latest Practicable Date, China Petrochemical Corporation, directly holding approximately 68.25% 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 entrusted loan by the Company to the Connected Subsidiaries)	As the applicable percentage ratios of the proposed annual caps of each of the transactions exceed 5%, the relevant transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.
2. Deposit services under the Financial Services Agreement	
3. Land Use Rights Leasing Agreement	
(2) Non-Major Continuing Connected Transactions	
4. SPI Fund Document	As the applicable percentage ratios of the proposed annual caps of each of the transactions are less than 5% but more than 0.1%, 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.
5. Properties Leasing Agreement	
6. Provision of entrusted loan by the Company to the Connected Subsidiaries under the Mutual Supply Agreement	
(3) Exempted Continuing Connected Transactions	
7. Comprehensive credit facilities provided to the Company by Sinopec Financial Institutions under the Financial Services Agreement	As such credit facilities will be carried out on normal commercial terms and the Company will not provide any security in connection with such credit facilities, the transactions are fully exempted Continuing Connected Transactions.
8. Intellectual Property License Agreements	As the applicable percentage ratios of the annual fee payable by the Company to Sinopec Group is less than 0.1%, the relevant transactions will be exempt from reporting, announcement and Independent Shareholders' approval requirements.
9. Other financial services provided by Sinopec Financial Institutions under the Financial Services Agreement	

The transactions under 1 to 9 above (including the relevant proposed caps) will be subject to the announcement and Independent Shareholders' approval requirements in accordance with Chapter 6 of the Shanghai Listing Rules.

8. Approval by the Board and Independent Shareholders

Sinopec Corp. has convened the Independent Board Committee on 21 August 2024 before submitting it to the Board for consideration. The resolution to renew the Continuing Connected Transactions (including the relevant proposed caps) was unanimously agreed and approved by all the independent non-executive Directors. On 23 August 2024, the second meeting of the ninth 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, Zhong Ren, Li Yonglin, Lv Lianggong, Niu Shuanwen, Wan Tao and Yu Baocai 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). As at the Latest Practicable Date, China Petrochemical Corporation and its associates (holding 83,978,098,296 Shares, representing approximately 69% of the total share capital of Sinopec Corp. including China Petrochemical Corporation holding 83,060,474,296 A Shares, representing approximately 68.25% of the total share capital of Sinopec Corp. and Sinopec Century Bright, an overseas wholly-owned subsidiary of China Petrochemical Corporation, through HKSCC Nominees Limited holding 917,624,000 H Shares, representing approximately 0.75% of the total share capital of Sinopec Corp.) will abstain from voting at the EGM in respect of the ordinary resolution to approve the renewal of Continuing Connected Transactions.

As a non-banking financial institution, Sinopec Finance is subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, loan-to-deposit ratios and deposit reserve thresholds. NFRA amended the Administrative Measures on Finance Companies within Group Enterprises in November 2022, specifying that "the group parent company shall assume the primary responsibility for the prevention and mitigation of risks of the finance company, and shall establish an effective risk segregation mechanism to prevent risks extending from the finance company; and the group parent and the controlling shareholder of the finance company shall supplement capital to the finance company if necessary." China Petrochemical Corporation has provided undertaking in relation to the aforementioned obligations to supplement capital: Sinopec Group will supplement capital to Sinopec Finance if necessary and to report annually on its capital supplemental capacity to NFRA or its delegated organisations through Sinopec Finance; Sinopec Group will not withdraw capital from Sinopec Finance in the event that Sinopec Finance has liquidity problems and will provide liquidity support as far as possible.

As at 31 December 2023, Sinopec Finance had total assets of RMB214.12 billion, net assets of RMB33.754 billion, registered capital of RMB18 billion, a capital adequacy ratio of 17.62% and a liquidity ratio of 78.18%. Based on the unaudited accounts of Sinopec Finance, as at 30 June 2024, Sinopec Finance had total assets of RMB219.329 billion, net assets of RMB33.906 billion, registered capital of RMB18 billion, a capital adequacy ratio of 16.50% and a liquidity ratio of 69.24%.

Sinopec Century Bright

Sinopec Century Bright is a company incorporated in Hong Kong with limited liability. It is a licensed lender under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). It was approved by the State Administration of Foreign Exchange as an offshore settlement center in 2007 to provide deposits, loans and other financial services to member companies of Sinopec Group.

As at 31 December 2023, Sinopec Century Bright had total assets of RMB320.927 billion and net assets of RMB30.346 billion. Based on the unaudited accounts of Sinopec Century Bright, as at 30 June 2024, Sinopec Century Bright had total assets of RMB316.694 billion and net assets of RMB32.642 billion. In addition, Sinopec Century Bright has obtained A2 rating from Moody's and A rating from Standard & Poor.

EGM

Sinopec Corp. will hold the 2024 first EGM at Swissôtel Beijing Hong Kong Macau Center, No. 2 Chaoyangmen North Street, Dongcheng District, Beijing, China on Tuesday, 22 October 2024 at 9 a.m. for the Independent Shareholders to consider and, if thought fit, approve the renewal of Continuing Connected Transactions (including the relevant proposed caps).

It should be noted that, the transactions under the Financial Services Agreement and the renewal of other Continuing Connected Transactions are put into two resolutions for Shareholders' approval at the EGM (the "Voting Arrangement"). The Directors consider it appropriate for the following reasons:

(1) The Non-Major Continuing Connected Transactions and the Exempted Continuing Connected Transactions are not subject to Independent Shareholders' approval under the Hong Kong Listing Rules. They are put into the resolution for Independent Shareholders' approval only as it is required under the Shanghai Listing Rules; and

(2) As confirmed by the Company's PRC legal adviser, the Voting Arrangement is also in compliance with applicable PRC laws and regulations.

You will find on pages 86 to 89 of this circular a notice of the EGM. Whether or not you are able to attend the EGM, please complete and return the form of proxy in accordance with the instructions thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM (i.e. before 9 a.m. on 21 October 2024). Holders of H shares shall deliver to the Company's H share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned EGM should you so wish.

China Petrochemical Corporation and its associates will abstain from voting on the ordinary resolution in respect of the renewal of Continuing Connected Transactions at the EGM.

Shareholders (or their proxies) will vote by poll.

RECOMMENDATION

As mentioned above, Somerley has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of Somerley, considers that the renewal of Major Continuing Connected Transactions (including the relevant proposed caps) are fair and reasonable, on normal commercial terms and in the interests of Sinopec Corp. and the Shareholders as a whole so far as the Independent Shareholders are concerned and accordingly recommends that the Independent Shareholders vote in favour of relevant ordinary resolution to be proposed at the EGM.

The Board considers that the terms of each of the Continuing Connected Transactions and relevant proposed caps for the Continuing Connected Transactions are based on normal commercial terms or better terms, fair and reasonable and are in the interests of Sinopec Corp. and the Shareholders as a whole. Accordingly, the Board advises the Shareholders (including the Independent Shareholders) to vote in favour of the resolution to be proposed at the EGM.

The text of the letter from Independent Board Committee is set out on pages 43 to 44 of this circular and the text of the letter from Somerley containing its advice is set out on pages 45 to 81 of this circular.

By Order of the Board
China Petroleum & Chemical Corporation
Huang Wensheng
Vice President and Secretary to
the Board of Directors

CHINA

RECOMMENDATION

We have discussed with the management of Sinopec Corp. the reasons for the renewal of Major Continuing Connected Transaction (including the relevant proposed caps), the pricing mechanism, the terms thereof, and the basis upon which their terms have been determined. We have also considered the key factors taken into account by Somerley in arriving at its opinion regarding the renewal of Major Continuing Connected Transactions (including the relevant proposed caps) as set out in the letter from Somerley on pages 45 to 81 of the Circular, which we urge you to read carefully.

The Independent Board Committee concurs with the views of Somerley and considers that the renewal of Major Continuing Connected Transactions (including the relevant proposed caps) is in the best interest of Sinopec Corp. and its Shareholders and is fair and reasonable so far as the Independent Shareholders are concerned. The Major Continuing Connected Transactions are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Company. Accordingly,

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Major Continuing Connected Transactions.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 August 2024

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Major Continuing Connected Transactions for the three years ending 31 December 2025, 2026 and 2027 and the relevant proposed annual caps (the "Transactions"). Details of the Transactions are set out in the letter from the Board contained in the circular of Sinopec Corp. (the "Circular") to its shareholders dated 30 August 2024, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular. As disclosed in the Circular, the Transactions shall be subject to the reporting, announcement, and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Xu Lin, Ms. Zhang Liying, Mr. Liu Tsz Bun Bennett and Mr. Zhang Xiliang has been established to make a recommendation to the Independent Shareholders as to whether the terms of the Transactions are on normal commercial terms, in the ordinary and usual course of business of Sinopec Corp. and are fair and reasonable and in the interests of Sinopec Corp. and its shareholders as a whole. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with Sinopec Corp., China Petrochemical Corporation and the Sinopec Financial Institutions or their respective core connected persons or associates and, accordingly, are considered eligible to give independent advice on the Transactions. In the two years prior to this appointment, we did not have other engagement with Sinopec Corp. or its associates except for (1) having been the independent financial adviser to Sinopec Corp. to provide our independent advice in relation to the issuance of A shares under general mandate as contained in the circular dated 13 April 2023 and (2) our appointment as the independent financial adviser to Sinopec Kantons Holdings Limited (934.HK) to provide our independent advice in relation to the renewal of non-exempt continuing connected transactions as contained in the circular dated 15 November 2022. We do not consider our past engagements give rise to any conflict for Somerley to act as the independent financial adviser to Sinopec Corp. for the Transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Sinopec Corp., China Petrochemical Corporation, Sinopec Financial Institutions, or their respective core connected persons or associates.

In formulating our advice and recommendation, we have reviewed information on Sinopec Corp., including but not limited to, the annual reports of the Sinopec Corp. for each of the years ended 31 December 2022 ("FY2022") ("2022 Annual Report") and 31 December 2023 ("FY2023") (the "2023 Annual Report"), interim results announcement of Sinopec Corp. for the period ended 30 June 2024 (the "2024 Interim Results") and other information contained in the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed by the Directors and management of Sinopec Corp. (collectively, the "Management"), which we have assumed to be true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete in all material aspects up to the date of the EGM. We have also sought and received confirmation from Sinopec Corp. that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of Sinopec Corp., Sinopec Financial Institutions and China Petrochemical Corporation nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Transactions, we have considered the following principal factors and reasons:

1. Information on the parties

Sinopec Corp.

Sinopec Corp. was established on 25 February 2000 as a joint stock limited company in China.

As disclosed in the 2023 Annual Report, the Company 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 refinery 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; research, development and application of technologies and information; hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping, solar energy, wind energy and other new energy business and related services.

As disclosed in the 2023 Annual Report, in 2023, the Company carried out in-depth high quality development actions, fully leveraged its integration advantages, optimised production and operation on all fronts. Sinopec Corp. reported consolidated revenue of approximately RMB3,146.9 billion from its primary business for FY2023. Its total profit for the year attributable to shareholders of the Company was approximately RMB58.3 billion. Total consolidated assets of the Company as at 31 December 2023 was approximately RMB2,024.7 billion, of which total cash and cash equivalents was approximately RMB121.8 billion and total time deposits with financial institutions was approximately RMB41.8 billion.

As disclosed in the 2024 Interim Results, Sinopec Corp. reported consolidated revenue of approximately RMB1,545.9 billion from its primary business for the six months ended 30 June 2024 ("1H2024"). Its total profit for the period attributable to shareholders of the Company was approximately RMB37.1 billion for 1H2024. Total consolidated assets of the Company as at 30 June 2024 was approximately RMB2,140.5 billion, of which total cash and cash equivalents was approximately RMB122.1 billion and total time deposits with financial institutions was approximately RMB56.5 billion.

Background information of China Petrochemical Corporation

China Petrochemical Corporation is a limited liability company established under the laws of the PRC, and is a state-authorised investment organisation and a state-owned enterprise. Its principal businesses include exploration, production, storage and transportation (including pipeline transportation), sales and comprehensive utilisation of oil and natural gas; oil refining; wholesale and retail of oil products; production, sales, storage, transportation of petrochemical, natural gas chemical, coal chemical and other chemical products; industrial investment and investment management; production, sales, storage, transportation of energy products such as new energy and geothermal energy; exploration, consultation, design and installation of petroleum and petrochemical engineering; repairing and maintenance of petroleum and petrochemical equipment; development, manufacture and sales of mechanical and electrical equipment; manufacture and sales of electricity, steam, water supplies and industrial gas; technology, electronic commerce and information, research and development, application and consultation services of alternative energy products; self-operating and acting as agent for import and export of relevant products and technology; project contracting procurement tendering, labour export; international storage and logistics business etc.

As at the Latest Practicable Date, China Petrochemical Corporation is a substantial shareholder of Sinopec Corp. holding approximately 68.25% of the total issued share capital of Sinopec Corp. As such China Petrochemical Corporation is a connected person of Sinopec Corp. under the Hong Kong Listing Rules.

Background information of Sinopec Finance

Sinopec Finance is a non-bank financial institution incorporated in the PRC in 1988 and is subject to the Administrative Measures on Finance Companies within Group Enterprises (• † 8 « Ì ® ! M # I , ‘) -471.e

As at 31 December 2023, Sinopec Finance had total assets of RMB214.12 billion, net assets of RMB33.754 billion, registered capital of RMB18 billion, capital adequacy rate of 17.62%, liquidity ratio of 78.18%. Based on the unaudited accounts of Sinopec Finance, as at 30 June 2024, Sinopec Finance had total assets of RMB219.329 billion, net assets of RMB33.906 billion, registered capital of RMB18 billion, a capital adequacy ratio is 16.50%, liquidity ratio of 69.24%.

As at the Latest Practicable Date, Sinopec Finance is a subsidiary of China Petrochemical Corporation. As such Sinopec Finance is a connected person of Sinopec Corp. under the Hong Kong Listing Rules.

Background information of Sinopec Century Bright

Sinopec Century Bright is a company incorporated in Hong Kong with limited liability. It is a licensed lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). It was approved by the State Administration of Foreign Exchange as an offshore settlement center in 2007 to provide deposits, loans and other financial services to member companies of Sinopec Group.

As at 31 December 2023, Sinopec Century Bright has total assets of RMB320.927 billion, and net assets of RMB30.346 billion. Based on the unaudited accounts of Sinopec Century Bright, as at 30 June 2024, Sinopec Century Bright has total assets of RMB316.694 billion, and net assets of RMB32.642 billion. In addition, Sinopec Century Bright has obtained A2 rating from Moody's and an A rating from Standard & Poor's.

As at the Latest Practicable Date, Sinopec Century Bright is a subsidiary of China Petrochemical Corporation. As such Sinopec Century Bright is a connected person of Sinopec Corp. under the Hong Kong Listing Rules.

2. Background and reasons for the Mutual Supply Agreement and the Financial Services Agreement

2.1 Mutual Supply Agreement

As disclosed in the Circular, Sinopec Corp. and China Petrochemical Corporation entered into the Mutual Supply Agreement on 3 June 2000. Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Seventh Supplemental Agreement on 23 August 2024 to amend the Mutual Supply Agreement, and the term of the amended Mutual Supply Agreement was extended to 31 December 2027.

As disclosed in the Circular and based on our understanding, the key difference incorporated in the amended Mutual Supply Agreement is that the deposit services transactions originally and currently provided under the existing Mutual Supply Agreement will be provided under the Financial Services Agreement from 1 January 2025. Save for this, we have confirmed that the scope of the amended Mutual Supply Agreement will remain the same as the existing Mutual Supply Agreement.

As discussed in the Circular, the entering into transactions relating to the supply and purchase of products and services under the amended Mutual Supply Agreement on a continuing basis is essential to the continuation of the Company's business and will be beneficial to Sinopec Corp. as it will facilitate the business operation and growth of Sinopec Corp. and reduce unnecessary risks which may arise during the course of operation. We have discussed and were given to understand that the products/services sold/provided by Sinopec Group to the Company and products/services sold/provided by the Company to Sinopec Group are necessary for the Company to carry out its ordinary and usual course of business and are provided within the respective party's expertise and specialty.

We note the Company may also, from time to time, provide Entrusted Loan Services (as defined in the section below) under the Mutual Supply Agreement. Based on our understanding, such Entrusted Loan Services are provided on commercial terms and in accordance with the Hong Kong Listing Rules. We note counter parties to the Entrusted Loan Services are Connected Subsidiaries and therefore their results are consolidated into the financial statements of the Company. In this respect, should the Company provide any Entrusted Loan Services, given the transactions are conducted within the Company, the transactions are expected to minimise overall financial costs of the Company and would be able to maintain its liability-to-asset ratio.

As such, in light of:

(i) the sales and purchases transactions contemplated under the Mutual Supply Agreement are within the business scopes of both Sinopec Group and the Company itself and therefore, are considered to be part of normal and usual course of business for each, and the provision of such products and services are considered crucial for the growth in Sinopec Corp.'s businesses and the amended Mutual Supply Agreement does not obligate Sinopec Corp. to supply and/or purchase any products and/or services to and/or from Sinopec Group;

(ii) as discussed above, the Mutual Supply Agreement was first entered into with the China Petrochemical Corporation since 2000 and therefore, the two parties have had a long-term cooperation relationship, and both are clearly familiar with each other's businesses; and

(iii) given the Company adopts methods such as strict adherence to government pricing regulations, public tender process, price enquiries etc., prior to confirming into any transactions with members of Sinopec Group and the entering into of any transactions relating to the supply and purchase of products and services under the amended Mutual Supply Agreement would only materialize if they met the standards of Sinopec Corp. set in the procedures,

we agree with the Directors and would consider that the reasons for the amended the Mutual Supply Agreement to be fair and reasonable and in the interests of Sinopec Corp.

2.2 Deposit Services provided under the Financial Services Agreement

On 23 August 2024, Sinopec Corp. and Sinopec Financial Institutions entered into the Financial Services Agreement. It is planned that Sinopec Financial Institutions will continue to provide financial services that are currently provided under the Mutual Supply Agreement from 1 January 2025 to 31 December 2027.

We have discussed with and understand from the Management that the scope of services provided under the Financial Services Agreement is the same as the scope of services originally covered under the existing Mutual Supply Agreement. These financial services provided by Sinopec Financial Institutions to the Company include (i) deposits services ("Deposit Services"), (ii) Comprehensive credit facilities business such as loan services, discounting and acceptance of bills, letters of credit and non-financial guarantees: The maximum daily balance of the comprehensive credit facilities provided by Sinopec Financial Institutions to the Company from 2025 to 2027 shall not exceed RMB410 billion. Such transaction will be fully exempted as it will be conducted on normal commercial terms and the Company will not provide any security in respect of the relevant loan or other credit facility business; and (iii) agency and handling fees charged by acceptance of bills, letters of credit, entrusted loans, non-financial guarantees, settlement and other financial services permitted by the relevant laws and regulations to be carried out by the Sinopec Financial Institutions. Pursuant to the entering into of the Financial Services Agreement, starting from 2025, the abovementioned financial services will be provided pursuant to the Financial Services Agreement, including Deposit Services which was originally provided under the Mutual Supply Agreement.

As disclosed in the Circular, the entering into the Financial Services Agreement is expected to result in a centralised treasury management function which is expected to positively realise treasury management efficiency for the group companies.

Furthermore, based on our review, we note the Sinopec Financial Institutions has been providing services to the Company including that of Deposit Services for over two decades. We have been confirmed and it is our understanding that both the Sinopec Financial Institutions and Sinopec Corp. have since maintained a cooperative and efficient business relationship. As such, the continuation of such relationship is also beneficial for the Company because the Sinopec Financial Institutions are familiar with the Company's integrated oil and gas, refining and marketing, and chemical businesses.

In addition, as discussed in the Circular, we note the Company and the Sinopec Financial Institutions have also in place a set of internal control and risk management measures to ensure terms offered for the financial services, including that of Deposit Services are favourable to the Company, as the interest rates offered by Sinopec Financial Institutions must be no less favourable to the Company as compared to the services of the same type and maturity from major commercial banks. Furthermore, we also note that the Company can manage the funds deposited with Sinopec Financial Institutions at its own discretion and may withdraw the deposits at any time, in a timely manner and without limitation. The Company has the right to choose to terminate the deposits with Sinopec Financial Institutions in advance. At the same time, the Company may, at its sole discretion, deposit its funds with Sinopec Financial Institutions or independent commercial banks in or outside of China without any restriction.

As disclosed in the Letter from the Board in the Circular, 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. China Petrochemical Corporation is in line with China's sovereign credit rating level and has received a credit rating of A1 from Moody's and A+ from Standard & Poor's, with credit ratings higher than many enterprises, and even banks.

In addition to the aforementioned, we also note from the letter from the Board of the Circular, Sinopec Financial Institutions undertake that the deposits obtained from the Company will be primarily used for the Company's capital needs and ensure the safety of the deposits. In the event that the Company has a need for funds in excess of those deposited with Sinopec Financial Institutions, Sinopec Financial Institutions will use their best endeavours to satisfy the aforesaid needs of the Company in accordance with the relevant provisions under the Financial Services Agreement.

As such, in light of the above, we concur and consider that the entering into of the Financial Services Agreement including the Deposit Services, to be fair and reasonable.

3. Terms of the Major Continuing Connected Transactions

3.1 Mutual Supply Agreement

3.1.1 Scope of Services

The following transactions are contemplated under the Mutual Supply Agreement pursuant to the Seventh Continuing Connected Transactions Supplemental Agreement:

(a) Products and services supplied by the Company include:

(i) 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.

(ii) providing entrusted loan to the Connected Subsidiaries ("Entrusted Loan Services").

(b) Products and services provided by Sinopec Group include:

(i) 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.

(ii) Storage and transportation: railway, vehicular transport, water transport, pipeline transmission, loading and unloading, wharves, warehousing and other related or similar services.

(iii) 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.

(iv) Training and auxiliary services: 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.

(v) Others: agent services in the collection and payment of administrative services fees, labour services, asset leasing, insurance, insurance agency service, entrusted loans and other intermediary services, sharing services (including finance, human resources, business travelling and information technology etc.,) and other related or similar services.

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:

(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 companies 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.

3.1.3 Pricing principles

As disclosed in the Circular, under the Mutual Supply Agreement, the transactions conducted thereunder shall be priced in accordance with the following terms:

(i) Government prescribed price (including government guidance price)

This pricing principle is applicable to gasoline, diesel, natural 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 principles:

Types of product/service	Primary basis for price determination
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) (• ë õ † S É • Ó Ü 0 ø – Ó Ú S Þ ë * Z Y ·] ‘ (ï · ø [2016]64 î)) 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.

Types of product/service	Primary basis for price determination
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) (• ë õ % - ¢ ¢ O \ Â Í ˜ g ø († S É ª † ø 9 · · ' Y ·] ‘ (ï · ø [2015]2688î)) 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 an 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 RMB0.1 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 (é õ # ± ¢ O \ ˜ g ø Y ·] ‘) to rationalise the gate station price of natural gas used by domestic 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.

Types of product/service	Primary basis for price determination
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) (• 7 • ï • · ' ‰ ë õ % - ÷ i ï e j c e q ˆ 8 \ e ø Y ·] ‘ (ï · ø [2015]748 î)), 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 prices.

(ii) Relevant market price (including tender price)

This pricing mechanism is 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, etc. The relevant market price for each of the products is determined as per below:

Types of product/service	Primary basis for price determination
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.

Types of product/service	Primary basis for price determination
Chemical products	The relevant market price is determined in accordance with the order price or contract price of external sales, taking into account of 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 the same type of transactions in surrounding markets or by tender through the e-commerce system.

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Types of product/service	Primary basis for price determination
Financial, 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.

(iv) For certain products or services, the following pricing principles are adopted:

Types of product/service	Primary basis for price determination
Well drilling, well surveying, well logging and other petroleum engineering services	Transaction prices for connected transactions are determined via public tendering 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 of petroleum engineering published by Sinopec Group. For 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.
Entrusted Loan Services	The entrusted loans provided by the Company to the Connected Subsidiaries are priced with reference to market prices based on the interest rates of the same maturity announced by the People's Bank of China.

Types of product/service	Primary basis for price determination
Insurance and other financial services	The price shall be determined pursuant to the regulations of the People's Bank of China, the NFRA and other government authorities, with reference to the service fee for the same type of insurance, futures brokerage and other financial services provided by financial institutions, such as major commercial insurance companies and major domestic futures companies, and the gain of the major banking financial institutions for providing the same type of financial services, and normal commercial terms.

We understand that the priority of the above pricing principles for (i) and (ii) is in descending order such that government-prescribed price (pricing principle (i) above) including government provided guidance price are always considered first if and where available. Market price (pricing principle (ii) above) will only be applied if there is no government prescribed price and the determination of the market price will strictly follow the Company's internal control policy which includes, among others, taking into consideration of 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.

Based on all the above, we consider the pricing principles (i) and (ii) are fair and reasonable and in the interests of Sinopec Corp. and its Shareholders.

We have also reviewed the application of agreed price (determined as reasonable cost incurred plus reasonable profit) as a pricing policy (i.e. pricing policy (iii) above) and understand that such practice is a normal practice among industry players in relation to utility engineering products and related services. Based on our understanding, the category of transactions priced using this pricing principle are mainly associated with integrated facilities, channels and networks covering the entire chain of production established by Sinopec Group through long term process and as such, it is not easy for an alternative supplier to be identified and no market price which is considered by Sinopec Corp. to be directly comparable for these transactions, is available.

In applying this pricing principle, a reasonable cost is firstly estimated before applying a no more than 6% profit margin, specifically:

(i) If the Company is providing a quote: an operating expense, which includes cost for raw materials, fuel, depreciation, depletion and amortization and labour expenses is estimated. A no more than 6% profit margin is also applied;

(ii) If Sinopec Group is providing a quote: a list of operating expense plus a no more than 6% profit margin would be provided.

We were given to understand that no more than 6% profit margin term is derived from commercial negotiations between Sinopec Group and the Company. To ascertain the fairness and reasonableness of this principle, we have reviewed and assessed this principle in terms of the situation where the Company is providing a quote by considering the Company's own operating profit margin for the last five financial years ended 31 December 2023 and based on the 2023 Annual Reports, we noted that the operating profit margins for the said years were approximately 2.92%, 0.65%, 3.45%, 2.29% and 2.70% respectively and as such, given the agreed price is determined with reference to cost plus no more than 6% profit margin which is evidentially in line with, and possibly even higher than, the historical operating profit margins reported by the Company, we are of the view the pricing principle for the products/services provided by the Company is fair and reasonable.

We further note, the application of 6% or less profit margin is also applicable to products/services provided by Sinopec Group. We have reviewed the 2023 Annual Report and the 2022 Annual Report and noted that the Company's total purchase expenses incurred pursuant to all continuing connected transactions entered into with China Petrochemical Corporation which includes, among others, the transactions entered into under the Mutual Supply Agreement was RMB244.36 billion for FY2022 and RMB264.292 billion for FY2023, which represented approximately 7.31% and 8.22% of total amount of this type of transaction for the reporting period for FY2022 and FY2023 respectively. We were also given to understand that transactions priced using this pricing principle represents only a small portion of total transactions entered into under the Mutual Supply Agreement as most of the transactions are priced using government-prescribed price, government guidance price or market price mechanisms. As disclosed in the letter from the Board in the Circular, the historical amount of the products and services priced at reasonable cost plus reasonable profit in 2022-2023 did not exceed 5% of the transaction amount of the products and services provided between the Company and Sinopec Group under the Mutual Supply Agreement. As such, in view of the above, given (i) the reasonable cost is estimated using quantifiable costs associated with the provision of product/service; (ii) the same profit margin term is applicable to both parties under the amended Mutual Supply Agreement; and (iii) the amount of products/services acquired by the Company priced using this pricing principle is small compared to the Company's annual total purchase expenses, we consider the use of agreed price (pricing policy (iii)) is also fair and reasonable.

We note under pricing policy (iv), the Company applies principle involving the use of public tender for the acquisition of engineering related projects. We have reviewed Sinopec Corp.'s tender process procedure and noted that the Company attributes scores to different selection criterions which include but not limited to quote, qualification, experience and capability.

For any projects, senior engineers of the project team will firstly assess whether the services/products sought can be acquired by way of public tender or otherwise. If the complexity of the project is high and as a matter of market practice and only members of the Sinopec Group is on the pre-approved supplier/vendor list and meets the required qualification involving technical capability as well as track record to take up the project, then the project will be awarded to Sinopec Group. In such case the project team will also ask quotes provided by providers, including that from members of Sinopec Group. Such process would involve the project team referring to the professional fixed unit price of petroleum engineering services set by the Engineering Cost Centre (ˆ¿ • Ð) (the "Engineering Centre"). We understand the Engineering Centre is an internal department of Sinopec Corp. specializing in determining reasonable prices applicable to engineering products/services sought by the Company. We understand the Engineering Centre would collect data and information required by referring to applicable rules and laws, industry standards, geological conditions etc., and finalise a report with the fixed unit price recommended.

We were given to understand that the insurance and other financial services priced under the pricing principle (iv) are mainly in connection with insurance services provided by Sinopec Group to the Company, and are typically insurance products designed to reduce business operational risks such as transportation insurance for oil products. We note that in accordance with the Company's internal control policy, prior to entering into any agreements with the Sinopec Group, it will review at least two other quotes provided by independent third parties for the same services. As such, we concur with the view of the Management that pricing principle (iv) for the said insurance and other financial services products/services are no less favorable than those available to Sinopec Corp. from independent third parties.

We have been provided that the Entrusted Loan Services are to be provided under the pricing principle (iv) and are provided only if the Company have idle cash available and as an option to Connected Subsidiaries should liquidity and financing are needed. The Connected Subsidiaries have the right to choose financing providers, and Sinopec Corp. also has the right to choose whether or not to provide services. Based on our understanding, we also note that in line with its internal control procedures as described in the Circular, prior to entering into any Entrusted Loan Services agreements with Connected Subsidiaries, market rates from at least two independent third parties will be reviewed to ensure its quote provided is at least the same as the market prices available. In this respect, we concur with the view of the Management that pricing principle (iv) for the said financial services would be no more favorable than quotations from independent third parties.

3.2 Land Use Rights Leasing Agreement

Sinopec Corp. and China Petrochemical Corporation entered into the Land Use Rights Leasing Agreement on 3 June 2000 and signed the Continuing Connected Transactions Seventh Supplemental Agreement on 23 August 2024. The leased land have been and will continue to mainly be used for main production facilities, ancillary production facilities of the Company and certain petrol stations operated by Sinopec Corp. The subject land parcels are categorised into authorised land for operation and assigned land.

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 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. Based on the appraisal and calculation of the market rent of the land conducted by the independent valuer, the Company and Sinopec Group decided to adjust the area of the rented land parcels and the rent. Upon adjustment, the area of the land rent by the Company from Sinopec Group is approximately 396 million square meters and the annual rent is approximately RMB13.99 billion. In addition, the Company and Sinopec Group may adjust the scope, area and rent of the leased land in accordance with the production and operation needs and the relevant land management regulations, provided that the aggregate annual rent shall not exceed the caps approved by the Board and the general meeting.

We note that arrangements under the Land Use Rights Lease Agreement have been the same since its commencement date, being on 3 June 2000. We have also researched and noted from publicly available information published by a peer of Sinopec Corp. that such mechanism involving the engagement of an independent third party valuer to confirm changes in rental payment was also used by such peer.

We have confirmed that the Company has not entered into any previous similar land use rights leasing agreement with independent third party lessor and furthermore, given the differences in key factors such as location, right of use and size, no other land use rights leasing agreements entered into by the Company are to be considered as comparable. In addition to the aforementioned factors, given the Company has already built and is operating the facilities, operations and properties on the subject land parcels, it would also be economically and financially impractical to relocate to an alternative location.

We have further discussed with the Management on the reasons for the land lease duration being more than three years. We are given to understand that the decision was made after considering the importance of such leases to the Company's operation as such land parcels, are required for the Company to carry out its normal business. Furthermore, the Management have emphasised that stable leases are crucial as it can avoid the unnecessary relocation costs and interruption to the Company's business and such long duration conforms with normal business practice.

To ascertain whether long term land use right leases are common in the Company's industry, we have researched and noted from publicly available information published by a peer of Sinopec Corp. and noted that such arrangement was also made. In this respect, we concur with the Management's view that entering into the Land Use Rights Leasing Agreement for a period exceeding three years is of normal business practice.

3.3 Financial Services Agreement

On 23 August 2024, Sinopec Corp. and Sinopec Financial Institutions entered into the Financial Services Agreement.

The financial services provided to the Company by the Sinopec Financial Institutions pursuant to the Financial Services Agreement include:

a. Deposit Services;

b. Comprehensive credit facilities business such as loan services, discounting and acceptance of bills, letters of credit and non-financial guarantees: The maximum daily balance of the comprehensive credit facilities provided by Sinopec Financial Institutions to the Company from 2025 to 2027 shall not exceed RMB410 billion. Such transaction is a fully-exempted continuing connected transaction as it will be conducted on normal commercial terms and the Company will not provide any security in respect of the relevant loan or other credit facility business;

c. Agency and handling fees charged by acceptance of bills, letters of credit, entrusted loans, non-financial guarantees, settlements and other financial services permitted by the relevant laws and regulations to be carried out by Sinopec Financial Institutions: The fees to be charged by Sinopec Financial Institutions for the provision of financial services shall not exceed RMB200 million per year from 2025 to 2027. As the applicable percentage ratios for the relevant fee caps are less than 0.1%, the transactions will be exempt from the reporting, announcement or Independent Shareholders' approval requirements.

We have discussed with and understand from the Management that the scope of services provided under the Financial Services Agreement is the same as the scope of financial services originally covered under the existing Mutual Supply Agreement. Pursuant to the entering into of the Financial Services Agreement, starting from 2025, the abovementioned financial services will be provided pursuant to the Financial Services Agreement instead of the Mutual Supply Agreement.

The following pricing terms will be followed for transactions provided under the Financial Services Agreement:

Deposit Services	For deposit services provided by Sinopec Finance, the deposit interest rates shall be determined in accordance with the relevant interest rates promulgated by the People's Bank of China and shall not lower than the interest rates for deposits of the same type and maturity offered by major domestic commercial banks. For deposit services provided by Sinopec Century Bright, the relevant deposit interest rates shall not lower than the interest rates for deposits of the same type and maturity offered by major overseas commercial banks.
Loan business services	The interest rate of the loan provided by Sinopec Finance shall be determined with reference to the quoted interest rates in the lending market and shall not be higher than the interest rates for the loan of the same type and maturity offered by major commercial banks in the PRC; and the interest rates of loans provided by Sinopec Century Bright are not higher than the interest rates for the loan of the same type and maturity offered by major overseas commercial banks.
Discounting and acceptance of bills, letters of credit, entrusted loans, non-financial guarantees, settlements and other financial services	The fee shall be negotiated between the Company and Sinopec Financial Institutions in accordance with the principles of fairness and voluntariness, and the fees or interest rates shall be implemented in accordance with the relevant state regulations, or if there are no state

We note and understand that the interest rates of deposit services provided under the Financial Services Agreement are determined in accordance with the relevant interest rates published by PBOC for Sinopec Finance; and for Sinopec Century Bright, the interest rate is determined with reference to the market deposit interest rate in its offshore locations.

In this regard, we have been provided with 3 agreements entered into with either Sinopec Finance and/or Sinopec Century Bright and noted that the interest rates of deposit services provided under the Financial Services Agreement are determined in accordance with the relevant interest rates published by PBOC and are no less favourable than the interest rates, fee rates and other terms for the provision of funds and services for the same period offered by other independent commercial banks to the Company.

In addition, as specified under the internal control procedures, the Company will compare with at least two quotations provided by independent third party prior to entering into any transactions with the members of Sinopec Group. As previously stated, the entering into of the Financial Services Agreement would not obligate the Company to enter into any transactions with members of Sinopec Group, but rather, serves as a flexibility for members of Sinopec Group to be retained as a possible client and/or service provider/supplier. Having considered the above, we consider the pricing terms of the Deposit Services to be fair and reasonable.

4. Historical amounts and historical caps and the proposed annual caps

The table below sets out (i) the annual caps of amounts payable/receivable by the Company for each of the three years ended/ending 31 December 2022, 2023 and 2024, respectively; and (ii) the actual amounts paid/received by the Company for each of the two years ended 31 December 2022 and 2023 and for the six months ended 30 June 2024.

	Historical Transacted Amount			Annual Cap Year ended 31 December		
Transactions	Year ended 31 December 2022	Year ended 31 December 2023	The six months ended 30 June 2024	2022	2023	2024
	(in billions of RMB)					
Mutual Supply Agreement						
Products and services (except for financial services) provided by the Company to Sinopec Group	134.489	133.66	78.893	189.1	200.7	209.5
Entrusted Loan Services	0.55	0.001	0.001	10	10	10
Products and services (except for financial services) provided by the Sinopec Group to the Company	230.84	249.952	115.521	359.7	373.3	387.7
Maximum daily amounts of deposits and total accrued interests of the Deposit Services provided by Sinopec Financial Institutions to the Company	79.891	79.686	78.943	80	80	80
Land Use Rights Leasing Agreement						
Annual value of right-of-use assets of lands leased by the Company from Sinopec Group	30.222	20.389	5.216	38.305	24.940	13.365

The table below sets out the proposed annual caps of amounts payable/receivable by the Company for each of the three years ending 31 December 2025, 2026 and 2027:

Transactions	Annual Caps for the year ending 31 December		
	2025	2026	2027
	(in billions of RMB)		
Mutual Supply Agreement			
Products and services provided by the Company to Sinopec Group	254.8	254.8	263.2
Entrusted Loan Services	6	6	6
Products and services provided by the Sinopec Group to the Company	403.9	421.5	422.9
Financial Services Agreement			
Maximum daily amounts of deposits and total accrued interests of the Deposit Services provided by Sinopec Financial Institutions to the Company	90	90	90
Land Use Rights Leasing Agreement			
Annual value of right-of-use assets of lands leased by the Company from Sinopec Group	38.305	24.940	13.365

As disclosed in the letter from the Board of the Circular, in arriving at the estimated aggregate amounts payable/receivable by the Company for each of the three years ending 31 December 2027, Sinopec Corp. has considered, among other things, the following primary factors:

	Basis for Annual Caps
Mutual Supply Agreement	
Products and services provided by the Company to Sinopec Group	The proposed annual caps for the provision of products and services by the Company to Sinopec Group are determined with reference to: (i) the transactions and amounts in the past for the provision of products and services by the Company to Sinopec Group; (ii) the prices of crude oil and other petroleum and petrochemical products. The Company assumed that the prices of crude oil for 2025 to 2027 will be USD85/barrel, USD85/barrel and USD85/barrel, respectively; (iii) the expected business development of the Company and Sinopec Group; and (iv) the Company is of the view that the annual caps on the transactions should be flexible with a buffer of 15% to accommodate the maximum amount considering various possibilities, taking into account: (a) both the Company and Sinopec Group are large enterprises with large scale and volume, there is certain volatility in prices of crude oil, natural gas, petroleum and petrochemical products and exchange rates, etc., thus there will be potential contingencies that may be difficult to accurately anticipate in the future; and (b) the sale of the Company's products and services to Sinopec Group in accordance with the Mutual Supply Agreement is significant to the Company's revenue.

	Basis for Annual Caps
Products and services provided by Sinopec Group to the Company	The proposed annual caps for the provision of products and services by Sinopec Group to the Company are determined with reference to: (i) the transactions and amounts in the past for the provision of products and services by Sinopec Group to the Company; (ii) the prices of crude oil and other petroleum and petrochemical products. The Company assumed that the prices of crude oil for 2025 to 2027 will be USD85/barrel, USD85/barrel and USD85/barrel, respectively; (iii) the expected business development of the Company and Sinopec Group; and (iv) the Company is of the view that the annual caps on the transactions should be flexible with a buffer of 15% to accommodate

	Basis for Annual Caps
Entrusted loan provided by the Company to the Connected Subsidiaries	The annual caps for 2025 to 2027 have decreased as compared to the annual caps for 2022 to 2024, with the following major factors taken into consideration: (i) Based on (a) the transaction amounts and the utilization rates of the annual caps over the past three years; (b) the Connected Subsidiaries' expected business development and corresponding capital needs in view of the companies' development plans and the market trend; (c) the relatively sufficient funds of the Company; (d) the capital market situation in the regions where the Connected Subsidiaries are located; (e) the Company's pricing policy for providing entrusted loans and other financial services; (f) the expected interest on the entrusted loans; and (g) 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. (iii) Other shareholders of the Connected Subsidiaries will provide entrusted loans corresponding to their shareholdings on equal conditions.

	Basis for Annual Caps
Financial Services Agreement	
Maximum daily amounts of deposits and total accrued interests of the Deposit Services provided by Sinopec Financial Institutions to the Company	The annual caps for 2025 to 2027 increase from the 2022-2024 trading caps, with the following major factors taken into consideration: (i) high transaction amounts and utilisation rates of the annual caps over the past three years with execution rates of 99.86% and 99.61% in 2022 and 2023, respectively, impacting the flexibility of daily funds settlements and allocations. (ii) the movement between the highest and lowest exchange rate of USD/CNY from the end of 2021 to the end of the first half of 2024 reached 16%, and the exchange rate is expected to remain certain volatility in the future. (iii) the Company's future business development, cash flow position, the scale of funding settlement, etc.
Land Use Rights Leasing Agreement	
Annual value of right-of-use assets of lands leased by the Company from Sinopec Group	The annual value of right-of-use assets on leased land from 2025 to 2027 remains unchanged from the annual value of right-of-use assets on leased land from 2022 to 2024. The proposed annual caps of land leasing for 2025 to 2027 are based on: (a) the annual land rent caps payable by the Company to Sinopec Group (the "Expected Land Rent Payment Caps") are expected to be RMB14 billion for 2025 to 2027, which is unchanged as compared with the Expected Land Rental Payment Caps for the years 2022 to 2024; (b) the corresponding total value of right-of-use assets relating to land lease for 2025 to 2027; (c) the discount rate is determined based on the interest rate of the incremental borrowings of the Company. 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.

(i) Mutual Supply Agreement

a. Products and services provided by the Sinopec Group to the Company

We note that the annual cap in respect of amounts expected to be paid by the Company for the purchase of products and services from the Sinopec Group is RMB403.9 billion for financial year ending 31 December 2025. We understand products and services required and acquired by the Company are largely related to crude oil, natural gas, petroleum and petrochemical products and therefore the annual cap for such category would be predominately based on the Company's demand, prices of crude oil, natural gas, petroleum and petrochemical products and any unforeseeable changes in the market.

We have discussed with the Management and it is our understanding that the Company is expecting oil prices to be at levels of around US$85/barrel for each of 2025, 2026 and 2027 respectively. According to our research on Bloomberg, we note that key oil price indicators such as brent crude oil prices have had a history of volatility with prices dropping from approximately US$60/barrel early 2020 to as low as below US$20/barrel in a matter of months due to, among other reasons including OPEC nations failing to reach an agreement to continue limiting oil production past March 2020. We have also reviewed recent fluctuations in key oil price indicators such as brent crude oil prices and noted that the published price dropped from a high of approximately US$127.98/barrel in 2022 to a recent low of just above US$70/barrel in mid-2023 before fluctuating around the US$80/barrel mark in 2024. Despite the historical fluctuations, given the recent trading price of around US$80/barrel for brent crude oil prices, we would believe the forecast of oil prices used by the Company, being US$85/barrel in 2025, 2026 and 2027 respectively to be reasonable and prudent.

In addition, we note from the reasons considered by Sinopec Corp. as disclosed in the Circular, in determining the annual caps for 2025, 2026, 2027, Sinopec Corp. has also factored in the expected net increase in expected connected transactions in relation to purchase of Sinopec Group's products and services mainly due to the expected business development of the Company and Sinopec Group, including, the original business of the Company's Changling Branch being incorporated into Hunan Petrochemical, a connected subsidiary of the Company. In light of the aforementioned, we would consider the factors used in determining the annual cap expected for the year ending 31 December 2025 and a buffer in case of any unanticipated fluctuations in the market to be reasonable and prudent.

We further note that the increase in annual caps for the years ending 31 December 2026 and 2027 as compared with the annual caps for the year ending 31 December 2025 is 4.3% and 0.33% respectively. We note that Sinopec Corp. is an operator of an integrated business within the oil industry, which means in addition to oil prices, its business performance is affected by the global economy as a whole. We note from Sinopec Corp.'s 2023 Annual report that 88.95% of external sales generated by the Company in 2023 was from the PRC (2022: 85.11%). Given that the vast majority of the Company's sales have been generated in the PRC, we are of the view that it would only be reasonable for the Company's growth rates, and hence factors directly affecting its demand for oil products and related services to be also impacted by the growth of the Chinese economy. We have reviewed the statistics published by the National

Bureau of Statistics of China and noted that the average increases in gross domestic product ("GDP") for the five years between 2019 and 2023 was 6.40%. In this respect, we consider the growth rate in estimating the annual caps for the two financial years ending 31 December 2027, which would also include, among other items, a buffer in case of any unanticipated fluctuations in the market, to be prudent.

b. Products and services provided by the Company to Sinopec Group

We note the annual cap in respect of products and services provided by the Company to Sinopec Group is RMB254.8 billion for the year ending 31 December 2025.

We understand products and services required and acquired by Sinopec Group are also largely related to crude oil, natural gas, petroleum and petrochemical products and therefore the annual cap for such category would be predominately based on its demand, prices of crude oil, natural gas, petroleum and petrochemical products and any unforeseeable changes in the market.

For reasons stated above in the section headed "4. Historical amounts and historical caps and the proposed annual caps – (i) Mutual Supply Agreement – (a) Products and services provided by the Sinopec Group to the Company", we are also of the view that the estimated oil prices assumed as US$85/barrel as a key assumption in the determination of annual caps for the three years ending 31 December 2027 to be reasonable.

In addition to the above, as disclosed in the Circular, in determining the annual caps for 2025, 2026, 2027, Sinopec Corp. also factored in the expected demand from Sinopec Group including the expansion of Sinopec Group's crude oil reserve target. We understand Sinopec Corp. has, in this case, discussed with Sinopec Group its expected business plans to formulate its own estimations. Additionally, we note that Sinopec Corp. also expects a net increase in connected transactions in relation to sale of products and services to Sinopec Group. This is a result mainly from the expected business development of the Company and Sinopec Group, including, the original business of the Company's Changling Branch being incorporated into Hunan Petrochemical, a connected subsidiary of the Company.

In addition, Sinopec Corp. has also made references to the historical utilisation amount of annual caps for the three years ending 31 December 2024. In light of the aforementioned, including the historical utilisation rates and a buffer in case of any unanticipated fluctuations in the market, we also consider the factors used in determining the annual cap expected for the year ending 31 December 2025 to be prudent.

We further note that the Company expected no increase in annual cap for the years ending 31 December 2026 from year ending 31 December 2025 and a mere increase of approximately 3.3% in proposed annual cap for year ending 31 December 2027 as compared with the annual caps for the year ending 31 December 2026. For the reasons stated above, namely the fact that the GDP for the previous five years ended 2023 is significantly higher than the growth rates utilised and a buffer in case of any unanticipated fluctuations in the market, thereby demonstrating the assumptions used by Sinopec Corp. to be prudent.

c. Entrusted Loan Services

We note that the annual caps for the three years ending 31 December 2027 is expected to decrease from RMB10 billion to RMB6 billion.

We note that the Company expects to increase the maximum daily amounts of Deposit Services to RMB90 billion for each of the three financial years ending 31 December 2027, representing an increase of approximately 12.5% from the previous three financial years ending 31 December 2024. As disclosed in the letter from the Board of the Circular, in formulating the annual caps for 2025, 2026 and 2027, Sinopec Corp. has considered: (a) high transaction amounts and utilisation rates of the annual caps over the past three years with execution rates of 99.86% and 99.61% in 2022 and 2023, respectively, impacting the flexibility of daily funds settlements and allocation; (b) the movement between the highest and the lowest exchange rate of USD/CNY from the end of 2021 to the end of the first half of 2024 reached 16%, and the exchange rate is expected to remain volatile in the future; and (c) the Company's future business development, cash flow position, the scale of funding settlement, etc.

We note that Sinopec Corp. has factored in fluctuations in the exchange rate in determining the annual caps for 2025-2027. We have discussed with the Management and we understand that from time to time, the Company would purchase/sell crude oil for which the transaction prices would be denominated in USD and as such, certain deposits placed with the Sinopec Financial Institutions would be denominated in currencies other than CNY. Therefore, changes in the CNY to USD exchange rate would also impact the expected utilisation of annual caps for Deposit Services and hence a certain level of buffer would be necessary. In view of this, we have researched and reviewed information available on Bloomberg, the USD to CNY exchange rate reported lows of 6.3093 and high of 7.3439 from 1 January 2022 to the Latest Practicable Date. Therefore, we consider including a buffer to cater for events that are out of Sinopec Corp.'s control, including exchange rate fluctuations is reasonable and prudent.

Based on the transacted amounts of the annual caps for the three financial year ended 31 December 2023, we have also noted the nearly full utilisation of the maximum daily amounts for the previous three financial years. As such, it is commercially reasonable for Sinopec Corp. to increase the maximum daily amount to provide a certain level of flexibility to accommodate future business development, changes in cash flow position and other unforeseeable needs. In addition, the proposed annual caps in respect of maximum daily amounts of Deposits Services only represent the highest daily amount that the Company may place with Sinopec Financial Institutions and there are no obligations for the Company to deposit such amounts with Sinopec Financial Institutions unless the pricing terms are favourable as compared to independent third parties.

(iii) Land Use Rights Leasing Agreement – annual value of right-of-use assets of lands leased by the Company from Sinopec Group

We consider the proposed annual caps for the three years ending 31 December 2027 to be fair and reasonable as it is based on estimated maximum rent payable under the Land Use Rights Leasing Agreement which has remained unchanged from the previous three years. Based on historical transacted amounts, we note the annual utilisation rate is approximately 78.8%, 81.8% respectively for each of the two financial years ended 31 December 2022 and 2023. We note that the proposed annual caps are derived using the incremental borrowing rate of the Company based on the requirement of the relevant accounting standard and we understand this has been confirmed with Sinopec Corp.'s auditors.

5. Internal procedures

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

(1) The transactions contemplated under the connected transactions agreements are conducted on a non-exclusive basis.

(2) 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 during the same period and transactions among independent third parties during 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 the same type of companies in proximity or 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 one party unilaterally.

(3) As for the Company's procurement process of relevant products or services, according to the Company's internal 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 suppliers in performing the contracts and providing follow-up services, and qualifications and relevant experiences of the supplier.

(4) 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. Furthermore, 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.

(5) 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;

(6) 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;

(7) 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;

(8) 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;

(9) 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, and issue relevant letter to the Board.

Based on the above, we consider the requirement to obtain at least two independent quotes (where applicable) is reasonable for Sinopec Corp. to assess the then prevailing market terms. As such, we concur with the view of the Directors that the internal control procedures and the pricing policies relating to the Transactions have demonstrated the Company's practices of getting access to market information and having regular assessment on the terms of the Transactions, so as to make sure that their terms will be no less favourable (so far as the Company is concerned) than those prevailing in the market.

6. SPI Fund Document

China Petrochemical Corporation established the SPI Fund with the approval of the Ministry of Finance, the SPI Fund currently provides property insurance covering the operations of the Company. Under the terms of the SPI Fund Document, the Company 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 to China Petrochemical Corporation.

Under the terms of the SPI Fund Document, China Petrochemical Corporation is required to 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 obligations on time. As disclosed in the Circular, 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 contribution to safety production.

We note that the establishment of the SPI Fund was approved by the State Council and the SPI Fund Document was issued by Ministry of Finance and after our discussion with the Management, it is our understanding that the SPI Fund Document will continue to remain effective unless otherwise indicated by the State Council or the Ministry of Finance. In this respect, we concur with the Directors that it would be impracticable to request the Ministry of Finance to renew the SPI Fund Document every three years in accordance with the requirement of the Hong Kong Listing Rules and, therefore, we consider the duration of the SPI Fund Document, which is longer than three years, to be fair.

7. Annual review of the Major Continuing Connected Transactions

As advised by the Management, Sinopec Corp. will comply with the annual review requirements of the Hong Kong Listing Rules, in particular:

(a) each year the independent non-executive Directors must review the Major Continuing Connected Transactions and confirm in the annual report that the transactions have been entered into:

(1) in ordinary and usual course of business of Sinopec Corp.;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of Sinopec Corp. and the Shareholders as a whole.

(b) each year the auditors of Sinopec Corp. must provide a letter to the Board, confirming that the Major Continuing Connected Transactions:

(1) have received the approval of the Board;

(2) are in accordance with the pricing policies of Sinopec Corp.;

(3) have been entered into in accordance with the relevant agreement governing the Major Continuing Connected Transactions; and

(4) have not exceeded the proposed annual caps.

In view of the above, we are of the view that the Company have control measures to govern the conduct of the Major Continuing Connected Transactions, in 857 -2.4.9..1(n)-3dD [(ts)-44(th

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons set out above, we are of the view that the terms of the Major Continuing Connected Transactions, which detail transactions relating to the supply and purchase of products and services, transactions in respect of the lease of land use rights under the Land Use Rights Leasing Agreement and the provision of deposit services to the Company by the Sinopec Financial Institutions under the Financial Services Agreement (including the respective annual caps), are on normal commercial terms and in the ordinary and usual course of business of Sinopec Corp. and are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of Sinopec Corp. and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Major Continuing Connected Transactions and the adoption of the respective annual caps.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors', supervisors' and chief executive's interests and short positions in the securities of Sinopec Corp.

As of the Latest Practicable Date, none of the Directors, supervisors and chief executive of Sinopec Corp. had any interest in shares, underlying shares and debentures of Sinopec Corp. or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) have to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Hong Kong Listing Rules, to be notified to Sinopec Corp. and the Hong Kong Stock Exchange.

(b) Substantial shareholders and other persons' interests and short positions in the shares, underlying shares and securities of Sinopec Corp.

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors or chief executive of Sinopec Corp.) had interests or short positions in the shares or underlying shares of Sinopec Corp. which were recorded in the register required to be kept under section 336 of the SFO or would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO by Sinopec Corp.:

Name of shareholder	Class of shares	Number of shares held	Capacity	Approximate % of total issued share capital of Sinopec Corp.	Approximate % of relevant class of share capital of Sinopec Corp.
China Petrochemical Corporation	A shares	83,060,474,296 (L)	Beneficial owner	68.25% (L)	85.31% (L)
	H shares	917,624,000 (L)[Note]	Interests in corporations controlled by majority shareholders	0.75% (L)	3.77% (L)

Name of shareholder	Class of shares	Number of shares held	Capacity	Approximate % of total issued share capital of Sinopec Corp.	Approximate % of relevant class of share capital of Sinopec Corp.
BlackRock, Inc.	H shares	1,442,628,440 (L) 13,866,000 (S)	Interests in corporations controlled by majority shareholders	1.19% (L) 0.011% (S)	5.93% (L) 0.06% (S)
Schroders PLC	H shares	1,247,104,477(L)	Investment manager	1.02%(L)	5.12%(L)

(L) The letter "L" denotes long position.

(S) The letter "S" denotes short position.

Note: Sinopec Century Bright, an overseas wholly-owned subsidiary of China Petrochemical Corporation, holds 917,624,000 H shares of Sinopec Corp. through HKSCC Nominees Limited.

Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, no other person had any interest or short position in the shares and underlying shares of Sinopec Corp. which would fall to be disclosed to Sinopec Corp. and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, there is no contract or arrangement entered into between Directors and any member of the Company subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Company; none of the Directors had any interests, either direct or indirect, in any assets which have been acquired, disposed of by or leased to or are proposed to be acquired, disposed of by or leased to any member of the Company since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up; the Directors are not aware that any Director or his/her close associate had interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Company which would require disclosure under the Hong Kong Listing Rules.

Save as disclosed below, as at the Latest Practicable Date, no Director is a director or employee of a company which had any interest or short position in the shares and underlying shares of Sinopec Corp. which would fall to be disclosed to Sinopec Corp. and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(1) Mr. Ma Yongsheng as the Chairman of China Petrochemical Corporation.

(2) Mr. Zhao Dong as the Director and General Manager of China Petrochemical Corporation.

(3) Mr. Zhong Ren as the Director of China Petrochemical Corporation.

(4) Mr. Li Yonglin as the Deputy General Manager of China Petrochemical Corporation.

(5) Mr. Lv Lianggong as the Deputy General Manager of China Petrochemical Corporation.

(6) Mr. Niu Shuanwen as the Deputy General Manager of China Petrochemical Corporation.

(7) Mr. Wan Tao as the Deputy General Manager of China Petrochemical Corporation.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors had entered or proposed to enter into any service contract with any member of the Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. NO MATERIAL ADVERSE CHANGE

So far as the Directors are aware, as of the Latest Practicable Date, there had not been any material adverse changes in the financial or trading position of the Company since 31 December 2023, being the date to which the most recently published audited consolidated accounts of the Company were made up.

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the professional adviser who has given opinions or advice contained in this circular:

Names	Qualifications
Somerley	a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 regulated activities (dealing in securities) and Type 6 regulated activities (advising on corporate finance)

Somerley has given their written consent to the issue of this circular with the inclusion of their letter, agreeing to reproduce its letter and quote its name in the form and meaning printed in this circular, and has not withdrawn its written consent.

As at the Latest Practicable Date, since 31 December 2023 (being the date to which the most recently published audited consolidated accounts of the Company were made up), Somerley had no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Company, or are proposed to be acquired or disposed of by or leased to any member of the Company.

As at the Latest Practicable Date, Somerley did not have any shareholding in any member of the Company, nor any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Company.

6. GENERAL

(1) The Company Secretary of Sinopec Corp. is Mr. Huang Wensheng.

(2) The registered office and head office of Sinopec Corp. is 22 Chaoyangmen North Street, Chaoyang District, Beijing 100728, PRC.

(3) The General Register Office of Sinopec Corp. for H Share Register is Hong Kong Registrars Limited (address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong).

(4) Unless otherwise stated, in the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange within 14 days from (and including) the date of the circular (http://www.hkexnews.hk) and the Company's website (www.sinopec.com/listco/):

(1) The Financial Services Agreement;

(2) The Continuing Connected Transactions Seventh Supplemental Agreement;

(3) The Letter from the Independent Board Committee, the text of which is set out on pages 43 to 44 of this circular;

(4) The Letter from Somerley dated 30 August 2024, the text of which is set out on pages 45 to 81 of this circular.

中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

b. the Financial Services Agreement entered into among Sinopec Corp., Sinopec Finance Co., Ltd and Sinopec Century Bright Capital Investment Limited be and is hereby considered, approved, ratified and confirmed;

c. Mr. Zhao Dong, Vice Chairman and President, be and is hereby authorised to sign or execute relevant agreements and other documents on behalf of Sinopec Corp. and to take all such actions pursuant to the relevant board resolution(s) as necessary or desirable.

By way of special resolution:

3. Resolution in relation to the dividend distribution and return plan for shareholders for the next three years (2024-2026) of Sinopec Corp.

With purpose of improving shareholders' return, the Company formulated the dividend distribution and return plan for shareholders ("Dividend Plan") in accordance with relevant laws and regulations such as the Supervisory Guidelines for Listed Companies No.3 – Cash Dividends for Listed Companies (j(9 ® ! 9 M 8 Ï K 3 î { j 9 ® ! $ – ± Î ') and relevant rules such as the Articles of Association of China Petroleum & Chemical Corporation. If the net profit of the parent company for the current year is positive, the accumulated undistributed profit is positive and the Company's cash flow can satisfy the normal operation and sustainable development of the Company, the profit of the Company to be distributed by cash in each year shall not be less than 65% of the net profit attributable to equity shareholders of the Company under the PRC Accounting Standards for Business Enterprises or the profit attributable to shareholders of the Company under the International Financial Reporting Standards (whichever is lower). In the case of force majeure, such as natural disasters and others, changes in the Company's external environment that have a significant impact on the Company's production and operation, significant changes in the Company's operating or financial conditions, or when the board of directors deems it to be necessary, the Company may make adjustments to the Dividend Plan.

Details of the resolutions are available at the website of the Shanghai Stock Exchange (http://www.sse.com.cn) and the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and are included in the circular and the notice of the EGM provided by Sinopec Corp.

By Order of the Board
China Petroleum & Chemical Corporation
Huang Wensheng
Vice President and Secretary to the Board of Directors

Beijing, PRC
30 August 2024

Notes:

I. Attendee of EGM

1. Eligibility for attending the EGM

Holders of domestic shares (A shares) of Sinopec Corp. whose names appear on the domestic shares register maintained by China Securities Depository & Clearing Corporation Limited Shanghai Branch and holders of H shares of Sinopec Corp. whose names appear on the register of members maintained by Hong Kong Registrars Limited at the close of business on Friday, 20 September 2024 are eligible to attend the EGM. Holders of H shares of Sinopec Corp. who wish to attend the EGM shall lodge their share certificates accompanied by the transfer documents with Hong Kong Registrars Limited (address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. on Thursday, 19 September 2024.

2. Proxy

(1) A member eligible to attend and vote at the EGM is entitled to appoint, in written form, one or more proxies to attend and vote on its behalf. A proxy need not be a shareholder of Sinopec Corp.

(2) A proxy should be appointed by a written instrument signed by the appointer or its attorney duly authorised in writing. If the form of proxy is signed by the attorney of the appointer, the power of attorney authorising that attorney to sign or the authorisation document(s) must be notarised.

(3) To be valid, the form of proxy and/or the power of attorney or other original authorisation document(s) which have been notarised must be delivered to the statutory address of Sinopec Corp. not less than 24 hours before the time designated for holding the EGM (i.e. before 9 a.m. on 21 October 2024 Hong Kong time). Holders of A shares shall deliver the relevant document(s) to Sinopec Corp. Board office (the address is 22 Chaoyangmen North Street, Chaoyang District, Beijing, 100728). Holders of H shares shall deliver the relevant document(s) to Hong Kong Registrars Limited (the address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong).

(4) A shareholder or his proxy may exercise the right to vote by poll.

3. The directors, supervisors and senior management of the Company.

4. Legal advisers as engaged by the Company.

5. Other personnel.

II. Registration procedures for attending the EGM

1. A shareholder or his proxy shall produce proof of identity when attending the meeting. If a shareholder is a legal person, its legal representative or other persons authorised by the board of directors or other governing body of such shareholder may attend the EGM by presenting a copy of the resolution of the board of directors or other governing body of such shareholder appointing such persons to attend the EGM.

2. The completed and signed reply slip should be delivered to Sinopec Corp. Board office by personal delivery, by post or by facsimile during hours between 9:00 a.m. and 11:30 a.m., and 2:00 p.m. and 4:30 p.m. on every business day on or before Monday, 30 September 2024.

3. Register of Members. The H share register of members of Sinopec Corp. will be closed from Friday, 20 September 2024 to Tuesday, 22 October 2024 (both days inclusive).

III. Resolution for independent shareholders' approval

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Share Listing Rules of Shanghai Stock Exchange, the ordinary resolutions No. 1-2 of the EGM are subject to the independent shareholders' approval. China Petrochemical Corporation and its associates will abstain from voting.

IV. Miscellaneous

1. The EGM will not last for more than one working day. Shareholders who attend shall bear their own travelling and accommodation expenses.

2. The address of China Securities Depository & Clearing Corporation Limited Shanghai Branch, the Share Registrar for A shares of Sinopec Corp., is 166 Lujiazui East Road, Pudong District, Shanghai.

3. The address of Hong Kong Registrars Limited, the Share Registrar of H shares of Sinopec Corp., is Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

4. The contact for the EGM is:

   Sinopec Corp. Board Office
   22 Chaoyangmen North Street
   Chaoyang District, Beijing
   Post Code: 100728
   The People's Republic of China
   Contact person: Chen Dongdong ( )
   Telephone No.: (+86)10-59969671
   Fax: (+86)10-59960386

As of the date of this announcement, Directors of the Company are: Ma Yongsheng*, Zhao Zhong Ren*, Li Yonglin#, Lv Lianggong#, Niu Shuanwen#, Wan Tao#, Yu Baocai#, Xu Lin+, Zhang Liying+, Liu Tsz Bun Bennett+ and Zhang Xiliang+.

Executive Director
* Non-executive Director
+ Independent Non-executive Director