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中国石油化工股份有限公司

**CHINA PETROLEUM & CHEMICAL CORPORATION**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 00386)**

**CONNECTED TRANSACTION  
FORMATION OF JOINT VENTURE**

The Board is pleased to announce that on 27 August 2021, the Board has considered and approved the proposed establishment of the Joint Venture by Shanghai Petrochemical and Baling Petrochemical, both being subsidiaries of the Company. Pursuant to the Joint Venture Agreement, Shanghai Petrochemical and Baling Petrochemical will jointly establish the Joint Venture and each shall contribute in cash the amount of RMB 400 million. Following completion of the Transaction, Shanghai Petrochemical and Baling Petrochemical shall each own 50% equity interest of the Joint Venture.

As at the date of the announcement, the Company directly holds 50.44% equity interest of Shanghai Petrochemical and 55% equity interest in Baling Petrochemical. Baling Petrochemical is owned as to 45% by Assets Company, which is a wholly-owned subsidiary of China Petrochemical Corporation (being the Company's controlling shareholder). Pursuant to Chapter 14A of the Listing Rules, Baling Petrochemical is a connected subsidiary of the Company and the Transaction constitutes a connected transaction of the Company. In the past 12 months, Hainan Refining and Chemical, being a subsidiary of the Company, entered into a joint venture agreement with Baling Petrochemical (the "**Previous Transaction**"), which was exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules were less than 0.1%. The Transaction and the Previous Transaction are subject to aggregation pursuant to Rule 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules on aggregate basis are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**Shareholders and potential investors of the Company are reminded that the Joint Venture Agreement is pending the execution by Shanghai Petrochemical and Baling Petrochemical. The Company will make a further announcement when the Joint Venture Agreement is signed.**

## INTRODUCTION

The Board is pleased to announce that on 27 August 2021, the Board has considered and approved the proposed establishment of the Joint Venture by Shanghai Petrochemical and Baling Petrochemical, both being subsidiaries of the Company. Pursuant to the Joint Venture Agreement, Shanghai Petrochemical and Baling Petrochemical will jointly establish the Joint Venture and each shall contribute in cash the amount of RMB400 million. Following completion of the Transaction, Shanghai Petrochemical and Baling Petrochemical shall each own 50% equity interest of the Joint Venture.

## BASIC INFORMATION ON THE TRANSACTION

The Transaction is a joint external investment with the connected persons. As the Joint Venture is yet to be established, the following information is intended to be indicative and subject to business registration.

<b>Company name:</b>	:	Shanghai Jinshan Baling New Material Company Limited
<b>Company nature:</b>	:	Stated-controlled company with limited liability
<b>Registered address:</b>	:	Second Industrial Zone, Jinshan District, Shanghai
<b>Principal business:</b>	:	Production and sales of styrene thermoplastic elastomer new materials including SBS, SIS, SEBS, SEPS, SSBR (collectively referred to as “SBC”) and their feedstock, intermediate products and by-products; import and export (The specific scope is subject to business registration and items that require further approval under relevant laws may be operated upon obtaining such approval by competent authorities).
<b>Registered capital</b>	:	RMB800 million

Shareholders’ name, contribution amount, contribution proportion and contribution method are set out as follows:

*RMB’ million*

<b>Shareholders’ Name</b>	<b>Contribution Amount</b>	<b>Contribution Proportion</b>	<b>Method</b>
Baling Petrochemical	400	50%	Cash
Shanghai Petrochemical	400	50%	Cash
<b>In Total</b>	<b>800</b>	<b>100%</b>	<b>-</b>

## PRICING BASIS OF THE TRANSACTION

The pricing of the Transaction was determined on an arm's length basis with reference to normal commercial terms, trade practices and market prices without prejudice to the interests of any party, other shareholders or interested parties. Shanghai Petrochemical and Baling Petrochemical jointly invest as well as share profits and risks in accordance with the proportion of their respective contribution.

## PRINCIPAL CONTENTS OF THE JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are as follows:

<b>Parties</b>	:	Shanghai Petrochemical and Baling Petrochemical
<b>Method of Cooperation</b>	:	The registered capital of the Joint Venture shall be RMB800 million, among which, each of Baling Petrochemical and Shanghai Petrochemical shall contribute RMB400 million in cash, representing 50% of the total registered capital respectively. Following completion of the Transaction, Baling Petrochemical and Shanghai Petrochemical shall each hold 50% equity interest of the Joint Venture and the financial results of the Joint Venture shall be consolidated into the financial statements of Baling Petrochemical.
<b>Principal business</b>	:	Production and sales of styrene thermoplastic elastomer new materials and their feedstock, intermediate products and by-products; import and export (The specific scope is subject to business registration and items that require further approval under relevant laws may be operated upon obtaining such approval by competent authorities).
<b>Effective arrangement</b>	:	The Joint Venture Agreement shall be established upon being duly signed and sealed by both parties and shall take effect after the parties complete the internal and external approvals. Matters not covered by this Agreement shall be mutually negotiated and agreed upon in a written supplemental agreement.
<b>Board Composition</b>	:	The Joint Venture shall establish a board of directors composed of 7 directors including 3 recommended by Baling Petrochemical, 3 recommended by Shanghai Petrochemical and 1 employee director.
<b>Liabilities for breach of the Agreement</b>	:	Shanghai Petrochemical and Baling Petrochemical shall bear liabilities for false contribution and compensate for the damages caused to third parties during the term of the Agreement. If the defaulting party falls three months behind on its committed contribution amount to the registered capital of the Joint Venture, the non-defaulting party shall be entitled to suspend the Agreement and demand the defaulting party to pay up the contribution amount, and also be entitled to default penalties calculated at 2% of the capital contribution amount and compensation for any losses incurred under the Agreement.

The defaulting party shall indemnify and hold harmless the Joint Venture or the other party against any liabilities or losses due to the defaulting party's breach of the Agreement, by compensating for any expenses or costs, liabilities to third

parties, and other losses borne by the Joint Venture or the other party resulting from such breach.

Any party failing to perform under the Joint Venture Agreement due to governmental action or force majeure shall promptly notify the other party of the reasons for the non-performance, delay in performance or partial performance and provide a written proof from relevant authorities within 15 days. Upon the receipt of the written proof, it shall be mutually negotiated by Shanghai Petrochemical and Baling Petrochemical as to whether the performance shall be delayed, partially performed or not performed, and whether the liability for breach of contract shall be exonerated in part or in whole based on case-by-case analysis.

Either of Shanghai Petrochemical and Baling Petrochemical which is unable to fulfil the obligations under the Joint Venture Agreement due to force majeure shall adopt effective measures to minimize the economic losses caused to the Joint Venture or the other party.

**Equity transfer** : Any party contemplating to transfer all or any part of its equity in the Joint Venture to a third party shall notify the other party in written form. The non-transferring party shall have the right of first refusal on such equity. The transferring party shall have the right to transfer the equity to a third party in accordance with relevant state-owned equity transfer regulations if the non-transferring party fails to inform the transferring party of its consent or opposition to the proposed transfer within 30 working days upon the receipt of notification from the transferring party, or if the non-transferring party explicitly declines to purchase such equity despite its opposition to the transfer.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Joint Venture will stay abreast of the active SBC consumer market in Eastern China, optimise regional resource allocation and improve downstream materials industry chain for the Company, which are conducive to enhancing the Company's overall competitiveness where the Joint Venture operates.

## **OPINIONS OF THE DIRECTORS**

As at the date of this announcement, Ma Yongsheng, Zhao Dong, Yu Baocai, Liu Hongbin, Ling Yiqun and Li Yonglin, being the connected Directors, have abstained from voting on the relevant resolution approving the proposed establishment of the Joint Venture at the Board meeting. The Board has considered and approved the resolution on the Transaction. The Directors (including all independent non-executive Directors) are of the opinion that, (i) the Transaction is on normal commercial terms; (ii) the terms and conditions of the Transaction documents are fair and reasonable; and (iii) the Transaction is in the interest of the Company and the Shareholders as a whole.

## **THE LISTING RULES IMPLICATIONS**

As at the date of the announcement, the Company directly holds 50.44% equity interest of Shanghai Petrochemical and 55% equity interest of Baling Petrochemical. Baling Petrochemical is owned as to 45% by Assets Company, which is a wholly-owned subsidiary of China Petrochemical Corporation (being the

Company's controlling shareholder). Pursuant to Chapter 14A of the Listing Rules, Baling Petrochemical is a connected subsidiary of the Company and the Transaction constitutes a connected transaction of the Company.

In the past 12 months, Hainan Refining and Chemical, being a subsidiary of the Company, entered into a joint venture agreement with Baling Petrochemical, pursuant to which each of Hainan Refining and Chemical and Baling Petrochemical contributed in cash the amount of RMB300 million to establish a joint venture. The Previous Transaction was exempted from the reporting, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules were less than 0.1%. The Transaction and the Previous Transaction are subject to aggregation pursuant to Rule 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules on aggregate basis are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INFORMATION ON THE PARTIES**

### **The Company**

The Company is one of the largest integrated energy and chemical companies in China and is mainly engaged in 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 import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

### **Shanghai Petrochemical**

Shanghai Petrochemical is a company established in accordance with the PRC laws with limited liability and is primarily engaged in business including processing crude oil into a variety of synthetic fibre, resins and plastics, intermediate petrochemical products and petroleum products. As at the date of this announcement, Shanghai Petrochemical is a subsidiary of the Company and the Company directly owns 50.44% equity interest of it.

### **Baling Petrochemical**

Baling Petrochemical is a company established in accordance with the PRC laws with limited liability and is primarily engaged in business including petrochemical, chemical fibre, chemical fertilizer, and fine chemical products. As at the date of this announcement, Baling Petrochemical is a subsidiary of the Company and the Company directly owns 55% equity interest of it. China Petrochemical Corporation owns 45% equity interest of Baling Petrochemical through Assets Company, being its wholly-owned subsidiary.

### **China Petrochemical Corporation**

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

proprietary and agency import and export of relevant products, commodities and technologies; foreign project contracting, bidding and purchasing, and labour export; international storage and logistics business.

### **Assets Company**

Assets Company is a company established in accordance with the PRC laws with limited liability and is primarily engaged in industrial investment and investment management, refining of petroleum; production and supply of heat; production and sales of petrochemical, chemical fibre and refined chemical products (excluding hazardous products); warehousing services; leasing of land and self-owned properties. The following projects are operated by external branches: electricity business, centralised water supply, port operations and production and operation of hazardous chemicals, etc. As at the date of this announcement, China Petrochemical Corporation directly owns 100% equity interest of Assets Company.

**Shareholders and potential investors of the Company are reminded that the Joint Venture Agreement is pending the execution by Shanghai Petrochemical and Baling Petrochemical. The Company will make a further announcement when the Joint Venture Agreement is signed.**

### **DEFINITIONS**

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

“Assets Company”	Sinopec Group Asset Management Co., Ltd.
“Baling Petrochemical”	Sinopec Baling Petrochemical Company Limited
“Board”	the board of directors of the Company
“China Petrochemical Corporation”	China Petrochemical Corporation
“Company” or “Sinopec Corp.”	China Petroleum & Chemical Corporation
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the Director(s) of the Company
“Group”	the Company and its subsidiaries
“Hainan Refining and Chemical”	Sinopec Hainan Refining and Chemical Company Limited
“Joint Venture”	Shanghai Jinshan Baling New Material Company Limited (a proposed name subject to approval by business registration authority)

“Joint Venture Agreement” or “Agreement”	the Joint Venture Agreement on establishing Shanghai Jinshan Baling New Material Company Limited to be entered into by Shanghai Petrochemical and Baling Petrochemical
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Previous Transaction”	the transaction under the joint venture agreement entered into by Baling Petrochemical and Hainan Refining and Chemical
“PRC”	the People’s Republic of China
“Shanghai Petrochemical”	Sinopec Shanghai Petrochemical Company Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the proposed establishment of the Joint Venture by Shanghai Petrochemical and Baling Petrochemical under the Joint Venture Agreement

By Order of the Board

**China Petroleum & Chemical Corporation**

**Huang Wensheng**

*Vice President and Secretary to the Board of Directors*

Beijing, the PRC  
27 August 2021

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

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

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

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