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Sinopec Oilfield Service Corporation

(a joint stock limited company established in the People's Republic of China)

(Stock code: 1033)

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSABLE TRANSACTIONS WITH SINOPEC GROUP AND CONTINUING RELATED TRANSACTIONS WITH PIPECHINA

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSABLE TRANSACTIONS WITH SINOPEC GROUP

References are made to the circular “(I) CONTINUING CONNECTED TRANSACTIONS AND DISCLOSABLE TRANSACTION (II) PROPOSED PROVISION OF GUARANTEE FOR WHOLLY-OWNED SUBSIDIARIES” dated 7 November 2018 published by the Company. On the 2018 EGM, Shareholders have approved the relevant continuing connected transactions and the annual caps for the three years ended 31 December 2021. References are also made to the announcement dated 27 August 2019 of the Company in relation to the Lease Agreement on Exploration IV Drill Rig and the announcement dated 25 August 2020 of the Company in relation to the 2020 Equipment Leasing Framework Agreement. The valid period of the Lease Agreement on Exploration IV Drill Rig is 3 years commencing from 6 November 2019 and the 2020 Equipment Leasing Framework Agreement shall expire on 31 December 2021.

The Company expected to continue to conduct the relevant continuing connected transactions with Sinopec Group after 31 December 2021. For the continuing connected transactions commencing from 1 January 2022, the Company entered into the 2021 Connected Transactions Framework Agreements with China Petrochemical Corporation on 16 September 2021. The 2021 Connected Transactions Framework Agreements will become effective on 1 January 2022 for a period of three years. Those agreements will replace the 2018 Connected Transactions Framework Agreements, 2020 Equipment Leasing Framework Agreement and the Lease Agreement on Exploration IV Drill Rig. Terms and conditions of the 2021 Connected Transactions Framework Agreements are basically identical to those of the 2018 Connected Transactions Framework Agreements and the 2020 Equipment Leasing Framework Agreement.

China Petrochemical Corporation and its associates holds approximately 70.18% of the Company's issued share capital and is therefore the Company's substantial shareholder. Under Rules 14A.07(1) and 14A.07(4) of the Hong Kong Listing Rules, China Petrochemical Corporation and its associates are connected persons of the Company. Accordingly, the transactions between the Group and Sinopec Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company 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 the Financial Services Providers to the Group will also constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

The Company is listed on both Hong Kong Stock Exchange and the SSE. According to the SSE listing rules, the Major Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the relevant proposed annual caps are subject to the approvals of Independent Shareholders as well as relevant information disclosure. Therefore, for the purpose of compliance of both the SSE listing Rules and Hong Kong Listing Rules, the Major Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the relevant proposed annual caps for the three years ending 31 December 2024 shall be submitted to the EGM for the approvals by the Independent Shareholders.

THE CONTINUING RELATED TRANSACTIONS WITH PIPECHINA

PipeChina was established on 6 December 2019. On 23 July 2020, Sinopec Corp Group entered into the agreement with PipeChina, in relation to subscribe for additional equity issued by PipeChina. Sinopec Corp Group paid the consideration with its equity interests in the relevant oil and gas pipeline companies to subscribe for PipeChina's registered capital of RMB70 billion upon completion of the PipeChina reorganization, representing 14% of capital contribution of PipeChina. On 30 September 2020, PipeChina held a signing ceremony for the closing of oil and gas pipeline assets and operation handover. PipeChina took over the relevant oil and gas pipeline infrastructure assets (businesses) and employees originally belonging to the three major domestic petroleum companies, and duly emerging the network for operation. Since its establishment, the Company has been providing services such as long-distance oil and gas pipeline construction, natural gas station construction, pipeline operation, maintenance and protection to Sinopec Corp Group. On 30 September 2020, upon PipeChina's duly emerging the network for operation, the Company continued to provide those services to PipeChina.

Mr. Ling Yiqun, an exiting director of PipeChina, serves as the deputy general manager of the Company's Controlling Shareholder China Petrochemical Corporation. Pursuant to the SSE listing rule, PipeChina constitutes a related party of the Company. Based on the needs of the production and operation, the continuing related transactions between the Group and PipeChina include long-distance pipeline construction, natural gas stations construction, pipeline operation, maintenance and protection and relevant technology services. It is expected that the annual cap for the relevant continuing related transactions from 1 January 2021 to 31 December 2021 is RMB4 billion.

On 16 September 2021, the sixth meeting of the tenth session of the Board was held. The Board considered and approved the continuing related transactions between the Group and PipeChina and the 2021 annual cap, and agreed that the continuing related transactions between the Group and PipeChina and the annual cap be submitted to the EGM for approval.

GENERAL INFORMATION

The Company will seek for the approval from the Independent Shareholders on (i) the Major Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the proposed relevant annual caps for the three years ending 31 December 2024; and (ii) the continuing related transactions with PipeChina and the 2021 annual cap, at the EGM. Since China Petrochemical Corporation is the controlling shareholder of the Company, China Petrochemical Corporation and its associates (holding a total of approximately 70.18% equity interest in the Company's issued share capital) will abstain from voting on the ordinary resolutions in relation to the Continuing Connected Transactions with Sinopec Group at the EGM.

A Independent Board Committee will be formed to advise Independent Shareholders on the Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2024. 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.

The Company has appointed Maxa Capital as the Independent Financial Adviser to advise Independent Board Committee and Independent Shareholders on the Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2024.

A circular containing, among other things, (i) further details of the Continuing Connected Transactions with Sinopec Group, (ii) further details of the continuing related transactions with PipeChina, (iii) a letter from the Independent Board Committee and (iv) a letter from the Independent Financial Adviser will be dispatched and/or notified to the Shareholders on or before 18 October 2021 as additional time is required to finalize the circular.

I. CONTINUING CONNECTED TRANSACTIONS AND DISCLOSABLE TRANSACTIONS WITH SINOPEC GROUP

INTRODUCTION

On 16 September 2021, the Company entered into the 2021 Connected Transactions Framework Agreements with China Petrochemical Corporation, and proposed to continue to conduct the continuing connected transactions with Sinopec Group. The Company is listed on both the Hong Kong Stock Exchange and the SSE. According to the SSE listing rules, the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions and their annual caps are subject to the approvals of Independent Shareholders as well as relevant information disclosure. Therefore, for the purpose of compliance of both the SSE listing Rules and Hong Kong Listing Rules, the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions and their annual caps for the three years ending 31 December 2024 shall be submitted to the EGM for the approvals by the Independent Shareholders.

BACKGROUND

References are made to the circular “(I) CONTINUING CONNECTED TRANSACTIONS AND DISCLOSABLE TRANSACTION (II) PROPOSED PROVISION OF GUARANTEE FOR WHOLLY-OWNED SUBSIDIARIES” dated 7 November 2018 published by the Company. On the 2018 EGM, Shareholders have approved the relevant continuing connected transactions and the annual caps for the three years ended 31 December 2021. References are also made to the announcement dated 27 August 2019 of the Company in relation to the Lease Agreement on Exploration IV Drill Rig and the announcement dated 25 August 2020 of the Company in relation to the 2020 Equipment Leasing Framework Agreement. The valid period of the Lease Agreement on Exploration IV Drill Rig is 3 years commencing from 6 November 2019 and the 2020 Equipment Leasing Framework Agreement shall expire on 31 December 2021.

The Company expected to continue to conduct the relevant continuing connected transactions with Sinopec Group after 31 December 2021. For the Continuing connected Transactions commencing from 1 January 2022, the Company entered into the 2021 Connected Transactions Framework Agreements with China Petrochemical Corporation on 16 September 2021. The 2021 Connected Transactions Framework Agreements will become effective on 1 January 2022 for a period of three years. Those agreements will replace the 2018 Connected Transactions Framework Agreements, 2020 Equipment Leasing Framework Agreement and the Lease Agreement on Exploration IV Drill Rig. Terms and conditions of the 2021 Connected Transactions Framework Agreements are basically identical to those of the 2018 Connected Transactions Framework Agreements and the 2020 Equipment Leasing Framework Agreement.

2021 CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT AND SPI FUND

1. 2021 Mutual Products Supply Framework Agreement

Date: 16 September 2021

Parties:

- (a) China Petrochemical Corporation (who shall procure its subsidiaries and/or associates to act in the same manner)
- (b) SSC (who shall procure its subsidiaries to act in the same manner)

Transactions:

- (a) provision of products by Sinopec Group to the Group

Sinopec Group will provide the following types of products to the Group: crude oil, crude oil processing and oil products (including gasoline, diesel, kerosene, fuel oil, lubricants, etc.); natural gas (including pipeline gas, CNG, LNG, etc.); steel; chemicals, oilfield chemicals and chemical reagents; petroleum-specific equipment; oil drilling and exploitation equipment and accessories; instrumentation and accessories; special tools; engineering machinery; timber, cement and construction materials; electric material; pipeline fittings; paint coating; valve; natural rubber, rubber products and plastic products; petrochemical-specific equipment and accessories; electrical equipment and accessories; and other products.

- (b) Provision of products by the Group to Sinopec Group

The Group will provide the following types of products to Sinopec Group: petrochemical-specific equipment, petro oil – specific equipment, portable tent and accessories; steel; valve; mobile power plant; transport machinery; electrical equipment and accessories; pipeline; drill pipe, heavy weight drill pipe, kelly bar, drill collars; steelwork; API oil casing commissioned processing; casing accessories, tubing attachment; oil drilling equipment accessories; special tools; instruments and accessories; tower equipment; oilfield chemicals and chemical reagents; and other products.

Effectiveness and termination:

2021 Mutual Products Supply Framework Agreement is valid for a term of three years commencing on 1 January 2022. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2021 Mutual Products Supply Framework Agreement. Before the expiration of 2021 Mutual Products Supply Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2021 Mutual Products Supply Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2021 Mutual Products Supply Framework Agreement.

Pricing policy:

The pricing of the products provided under the agreement shall be determined in accordance with the general principles and order as follows:

- (1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product, such product shall be supplied at the applicable government-prescribed price. Where a government-guided price standard is available, the price will be agreed within the range of the government-guided price.
- (2) Market price: the price will be determined on normal commercial terms based on the price of the same or similar products or services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable transactions with independent third party for the same period when determining whether the price for any product provided under this agreement is market price.

In particular:

(1) Government-prescribed price and government-guided price

Applicable to crude oil processing and oil products (including gasoline, diesel, kerosene, fuel oil, etc.) and natural gas (including pipeline gas, CNG, LNG, etc.);

Types of products

crude oil processing and oil products (including gasoline, diesel, kerosene, fuel oil, etc.)

Primary basis for price determination

According to the Circular on Further Improving the Pricing Mechanism of Refined Oil (Fa Gai Jia Ge [2016] No. 64) (《關於進一步完善成品油價格形成機制的通知》(發改價格[2016]64 號)) issued by the NDRC on 13 January 2016, 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., shall be government-prescribed price; the supply price of gasoline and diesel to the national reserve and Xinjiang Production and Construction Corps, and the producer price of aviation gasoline and jet fuel, shall be government-prescribed price. 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 Xinjiang Production and Construction Corps, as well as the producer price of aviation gasoline. The price adjustment for refined oil products is subject to the documents issued by the relevant national competent authorities of pricing.

natural gas
(including
pipeline gas,
CNG, LNG, etc.)

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 Stations and Further Promoting Price Marketization Reform Prices (Fa Gai Jia Ge [2015] No. 2688) ((關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知)(發改價格[2015]2688 號)) issued by the NDRC in 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 supplier and the customer can negotiate and determine the exact price within the range of up to 20%, down to unlimited range based on the benchmark gas station price. In 2016, the NDRC loosened its hold on the price of fertiliser-used gas and the price associated with gas storage facilities. In September 2017, considering the downward adjustment of natural gas pipeline price, the gas station price of natural gas used by non-residents was reduced by RMB0.1 per square. At the end of May 2018, the NDRC released the Circular on Adjustment Rationalizing of the Gas Station Price of Natural Gas used by Residents ((關於理順居民用天然氣門站價格的通知)) to rationalize the gate station price of natural gas used by domestic residents by increasing the price, thus realizing 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.

(2) *Market price*

Applicable to crude oil, oil products (including lubricants, etc.); steel; chemicals, oilfield chemicals and chemical reagents; petroleum-specific equipment; oil drilling and exploitation equipment and accessories; instrumentation and accessories; special tools; engineering machinery; timber, cement and construction materials; electric material; pipeline fittings; paint coating; valve; natural rubber, rubber products and plastic products; petrochemical-specific equipment and accessories; electrical equipment and accessories provided by Sinopec Group to the Group and all the products provided by the Group to Sinopec Group.

The relevant market price for each of the products is determined as per below:

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/or Oman.

Oil products (lubricant): the relevant market price of lubricant is determined by referring to the quotations on the relevant domestic price websites for lubricant. Such product prices are publicly available.

Chemicals, oilfield chemicals and chemical reagents: 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 and with reference to quotations on Easy-Pec E-commerce Platform (<http://mall.easy-pec.com/ecmall/>).

Coal: the market price is determined through price enquiry and comparison on the relevant price websites and by tender through the e-commerce system based on the type of coal and the quality requirements. Market prices of coal are principally determined with reference to quotations on Qing Huangdao coal market website (<http://www.cqcoal.com>).

Steel: prices are determined through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system. Market prices of steel are principally determined with reference to quotations on Custeel.net (<http://www.custeel.com>).

Petroleum-specific equipment, oil drilling and exploitation equipment, instrument, accessories and engineering machinery: prices are determined through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system. The market prices are principally determined with reference to quotations on Easy-Pec E-commerce Platform (<http://mall.easy-pec.com/ecmall/>).

Other products: prices are determined through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system. The e-commerce system is a bidding system for sale and purchase of products established by Sinopec Group. Sinopec Group and the Group can publish bidding requests or participate in the tender through such e-commerce system.

The Company has established procedures and internal control system for pricing and terms of the Continuing Connected Transactions. Please refer to pages 24 to 25 of this announcement.

Certain types of products such as petrochemical-specific equipment and oil drilling equipment are mutually provided between the Sinopec Group and the Group under the 2021 Mutual Products Supply Framework Agreement, this is because such products were mainly used in exploration and construction business of the Group and depending on the identities of the clients, such products may need be provided by the Sinopec Group or by the Group.

If an independent third party engages the Group to undertake oil exploration or construction project and asks the Group to provide services and the products necessary for the services, the Group may purchase certain products from Sinopec Group through proper procurement procedures. The aforesaid procurement procedures will comply with the procedures and internal control mechanism relating to the pricing and terms of continuing connected transactions as disclosed in this announcement. Meanwhile, if the Sinopec Group engages the Group to undertake oil exploration or construction project and asks the Group to provide services and the products necessary for the services, the Group will provide certain products such as petrochemical-specific equipment and oil drilling equipment to Sinopec Group. The Group will purchase such products from independent third party suppliers or the Sinopec Group through proper procurement procedures. The aforesaid procurement procedures will comply with the procedures and internal control mechanism relating to the pricing and terms of continuing connected transactions as disclosed in this announcement.

Considering the pricing policies and the procurement procedures as disclosed in this announcement, the Board is of the view that such arrangement is fair and reasonable and in the interest of the Company and Shareholders as a whole.

2. 2021 General Services Framework Agreement

Date: 16 September 2021

Parties: (a) China Petrochemical Corporation (who shall procure its subsidiaries and/or associates to act in the same manner)

(b) SSC (who shall procure its subsidiaries to act in the same manner)

Transactions: (a) Provision of general services by Sinopec Group to the Group

Sinopec Group will provide the following types of services to the Group: cultural, educational, training services and other related or similar services; information system like IT infrastructure and application softwares and relevant necessary support and services; finance, human resources and IT sharing services; office and logistics services; product procurement services; other services.

(b) Provision of general services by the Group to Sinopec Group

The Group will provide the following types of services to Sinopec Group: educational, training services; nonworking personnel management service; other services.

Effectiveness and termination: 2021 General Services Framework Agreement is valid for a term of three years commencing on 1 January 2022. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2021 General Services Framework Agreement. Before the expiration of 2021 General Services Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2021 General Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2021 General Services Framework Agreement.

Pricing policy:

The pricing of the service transactions under the agreement shall be determined in accordance with the following pricing policies:

(1) Provision of general services by Sinopec Group to the Group

Agreed price is applicable to cultural, educational, training services and other related or similar services; information system such as IT infrastructure and application softwares and relevant necessary support and services; office and logistics services; product procurement services and other services. The agreed price is determined by adding a reasonable profit (6% or less of a cost) over a reasonable cost. The supplier of the service will provide a cost list which is based on the actual costs incurred in providing the service by Sinopec Group, the purchaser will conduct comparison with the comparable average cost of similar enterprises in the neighbouring areas to negotiate and determine the reasonable cost for the price. The management shall consider at least two comparable transactions with the independent third party for the same period when determining the reasonable profit of a general service under the agreement. The price of connected transaction once determined and signed, shall not be changed by one party voluntarily.

Agreed price is applicable to finance, human resources and information technology sharing services. The reasonable cost is determined on the basis of FTE (full-time labor equivalent). At this stage, 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 transaction once determined and signed, shall not be changed by one party voluntarily.

(2) Provision of general services by the Group to Sinopec Group

Agreed price is applicable to educational, training services; nonworking personnel management service and other services. The agreed price is determined by adding a reasonable profit (6% or less of a cost) over a reasonable cost. The Group will provide a cost list which is normally based on the actual costs incurred in providing the service by the Group. The management shall consider at least two comparable transactions with the independent third party for the same period when determining the reasonable profit of a general service under the agreement. The price of connected transaction once determined and signed, shall not be changed by one party voluntarily.

3. 2021 Engineering and Construction Services Framework Agreement

Date: 16 September 2021

Parties: (a) China Petrochemical Corporation (who shall procure its subsidiaries and/or associates to act in the same manner)

(b) SSC (who shall procure its subsidiaries to act in the same manner)

Transactions: The Group will provide to Sinopec Group the following types of engineering services including but without limitation to geophysical and geochemical drilling and completion, logging, downhole operation, construction, machinery involved in the exploitation, gathering and transportation, ground construction, plumbing, construction, and marine engineering of oil, gas and other mineral resources:

engineering consulting (solution research, project proposal, feasibility study and early stage project consulting); project management; project supervision; contracting; engineering design; construction; machinery equipment processing and manufacturing services; procurement services and equipment leasing; technology licensing, technology transfer and engineering technology services; labour supply service; testing service; special transportation service; and other engineering supporting services.

Effectiveness and termination: 2021 Engineering and Construction Services Framework Agreement is valid for a term of three years commencing on 1 January 2022. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2021 Engineering and Construction Services Framework Agreement. Before the expiration of 2021 Engineering and Construction Services Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2021 Engineering and Construction Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2021 Engineering and Construction Services Framework Agreement.

Pricing policy:

The pricing of the service transactions under the agreement shall be determined in accordance with the principles and order as follows:

- (1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular service, such service shall be provided at the applicable government-prescribed price. Where a government-guided price standard is available, the price will be agreed within the range of the government-guided price.
- (2) Tender and bidding price: where tender and bidding process is required under applicable laws, regulations and rules, the final price shall be determined by the tender and bidding process.
- (3) Market price: the price of the same or similar products, technology or services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable transactions with the independent third party for the same period when determining whether the price for any service under this agreement is market price.

- (4) Agreed price: to be determined by adding a reasonable profit over a reasonable cost. The management shall consider at least two comparable transactions with the independent third party for the same period when determining the reasonable profit of any service under this agreement.

On the basis of the above, with respect to the pricing policies of the transactions of engineering services, both parties further agreed as follows:

- (1) Prices of the services under this agreement shall be fair and reasonable to both parties and determined according to the principle of market-orientation and based on the nature of the contract. Pricing factors to consider include the operations area, the amount of work, service content, duration of contract, sales strategy, overall customer relationship and subsequent contract opportunities.
- (2) The pricing of a specific service under this agreement shall follow the pricing order as specified above, and be determined on normal commercial terms and conditions through fair negotiation. When there are no sufficient comparable transactions to determine whether the transaction is on normal commercial terms and conditions, the pricing shall be determined on terms and conditions no less favourable than those available to independent third parties.

In particular:

(1) *Government-prescribed price and government-guided price:*

Applicable to engineering consulting (solution research, project proposal, feasibility study and early stage project consulting); project management; project supervision and engineering design.

Types of services	Primary basis for price determination
engineering consulting (solution research, project proposal, feasibility study and early stage project consulting)	Pursuant to the Interim Regulations on Consulting Fees for Early Stage Projects (Ji Jia Ge [1999] No. 1283) (《(建設項目前期工作諮詢收費暫行規定)(計價格[1999]1283號)》) issued by the State Development Planning Commission of the PRC, the government-guided price shall be applicable to engineering consulting fees. Specific fee standard shall be determined after negotiations between the engineering consultants and entrusting party according to the guiding price standards under such regulations.
project management	Pursuant to the Trial Measures for Construction Engineering Projects Management (《建設工程項目管理試行辦法》) issued by the former Ministry of Construction in December 2004, the engineering project management service fees shall be determined by the project owners and the project management companies in the entrusted project management contracts based on, among other things, the scale, scope, content, difficulty and complexity of the entrusted projects and shall be credited to the overall construction expenses.

project supervision

Pursuant to the Regulations on Engineering Construction Supervision (《工程建設監理規定》) issued by the State Development Planning Commission of the PRC and the Ministry of Construction, the calculation method of the supervision fees shall generally be determined by the project owners and the engineering supervisory companies after negotiations.

The calculation methods of the supervision fees mainly include: (i) based on the construction engineering investment percentage; (ii) salaries plus certain percentage of other expenses; (iii) on time basis; and (iv) fixed-prices.

engineering design

Pursuant to the Engineering Investigation and Design Fee Standards (《工程勘察設計收費標準》) issued by the Ministry of Construction, the price shall mainly be determined based on the government-guided price supplemented by the market-guided price, which is the “benchmark fee rate” as adjusted within the prescribed “range of adjustment”. Specific fee rates shall be determined through negotiations. The benchmark fee rate is prescribed in the Engineering Investigation Fee Standards (《工程勘察收費標準》) and the Engineering Design Fee standards (《工程設計收費標準》). The range of adjustment is generally $\pm 20\%$. The market-guided price shall be applicable to the engineering investigations and the engineering design for construction projects with estimated total investment of less than RMB5 million; the government-guided price shall be applicable to the engineering investigations and the engineering design for construction projects with estimated total investment of more than RMB5 million, and an adjustment of 40% is allowed. The range of adjustment is determined by the factors such as service quality, adoption of new technology; materials or equipment, economic efficiency, environmental impact and social benefit, etc. The engineering design service fee is calculated based on the formulas below:

- (1) Engineering design fee = benchmark fee rate x (1 \pm range of adjustment)
- (2) Benchmark fee rate = basic design fee + other design fee
- (3) Basic design fee = engineering design benchmark fee x professional adjustment coefficient x engineering complexity coefficient x supplemental adjustment coefficient.

(2) *Tender and bidding price*

Applicable to geophysical and geochemical drilling and completion, logging, downhole operation, construction, machinery involved in the exploitation, gathering and transportation, ground construction, plumbing, construction, and marine engineering of oil, gas and other mineral resources; project contracting and project construction.

For geophysical and geochemical drilling and completion, logging, downhole operation, construction, machinery involved in the exploitation, gathering and transportation, ground construction, plumbing, construction, and marine engineering of oil, gas and other mineral resources; and other petroleum engineering services: the prices are determined, via public tendering with reference to design budget and entrusted working scope, which are depended on the geological block, well type and depth of well. If no public tendering has been made, prices are determined based on professional fixed unit price of petroleum engineering price list published by Sinopec Group. The fixed unit price of petroleum engineering price list is negotiated and formulated by the Group and Sinopec Group together.

For project contracting and project construction services: the prices are determined via public tendering with reference to the fixed unit price of engineering project budget list and pricing standards set by relevant government department or Sinopec Group. The fixed unit price of engineering project budget list is negotiated and formulated by the Group and Sinopec Group together.

The tender process adopted by the Company is as follows: upon receipt of the bidding invitation letter issued by the tenderee, the relevant subsidiaries of the Company make proactive response based on its conditions (including their teams, equipment and performance). The relevant subsidiary will form a bidding team for the target project that consist of project and technical experts. The bidding team will participate in answering inquiries on projects and make site surveys and risk assessment on projects according to the requirements in the bidding documents. Then, it will, based on the project budget, carry out the project bidding assessment and approval procedures as required by the internal control system of the Company. Each of the project bidding budget and documents will be reviewed and approved by senior management committee of the relevant subsidiary. Upon completion of the internal approval procedures, the bidder will prepare the bidding documents and organize the project bidding work, and submit the bidding documents to the tenderee before the deadline and pay the tender deposit. Thereafter, the relevant bidding team will participate in the bid opening meeting and answer questions raised by the bid evaluation committee. Upon receipt of the bid-winning notice, a contract will be signed with the tenderee according to the Company's contract management requirements and the contractual terms as agreed in the bidding documents to complete the project bidding work.

(3) Market price

Applicable to machinery equipment processing and manufacturing services; labour supply service; testing service and special transportation service.

Types of services	Primary basis for price determination
machinery equipment processing and manufacturing services; and testing service	With reference to the average prices of similar enterprises in neighbouring areas.
labour supply service and special transportation service	In accordance with the average market prices in regions where relevant subsidiaries of the Company are located.

(4) Agreed price

Applicable to procurement services and equipment leasing; technology licensing; technology transfer and engineering technology services.

The agreed price shall be determined by adding a reasonable profit over a reasonable cost. For services with prices determined by agreement, the Group will provide a cost list which is normally based on the actual costs incurred in providing the service by the Group, Sinopec Group will conduct comparison with the comparable average cost of similar enterprises in the neighbouring areas or the internal cost for similar services of Sinopec Group to negotiate and determine the reasonable cost for ascertaining the price of connected transaction. The reasonable profit is usually 6% or less of such reasonable cost. Once the price for the connected transaction is determined, it shall not be changed unilaterally without authorization.

Routine repairing and maintenance projects shall be priced in principle based on operating cost plus taxes plus reasonable profit. The reasonable profit is 6% or less of the operating cost.

4. 2021 Financial Services Framework Agreement

Date:	16 September 2021
Parties:	(a) China Petrochemical Corporation (representing Sinopec Finance and Sinopec Century Bright) (b) SSC (who shall procure its subsidiaries to act in the same manner)
Transactions:	Sinopec Finance and Sinopec Century Bright, subsidiaries of China Petrochemical Corporation, will provide financial services to the Group, such financial services primarily include deposits, loans, deposit, settlement, entrustment loans and other financial services provided by the Financial Services Providers as approved by applicable laws and regulations.

Effectiveness and termination:

2021 Financial Services Framework Agreement is valid for a term of three years commencing on 1 January 2022. The Group will enter into separate contracts with Sinopec Finance and Sinopec Century Bright, which will set out the specific terms and conditions according to the principles provided in 2021 Financial Services Framework Agreement. Before the expiration of 2021 Financial Services Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2021 Financial Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2021 Financial Services Framework Agreement.

Pricing policy:

The pricing of the financial services provided under the agreement shall be determined in accordance with the following pricing policy:

Types of services

Primary basis for price determination

deposits

The interest rate of the deposit services provided by Sinopec Finance shall be determined in accordance with the relevant interest rate as promulgated by the PBOC. For deposit services provided by Financial Services Providers, the interest rates of the relevant deposit will be not lower than those provided by independent third parties for the deposits of the same nature and the same maturity.

loans

The interest rate applicable to the loans provided by Financial Services Providers to the Group is determined based on the Loan Prime Rate (LPR) released by the PBOC on the 20th day of each month, with 10 basis points lowered or not higher than independent commercial banks interest rate for loans of a similar type for the same period (in terms of Sinopec Century Bright).

entrustment loans and deposit

For entrustment loans and deposit services provided by the Financial Services Providers to the Group, the service fees shall not be higher than (i) fees charged by independent commercial banks or financial institutions; and (ii) fees charged to other members of Sinopec Group for similar services. The management of the Financial Services Providers and the Group shall consider at least two comparable transactions with the independent third party for the same period when determining the agreed price for any financial service under the agreement.

settlement services For settlement services provided by the Financial Services Providers to the Group, the service fees shall not be higher than (i) fees charged by independent commercial banks or financial institutions; and (ii) fees charged to other members of Sinopec Group for similar services. The management of the Financial Services Providers and the Group shall consider at least two comparable transactions with the independent third party for the same period when determining the agreed price for any financial service under the agreement.

5. 2021 Technology R&D Framework Agreement

Date: 16 September 2021

Parties: (a) Sinopec Group (who shall procure its subsidiaries and/or associates to act in the same manner)

(b) SSC (who shall procure its subsidiaries to act in the same manner)

Transactions: (a) Provision of technology R&D services by the Group to Sinopec Group

The Group will provide technology development; technology consulting; technology services; technology licensing; application for, maintenance, licensing and transfer of patents, and other technology research and development services to Sinopec Group.

(b) Provision of technology R&D services by Sinopec Group to the Group

Sinopec Group will provide technology development; technology consulting; technology services; technology licensing; application for, maintenance, licensing and transfer of patents, and other technology research and development services to the Group.

Effectiveness and termination: 2021 Technology R&D Framework Agreement is valid for a term of three years commencing on 1 January 2022. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2021 Technology R&D Framework Agreement. Before the expiration of 2021 Technology R&D Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2021 Technology R&D Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2021 Technology R&D Framework Agreement.

Pricing policy:

The pricing of the services provided under the agreement shall be determined in accordance with the principles and order as follows:

- (1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular service, such service shall be provided at the applicable government-prescribed price. Where a government-guided price standard is available, the price will be agreed within the range of the government-guided price.
- (2) Agreed price: to be determined by adding a reasonable profit over a reasonable cost.

In particular:

Government-prescribed price and government-guided price is applicable to patent application and maintenance. State Intellectual Property Office of PRC has published a detailed price list for patent application and maintenance at their official website. (https://www.cnipa.gov.cn/module/download/down.jsp?i_ID=155983&colID=1518)

Agreed price to be determined by adding a reasonable profit over a reasonable cost is applicable to other services under 2021 Technology R&D Framework Agreement. For the services provided by Sinopec Group to the Group, the reasonable profit shall not be higher than 50% of the cost; while with respect to the services provided by the Group to Sinopec Group, this reasonable profit shall not be less than 30% of the cost. The management shall consider at least two comparable transactions with the independent third party for the same period when determining the reasonable profit of any service under the agreement.

6. 2021 Land Use Rights and Property Leasing Framework Agreement

- Date: 16 September 2021
- Parties:
- (a) Sinopec Group (who shall procure its subsidiaries and/or associates to act in the same manner)
 - (b) SSC (who shall procure its subsidiaries to act in the same manner) Transactions
- Transactions:
- (a) The Group will lease land use rights and property from Sinopec Group.
 - (b) Sinopec Group will lease property from the Group.

Effectiveness and termination:

2021 Land Use Rights and Property Leasing Framework Agreement is valid for a term of three years commencing on 1 January 2022. Both parties will enter into separate leases which will set out the specific terms and conditions according to the principles provided in 2021 Land Use Rights and Property Leasing Framework Agreement. Before the expiration of 2021 Land Use Right and Property Lease Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2021 Land Use Rights and Property Leasing Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of the 2021 Land Use Right and Property Lease Framework Agreement.

Pricing policy:

Land Leasing:

the parcels of land leased by Sinopec Group to the Group can be categorized into the following two types

- (i) Authorised land for operation; and
- (ii) Assigned land

The rent payable under the agreement of the authorised land for operation shall be determined considering the size, location and remaining years available for use of the land, by reference to the rent of other leased land between Chines Petrochemical Corporation and the Company in the same/similar area. The rent of leased land for other purposes shall be agreed by both parties through negotiation and by reference to local market rates.

According to 2021 Land Use Rights and Property Leasing Framework Agreement, the rent may be reviewed every three years and any such revised rent shall not be higher than the prevailing market rent as confirmed by an independent valuer.

Regarding authorized land for operation owned by members of the Sinopec Group, land for industrial use is leased to the Group for a term of 50 years and land for commercial use for a term of 40 years. Regarding land over which members of the Sinopec Group have been granted land use rights with consideration, they are leased for a term up to the date of expiry of the respective land use rights certificates.

The Company may request to renew the term of the lease by issuing a written notice to China Petrochemical Corporation at least one month before expiry of the lease. China Petrochemical Corporation shall, upon receipt of the said notice, consent to the request for renewal and shall renew the lease with the Company before its expiry.

Property leasing:

Under 2021 Land Use Rights and Property Leasing Framework Agreement, Sinopec Group have agreed to lease to the Group certain properties. The rent of leased properties shall be agreed by both parties by reference to local market rates (evaluated by the professional evaluation agencies). Properties leased are mainly used for ancillary production facilities and offices premises of the Group. The rent payable is determined based on factors including the floor spaces, locations and the nature and purpose of use of the properties. The rent may be reviewed once a year and any revised 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. For those without any comparable market prices, the rent shall be determined considering depreciation, relevant taxes and reasonable profit, where the reasonable profit shall be 6% of the cost.

Under 2021 Land Use Rights and Property Leasing Framework Agreement, the Group have agreed to lease to Sinopec Group certain properties. The rent of leased properties shall be agreed by both parties by reference to local market rates (evaluated by the professional evaluation agencies). The rent payable is determined based on factors including the floor spaces, locations and the nature and purpose of use of the properties. The rent may be reviewed once a year and any revised rent shall not be higher than the prevailing market rent as confirmed by an independent valuer. Property taxes and other statutory taxes or fees in relation to the properties shall be borne by the Group. For those without any comparable market prices, the rent shall be determined considering depreciation, relevant taxes and reasonable profit, where the reasonable profit shall be 6% of the cost.

7. 2021 Equipment Leasing Framework Agreement

- Date: 16 September 2021
- Parties:
- (a) China Petrochemical Corporation (who shall procure its subsidiaries and/or associates to act in the same manner)
 - (b) SSC (who shall procure its subsidiaries to act in the same manner)
- Transactions: Sinopec Group and the Group agreed to lease the equipment owned by them to each other for the purpose of production and operation:
- (a) The equipments leased by the Group from Sinopec Group consists of:

drilling rigs and their main equipment, imaging loggers, conventional loggers, integrated loggers, gas loggers, wireless drilling and other logging equipment and tools, downhole work rigs, fracturing trucks (skids), continuous tubular work trucks and other special operating equipment, seismic collection, processing equipment, controllable seismic sources, air gun seismic sources and other seismic geophysical equipment, pipe hoists, directional drilling, automatic welding equipment, excavation machinery, pipeline construction machinery and other engineering machinery and equipment, marine transport vessels, marine geological survey vessels, geophysical exploration vessels, other marine engineering equipment and semi-submersible drilling platform (including but not limited to “Exploration IV Drill Rig”), etc.

- (b) The equipment leased to Sinopec Group from the Group consists of:

vehicles, ships and general equipment for machinery construction, power, electricity, etc.

Effectiveness and termination:

2021 Equipment Leasing Framework Agreement is valid for a term of three years commencing on 1 January 2022. Both parties will enter into separate leases which will set out the specific terms and conditions according to the principles provided in 2021 Equipment Leasing Framework Agreement. Before the expiration of 2021 Equipment Leasing Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2021 Equipment Leasing Framework Agreement to ensure the normal running of production operations of the relevant parties after expiration of the term of the 2021 Equipment Leasing Framework Agreement.

Pricing policy:

- (1) The rental paid by the Group for equipment leased from Sinopec Group shall be negotiated on an arm’s length basis between the contracting parties, taking into account the following factors:
- i. The Group will consult with at least two independent third parties by e-mail, fax or telephone to provide quotations and market transaction prices for the same type of leased equipment with reference to local comparable market prices (as determined by the consultation or as appraised by a professional appraisal agency); and
 - ii. If comparable market prices are not available, it will be negotiated on the basis of depreciation of equipment, management fees, relevant taxes (VAT and surcharges) and reasonable profit.

- (2) The rental charged by the Group for equipment leased to Sinopec Group shall be negotiated on an arm's length basis between the contracting parties, taking into account the following factors:
- i. The Group will consult with at least two independent third parties by e-mail, fax or telephone to provide quotations and market transaction prices for the same type of leased equipment with reference to local comparable market prices (as determined by the consultation or as appraised by a professional appraisal agency); and
 - ii. If comparable market prices are not available, it will be negotiated on the basis of depreciation of equipment, management fees, relevant taxes (VAT and surcharges) and reasonable profit.

Rental and payments for specific lease transactions shall be negotiated by the parties or their subsidiaries in a specific lease agreement.

Whereas, the 2021 Equipment Leasing Framework Agreement already includes the lease of the Exploration IV Drill Rig by the Group from China Petrochemical Corporation, the 2021 Equipment Leasing Framework Agreement will replace the Lease Agreement on Exploration IV Drill Rig. On 16 September 2021, Ocean Petroleum Engineering and Shanghai Offshore Petroleum Bureau entered into the Termination Agreement of the Lease Agreement in relation to the "Exploration IV" Drill Rig, pursuant to which, the parties agreed to terminate the Lease Agreement on Exploration IV Drill Rig from 1 January 2022.

8. 2021 Trademark License Agreement

Date: 16 September 2021

Parties: (a) Sinopec Group (who shall procure its subsidiaries and/or associates to act in the same manner)

(b) SSC (who shall procure its subsidiaries to act in the same manner)

Transactions: China Petrochemical Corporation grants a general license on a non-exclusive basis in respect of certain trademarks of Sinopec Group to the Group for its use free of charge. Unless with the prior written consent of China Petrochemical Corporation, the Group may not transfer or license such trademarks to any third parties.

Effectiveness and termination: The 2021 Trademark License Agreement is valid for a term of three years commencing on 1 January 2022. 2021 Trademark License Agreement may be renewed by parties' mutual agreement, subject to the restrictions and regulations of the places where the Company is listed. Before the expiration of 2021 Trademark License Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2021 Trademark License Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2021 Trademark License Agreement.

Pricing policy: The consideration is nil. While trademarks under 2021 Trademark License Agreements are granted to the Company at no cost, during the term of this agreement, the Group shall make payment to the competent governmental authorities in a timely manner for the maintenance of such trademarks.

9. SPI Fund Document

Parties: (a) China Petrochemical Corporation
(b) SSC

Transactions: With the approval of the Ministry of Finance, China Petrochemical Corporation has established the SPI Fund. The SPI Fund currently provides property insurance cover on the operations of the Group. The establishment of the SPI Fund was approved by the State Council and the SPI Fund Document was issued by Ministry of Finance. The SPI Fund Document is continued to be effective unless otherwise indicated by the State Council or Ministry of Finance. Any amendment or execution of supplemental agreement to the SPI Fund Document shall be approved by the Ministry of Finance.

Under the SPI Fund Document, after the receipt by China Petrochemical Corporation of the premium from SSC, China Petrochemical Corporation will refund 20% of the paid premium to SSC if SSC 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 SSC fails to pay the semi-annual premium on time. The Refund shall be used by SSC in dealing with accidents and potential risks and safety measures, in safety education and training, in preventing major accidents and potential risks, and as rewards to units and individuals who have made a special contribution to safety production.

As mentioned above, the establishment of the SPI Fund was approved by the State Council and the SPI Fund Document was issued by Ministry of Finance. The SPI Fund document is continued to be effective unless otherwise indicated by the State Council or Ministry of Finance. Any amendment or execution of supplemental agreement to the SPI Fund Document must be approved by the Ministry of Finance. It is 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.

Pricing policy: Under the SPI Fund Document, SSC 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 Group.

PROCEDURES AND INTERNAL CONTROL SYSTEM FOR PRICING AND TERMS OF CONTINUING CONNECTED TRANSACTIONS

The Company has established a series of procedures and internal control measures 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 as to ensure that they serve the interest of the Company and the Shareholders as a whole. Such procedures and internal control measures mainly include:

- (1) Transactions contemplated under 2021 Connected Transactions Framework Agreements are conducted on a non-exclusive basis.
- (2) As for the procurement and/or provision of products or services with connected person, according to the Company's internal rules and regulations, if there is no applicable government-prescribed price or government-guided price, the procurement departments of the members of the Group will seek to obtain information about market price through various channels, for examples, considering at least two comparable transactions with the independent third party for the same period, keeping regular contacts with and from time to time obtaining price quotations through enquiries from established suppliers of scale (including China Petrochemical Corporation and its related suppliers), conducting market price research through various independent industry information vendors (e.g. industry websites), and participating in activities and meetings organized by industry organizations. Market price information obtained through those channels will also be provided to other companies within the Group to assist in pricing of relevant continuing connected transactions.
- (3) For the continuing connected transactions involving provision of products or services by Sinopec Group to Group, the procurement departments of the members of the Group will request suppliers or service providers, including Sinopec Group and other independent suppliers or service providers, to provide price quotations in respect of the requested services or products. Following the receipt of quotations from Sinopec Group and other independent suppliers or service providers, the procurement department will compare and negotiate the terms of quotations with these suppliers or service providers, and select the service providers by taking into account factors such as price quotations, quality of the products and services, particular needs and technical advantages of the parties to the transactions, needs of the Group's suppliers and customers, ability of the suppliers and service providers in meeting technical specifications and delivery schedules, and qualification and relevant experiences of the suppliers and service providers. The contract will be awarded to the supplier and service provider who offers the best commercial terms and technical terms to the Group upon obtained the approvals from the manager of the procurement department and/or the senior management committee of relevant members of the Group, depending on the size of the transaction.
- (4) The external auditor of the Company will conduct an interim review and year-end audit for each financial year, and will issue its opinion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Hong Kong Listing Rules. In addition, according to the Hong Kong Listing Rules, the Independent Non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company.

- (5) The supervisory committee of the Company are also responsible for, among others, supervising on the continuing connected transactions of the Company and reviewing the fairness of the transactions and whether the pricing of the transactions are fair and reasonable.
- (6) The Company's internal control and risk management departments, the Audit Committee of the Board and the supervisory committee of the Company shall each conduct random internal assessments on the internal control measures and the financial information of the Company, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Furthermore, they convene meetings at least twice a year to discuss and assess the implementation of continuing connected transactions. Meanwhile, the legal and contract management departments shall conduct prudent contract review and appraisal, the departments implementing the relevant contracts shall monitor the transactional amounts in a timely manner and the business departments shall monitor and manage the compliance during the process of business operations.
- (7) The Company has formulated a series of internal rules and regulations on connected transaction management, internal control management handbook and internal control assessment management methods, to ensure that connected transactions are conducted in accordance with the principles and spirits of 2021 Connected Transactions Framework Agreements.

By implementing the above procedures and internal control measures, the Directors are of the view that the Company has established sufficient internal control measures to ensure the pricing basis of 2021 Connected Transactions Framework Agreements will be on market terms and on normal commercial terms and will be fair and reasonable to the Company and the Shareholders as a whole.

HISTORICAL FIGURES AND EXISTING ANNUAL CAPS

The table below summarized the historical transaction data of the continuing connected transactions with Sinopec Group for the two years ended 31 December 2020 and six months ended 30 June 2021, as well as the existing annual caps:

	Historical Figures and Existing Annual Caps (RMB100 million)					
	Annual Caps for 2019	For the year ended 31 December 2019 (audited)	Annual Caps for 2020	For the year ended 31 December 2020 (audited)	Annual Caps for 2021	For the six months ended 30 June 2021 (unaudited)
Continuing Connected Transactions						
1. 2018 Mutual Products Supply Framework Agreement						
(a) Provision of products by Sinopec Group to the Group	113	109.73	125	105.66	126	42.46
(b) Provision of products by the Group to Sinopec Group	4	2.81	4	1.1	4	0.16
2. 2018 General Services Framework Agreement						
(a) Provision of general services by Sinopec Group to the Group	17	5.42	17	7.4	17	3.07
(b) Provision of general services by the Group to Sinopec Group	2	1.39	2	0.96	2	0

		Historical Figures and Existing Annual Caps (RMB100 million)					
		For the		For the		For the six	
		Annual	31 December	Annual	31 December	Annual	months ended
Continuing Connected Transactions		Caps for	2019	Caps for	2020	Caps for	30 June 2021
		2019	(audited)	2020	(audited)	2021	(unaudited)
3.	2018 Engineering and Construction Services Framework Agreement						
	Provision of engineering services by the Group to Sinopec Group	400	398.74	450	432.55	500	220.41
4.	2018 Financial Services Framework Agreement						
(a)	Provision of deposit services by the Financial Services Providers to the Group (maximum daily balance)	30	26.52	30	24.37	30	28.5
(b)	Provision of other financial services (such as payment settlement) by the Financial Services Providers to the Group	0.5	0	0.5	0	0.5	0
5.	2018 Technology R&D Framework Agreement						
(a)	Provision of technology R&D services by the Group to Sinopec Group	4.5	1.91	5	0.79	5.5	0.32
(b)	Provision of technology R&D services by Sinopec Group to the Group	2	0	2	0	2	0.002
6.	2018 Land Use Rights and Property Leasing Framework Agreement						
	Provision of land and properties by Sinopec Group to the Group by way of lease <i>Note 1</i>	5.6	2.06	5.6	2.08	5.6	1
7.	2020 Equipment Leasing Framework Agreement						
(a)	Lease of equipment by the Group from Sinopec Group (including the lease of Exploration IV Drill Rig) (total right-of-use assets)	–	0.44	4.5	2.65	8.5	1.61
(b)	Lease of equipment by the Group to Sinopec Group (rental collected)	–	–	0.3	0	0.3	0.002
8.	SPI Fund Document						
	Premium payments from the Company to China Petrochemical Corporation	1.5	0.81	1.5	0.76	1.5	0.38

As at the date of this announcement, none of the above annual caps has been exceeded.

Note 1

The annual caps and historical amount were calculated based on the annual leasing fee paid in respect of the land and properties lease. In the light of the fact that International Financial Reporting Standard No. 16 “Leases” has become effective on 1 January 2019, for the two years ended 31 December 2020 and the six months ended 30 June 2021, the amount of the total value of right-of-use assets relating to the land and properties leased by the Group from Sinopec Group each year were approximately RMB206 million, RMB208 million and RMB100 million. The right-of-use assets are confirmed based on the land and properties leasing situations of the period of 2019-2021, with the consideration of lease renewal options.

PROPOSED ANNUAL CAPS

The table below lists the proposed annual caps of each type of the Continuing Connected Transactions for the three years ending 31 December 2024:

Continuing Connected Transactions	Proposed annual caps for the years ending 31 December (RMB100 million)		
	2022	2023	2024
1. 2021 Mutual Products Supply Framework Agreement			
(a) Provision of products by Sinopec Group to the Group	122	125	132
(b) Provision of products by the Group to Sinopec Group	4.5	6.0	6.5
2. 2021 General Services Framework Agreement			
(a) Provision of general services by Sinopec Group to the Group	9	10.5	11.5
(b) Provision of general services by the Group to Sinopec Group	2	2	2
3. 2021 Engineering and Construction Services Framework Agreement			
Provision of engineering services by the Group to Sinopec Group	520	540	550
4. 2021 Financial Services Framework Agreement			
(a) Provision of deposit services by the Financial Services Providers to the Group (maximum daily balance)	35	35	35
(b) Provision of other financial services (such as payment settlement) by the Financial Services Providers	0.5	0.5	0.5
5. 2021 Technology R&D Framework Agreement			
(a) Provision of technology R&D services by the Group to Sinopec Group	4	4.5	5
(b) Provision of technology R&D services by Sinopec Group to the Group	2	2	2
6. 2021 Land Use Rights and Property Leasing Framework Agreement			
(a) Provision of land and properties by Sinopec Group to the Group by way of lease (total right-of-use assets)	13	3	3
(b) Provision of properties by the Group to Sinopec Group by way of lease (rental collected) <i>Note 2</i>	0.05	0.05	0.05
7. 2021 Equipment Leasing Framework Agreement			
(a) Lease of equipment by the Group from Sinopec Group (total right-of-use assets)	6	5	5.5
(b) Lease of equipment by the Group to Sinopec Group (rental collected)	0.7	0.7	0.7
8. SPI Fund Document			
Premium payments from the Company to China Petrochemical Corporation	1	1	1

Note 2: the rents collected by the Group from Sinopec Group for the leasing of properties to Sinopec Group was RMB900,000 for the six months ending 30 June 2021.

In the above Continuing Connected Transactions, the Group expects that the annual leasing fee for land use rights and property leasing payable by the Group to Sinopec Group for a period of 2022 to 2024 will be approximately RMB420 million, RMB450 million and RMB450 million, respectively, and the annual leasing fee for equipment leasing payable by the Group to Sinopec Group for a period of 2022 to 2024 will be approximately RMB370 million, RMB400 million and RMB400 million, respectively.

The considerations of the Continuing Connected Transactions payable by the Group will be satisfied by the internal funds of the Group.

BASIS FOR CALCULATING ANNUAL CAPS

Below are the basis for calculating the annual caps for each type of Continuing Connected Transactions (where applicable):

Continuing Connected Transactions	Basis for annual caps
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1. 2021 Mutual Products Supply Framework Agreement	
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- | | |
|---|--|
| (a) Provision of products by Sinopec Group to the Group | The proposed annual caps of the Company for 2022 and 2023 are 3.17% and 0.79% lower than the annual cap for 2021, respectively. The proposed annual cap of the Company for 2024 is 4.76% higher than the annual cap for 2021. In determining the above annual caps, the Company has considered the following: (i) the value of products provided by Sinopec Group during 2019, 2020 and first six months of 2021; (ii) the future growth of the Group's business comparing to the historical transaction value contributes to the additional volume of the products to be supplied by Sinopec Group; (iii) the estimated crude oil prices from 2022 to 2024 will be USD80/barrel, USD85/barrel and USD85/barrel, respectively; and (iv) the possible fluctuation in the price of products to be supplied by Sinopec Group in the next three years, fluctuation in the market price of bulk commodity, upgrade of quality of oil products and other unforeseeable factors. The Company also considered the products to be supplied by Sinopec Group to the Company under Mutual Products Supply Framework Agreement is crucial to the Company's continuous operation; as such, annual caps for the transactions should be flexible to cover various possibilities to the largest extent. Directors are of the view that, the proposed annual caps for 2022 to 2024 represent the transaction volume under an ordinary market condition as estimated by the Company. |
|---|--|

Continuing Connected Transactions

Basis for annual caps

- (b) Provision of products by the Group to Sinopec Group

In determining the above annual caps, the Company has considered the following: (i) the historical figures of products provided by the Group to Sinopec Group during 2019, 2020 and first six months of 2021, and (ii) based on the international oil price forecast for the next three years, the Group expected Sinopec Group to increase its upstream exploration and development capital expenditure and clean energy development capital expenditure, future demand of the products supplied to Sinopec Group will increase accordingly.

2. 2021 General Services Framework Agreement

- (a) Provision of general services by Sinopec Group to the Group

The proposed annual caps for each of 2022 to 2024 of the Company are approximately 47.06%, 38.24% and 32.35% lower than the annual cap of 2021, respectively. In determining the above annual caps, the Company has considered the following: (i) the annual fee to be paid for the training services and conference facilities provided by Sinopec Group which is estimated to be approximately RMB200 million, including estimated training services fee RMB160 million to train about 55,000 employees; and estimated conference service fee RMB40 million upon considered the factors such as conference length, size and locations of the conference rooms, catering and accommodation services; (ii) the annual fee to be paid for the office and factory area properties management and other relevant services or similar auxiliary services provided by Sinopec Group which is estimated to be approximately RMB300 million. Such annual fee is determined based on the audited cost actually incurred by Sinopec Group in providing cultural, educational, training and auxiliary services in 2020; (iii) the annual fee to be paid for the miscellaneous services (including information technology system services, etc.) provided by Sinopec Group, including ERP system maintenance fee; OA office system fee; contract management system fee; archives and website service fee; and IT infrastructure (including servers) maintenance fee, which are based on the market rates charged for those services; (iv) the annual fee regarding to finance, human resources and information technology sharing services at present is approximately RMB100 million, meanwhile, under the plan, Sinopec Group will promote overseas financial, human resources and information technology sharing services, thus expenses in connection with such services will further increase; and (v) the provision by Sinopec Group of such services as publicity and news report to the Group at a cost of approximately RMB100 million.

Continuing Connected Transactions

Basis for annual caps

- (b) Provision of general services by the Group to Sinopec Group

In determining the above annual caps, the Company has considered: the annual fee to be paid for the training services, conference facilities and non-working personnel management service to be provided by the Group.

3. 2021 Engineering and Construction Services Framework Agreement

Provision of engineering services by the Group to Sinopec Group

The proposed annual caps for each of 2022, 2023 to 2024 is approximately 4%, 8% and 10% higher than the annual caps for 2021. In determining the above annual caps, the Company has considered the following: (i) the historical amount of engineering services provided to Sinopec Group for the past three years; (ii) in light of the turnaround in international oil price, Sinopec Group will increase its investment in exploration and development of crude oil, natural gas, shale gas, as well as development of new energy such as geothermal resources. It is expected that the estimated transaction volume of the Group for 2022 to 2024 will increase as compared to the historical transaction volume.

Based on the international oil price forecast for the next three years, the proposed annual caps for 2022 to 2024 is proposed to satisfy the future business growth of the Group. In addition, after taken into consideration of the specific nature and concentration of the oil engineering and construction market in China, Directors are of view that provision of engineering services by the Group to Sinopec Group is necessary in terms of the Company's continuous operation. Flexibility should be built into the proposed annual caps for such transactions and the proposed annual caps represent the transaction volume under an ordinary market conditions as estimated by the Company.

The Directors are of the view that, notwithstanding the substantial size of the Company's proposed annual caps for provision of engineering services by the Group to Sinopec Group for the coming three years under the 2021 Engineering and Construction Services Framework Agreement which represents more than 70% of the Company's revenue for the year ended 31 December 2020, there is no undue concern of reliance by the Group to Sinopec Group. This is mainly because:

Continuing Connected Transactions

Basis for annual caps

- (i) The business relationship between the Group and Sinopec Group is mutual and complimentary.

Sinopec Group is one of the largest petroleum and petrochemical companies in China and one of the world's largest petroleum and natural gas exploration companies. The Group, on the other hand, is one of the leading oilfield services companies with advanced technologies in China. Sinopec Group is the largest client of the Group due to Sinopec Group's market position and the historical relationship between the Sinopec Group and the Group, and the Group is the largest oilfield engineering and technical service provider of Sinopec Group in terms of the historical revenues. The business cooperation between the Group and Sinopec Group is a collective result of the respective market shares and competitive strengths of both groups;

- (ii) The domestic industry landscape is dominated by a limited number of customers and the Group has endeavoured to explore the overseas markets.

China's petroleum and natural gas market is highly concentrated and dominated by a handful of leading energy enterprises and almost each of them has its own oilfield service subsidiaries or segments. As a result, the revenues of oilfield engineering and construction companies in China, such as the Group, are mostly derived from a limited number of customers in the market, and especially from their respective controlling shareholders. Notwithstanding such industry landscape, the Group has established a diversified customer network other than Sinopec Group and set up a strategic plan for global development and endeavors to explore the intensely competitive overseas markets. The Group carries out dozens of oilfield engineering and construction projects in the Middle East, South America, Southeast Asia and Africa, and none of such overseas projects are related to Sinopec Group. In this regard, the Group has a diversified group of major clients and markets;

Continuing Connected Transactions

Basis for annual caps

- (iii) The Group can maintain its revenue level to be generated from independent clients.

Based on the historical transaction value under the 2018 Engineering and Construction Services Framework Agreement, the revenue generated from Sinopec Group represented approximately 57.07% and 63.54% of the operating income of the Company for 2019 and 2020, respectively and 72.4% for the six months ended 30 June 2021. Considering the turnaround in international oil prices, both Sinopec Group and the independent clients are expected to increase their investments in exploration and development of crude oil, natural gas, shale gas, as well as development of new energy such as geothermal resources. Therefore, the Group's revenue with Sinopec Group will increase as compared with the historical figures in 2019 and 2020 when the international oil price remained at low level and the proposed annual caps represent the transaction volume under an ordinary market conditions for the three years ending 31 December 2024 based on the Company's international oil price forecast for the next three years.

The Group's business volumes with the independent third parties are also expected to grow along with the increasing business volumes between the Sinopec Group and the Group considering the Company's international oil price forecast. In this regard, the Group anticipates that the Group's revenues from independent third parties are expected to grow in the coming three years, and the proportions of the revenues to be generated from independent third parties are expected to remain at the similar level or increase to a level comparable to those from Sinopec Group in 2022, 2023 and 2024.

4. 2021 Financial Services Framework Agreement

- (a) Provision of deposit services by the Financial Services Providers to the Group (maximum daily balance) In determining the maximum daily balance of deposits and interest income, the Company has mainly considered: (i) cash and cash equivalent of the Group as 30 June 2021 together with interest income; (ii) part of net cash inflow which will be deposited into Financial Services Providers; and (iii) the accrued interests thereof.

Continuing Connected Transactions

Basis for annual caps

When determining whether funds are placed as deposits with Financial Services Providers, following the principles of maximization of return, cost control and risk control, the Company has taken into account the following factors: (i) the funding plan which specifies its long term and short term funding needs, operational needs and capital expenditure requirements; (ii) its investment needs with reference to the deposits interest rates; and (iii) the amount of cash inflow from business operations.

- (b) Provision of other financial services (such as payment and settlement) by the Financial Services Providers to the Group

In determining the above annual caps for the service fees in relation to settlement and other financial services, the Company has mainly considered: (i) the historical amount of other financial services such as payment and settlement provided by Sinopec Group during 2019, 2020 and the first six months of 2021; (ii) the estimated cash settlement handling fees with reference to our estimated business volume for each of the three years ending 31 December 2024 and the historical ratio of cash settlement amount to handling fees; and (iii) other financial and consulting services to be provided under 2021 Financial Services Framework Agreement.

5. 2021 Technology R&D Framework Agreement

- (a) Provision of technology R&D services by the Group to Sinopec Group

In determining the above annual caps, the Company has considered the following: (i) it is expected that the Group will undertake an average of over 30 technology research and development projects every year from Sinopec Group; (ii) the average contract value of each project is expected to be in line with the historical average value for similar projects of RMB4 million to RMB6 million; (iii) such projects are carried out and revenues in relation thereto are recognized over an average of three years; and (iv) the business volume in certain R&D areas is expected to grow in the future, including geothermal resources, shale gas, coal seam gas and combustible ice, based on the types of projects undertaken and expected to be undertaken by Sinopec Group.

- (b) Provision of technology R&D services by Sinopec Group to the Group

In determining the above annual caps, the Company has considered the following: (i) it is expected that Sinopec Group will undertake an average of no more than 15 technology research and development projects every year from the Group; (ii) the average contract value of each project is expected to be in line with the historical average value for similar projects of RMB1 million to RMB3 million; and (iii) the business volume in certain R&D areas is expected to grow in the future, including Geophysical data processing and interpretation, cementing, and reservoir reconstruction, based on the types of projects undertaken and expected to be undertaken by the Group.

6. 2021 Land Use Rights and Property Leasing Framework Agreement

- (a) Lease of land and properties by Sinopec Group to the Group
- In light of the fact that the International Financial Reporting Standard No. 16 “Leases” has become effective on 1 January 2019 and pursuant to the requirements of the Hong Kong Stock Exchange, the Company changed the basis of determination of the proposed annual cap with reference to the annual value of right-of-use assets relating to land and properties lease. The annual value of the right-of-use assets is mainly based on the recognition of the current value of the minimum lease payment and the measurement of the corresponding lease liability. The proposed annual caps of 2022-2024 for land and properties lease are mainly based on: (i) the total value of right-of-use assets relating to land and properties lease in the period of 2022-2024; (ii) the annual leasing fee to be paid in respect of the land and properties lease in the period of 2022-2024 and relevant situation of the market price of land and properties lease; (iii) potential new properties lease between the Group and Sinopec Group; and (iv) discount rate determined by the Company’s incremental borrowing rates.
- (b) Lease of properties by the Group to Sinopec Group
- In determining the above annual caps, the Group has considered (i) the rents of the properties leased from the Group to Sinopec Group during the first six months ended 30 June 2021, (ii) the possible increases in the rents of properties in the PRC in the future, (iii) potential new properties lease between the Group and Sinopec Group; and (iv) discount rate determined by the Company’s incremental borrowing rates.

7. 2021 Equipment Leasing Framework Agreement

- (a) Lease of equipment by the Group from Sinopec Group
- The Company expects that the proposed annual caps of the total right-of-use assets involved in the equipment leased by the Group from Sinopec Group takes into account the following factors: (i) in accordance with the Group’s bid-winning contracts and newly signed contracts, the type and scale of external equipment leased by the Group in order to meet construction requirements; (ii) the current market price of the relevant equipment; (iii) the Group’s estimates of related transactions, which have been added a certain margin to the estimated amount, leaving room for further growth of such transactions in the future and increasing flexibility.

Continuing Connected Transactions

Basis for annual caps

- (b) Lease of equipment by the Group to Sinopec Group

The Company expects that the proposed annual caps of the rental involved in the lease of equipment by the Group to Sinopec Group takes into account the following factors: (i) the type and scale of the equipment of the Group that is under downtime and idle due to insufficient workload; and (ii) the current rental market price of the equipment.

8. SPI Fund Document

Premium payments from the Company to China Petrochemical Corporation

In determining the above annual caps, the Company has considered the following: (i) the amount of fixed assets as at 30 June 2021, and (ii) the average historical growth of the scale of fixed assets and inventory caused by expansion of the business scale.

REASONS AND BENEFITS FOR CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions

Reasons for Continuing Connected Transactions

1. 2021 Mutual Products Supply Framework Agreement

- (a) Provision of products by Sinopec Group to the Group

(1) Prior to the establishment of SSC, it was Sinopec Group that provided products to the subsidiaries and branches of SSC. After its establishment, SSC is conducting procurement activities through its developing and independent procurement system. Also, in order to ensure the stable supply, SSC needs Sinopec Group to continue to provide products.

(2) As the owner of projects of SSC, Sinopec Group itself or its designated suppliers are required to provide products to SSC.

- (b) Provision of products by the Group to Sinopec Group

Prior to the establishment of SSC, the subsidiaries and branches of SSC provided Sinopec Group with its required products. After the completion of the reorganisation in 2014, the products from the subsidiaries and branches of SSC provided effective support the production and operation of Sinopec Group and Sinopec Group will need the Group to continue to provide its products.

2. 2021 General Services Framework Agreement

- (a) Provision of general services by Sinopec Group to the Group
- Some offices of SSC and its subsidiaries are located in a building in which Sinopec Group has been providing ancillary administrative and logistical services, including conference facilities, property management services and information technology services, to those of its subsidiaries which occupy the building for a number of years. Given the quality, cost efficiency and convenience of using such ancillary services, it will be beneficial to the Group to continue purchasing such services from Sinopec Group. In addition, the Group has been receiving cultural and educational trainings provided by Sinopec Group since the Company's establishment, including foreign language and cultural training courses, international project management courses, occupational skills training courses and management skills training seminars, which SSC believes to be beneficial to the professional development of the Group's staff. Sinopec Group has a massive network of global suppliers and an advanced IT platform, which are of great significance to the Group to find premium vendors and reduce acquisition costs. In addition, the Group will receive professional supportive services in relation to finance, human resources and information technology sharing services from Sinopec Group Sharing Company Limited (石化集團共享服務有限公司), which is expected to further optimize the refined management and improve the operation efficiency of the Group.
- (b) Provision of general services by the Group to Sinopec Group
- The Group will from time to time provide trainings services and management services for non-working staff to certain workers from Sinopec Group which is required for those workers to perform their duties at the relevant entities under Sinopec Group.

3. 2021 Engineering and Construction Services Framework Agreement

Provision of engineering services by the Group to Sinopec Group

SSC was founded with the assets from the oil engineering and technical service segment of Sinopec Group. Prior to its establishment, these assets had been providing Sinopec Group with oil field services and engineering and construction services, such as drilling, oil field technologies, and geophysical prospecting and construction, for its oil and gas exploration, exploitation and production activities. Therefore, the engineering service related connected transactions between SSC and Sinopec Group generally originates from the operating system for the development of the oil industry in China, the history of Sinopec Group and the establishment of the Group through reorganisation. Sinopec Group is promoting its EPC business (including product procurement). As an integrated oil engineering and technical services company, SSC has extensive EPC experience and therefore will provide Sinopec Group with product procurement services. These transactions guarantee the rapid development of Sinopec Group's oil and gas exploration and exploitation business on one hand and provide the Group a stable and long-term oil field technical service market on the other hand. In turn, it benefits the operation and growth of the Group and acts as a solid foundation for the Group to explore new markets and new businesses.

4. 2021 Financial Services Framework Agreement

Deposits services provided by the Financial Services Providers to the Group

- (a) Centralized cash management. It is the Group's policy to centralize its cash management function. As the terms offered by Financial Services Providers are no less favourable than the deposit interest rates published by the PBOC (in the case of Sinopec Finance) or independent commercial banks in Hong Kong (in the case of Sinopec Century Bright) for deposits of a similar type for the same period, the terms of placing deposits with Financial Services Providers are no less favourable to the Group than placing deposits with independent commercial banks. In addition, the centralized deposit of funds with Financial Services Provider will enable the Group to use Financial Services Providers as a primary clearing and settlement platform, provide the Group with access to a centralized cash pool (both onshore and offshore), give it the flexibility to make timely withdrawals from time to time to meet its funding needs and reduce the need for the Group to obtain third party financing, which will in turn help the Group to achieve a lower cost of funding and maximize cost and operational efficiencies.

- (b) Clearing and settlement platform. In its ordinary course of business, as Sinopec Group is the Group's largest client, the Group transacts with Sinopec Group. In line with Sinopec Group's internal group policy, Sinopec Group generally maintain settlement accounts with Financial Services Providers. The centralized maintenance of deposits by the Group with Financial Services Providers will facilitate clearing with other members of Sinopec Group (some of whom are clients the Group), reduce the time required for transit and turnaround of funds and is generally more administratively efficient than settlement through independent banks. It would not be efficient for Sinopec Group and the Group to separately maintain bank accounts with independent banks for clearing and settlement.
- (c) Familiarity with the Group's business. As Financial Services Providers only provide financial services to members of Sinopec Group and the Group, they have over the years acquired extensive knowledge of the industry. In the context of the Group, Financial Services Providers are familiar with its capital structure, business operations, funding needs and cash flow pattern, which enables them to better anticipate the Group's business needs. As a result, Financial Services Providers are well-positioned to provide the Group with specialized and cost efficient services which would not be easy for independent commercial banks to replicate.
- (d) Flexibility. The Group has the sole discretion to deposit and withdraw its deposits with Financial Services Providers from time to time. There is no restriction on its ability to deposit its cash with independent commercial banks in or outside the PRC now or in the future should the Group so wish. Currently, the Group maintains deposits with independent commercial banks in and outside the PRC and expect to continue to do so depending on the contractual and other requirements. The Group chooses to deposit its cash with Financial Services Providers as it helps the Group centralize its treasury management function.

The risks associated with the use of deposit services provided by the Financial Services Providers mainly includes (i) risks commonly faced by the banking industry; and (ii) risks arisen from the fact that Financial Services Providers being the financial institutions controlled by China Petrochemical Corporation. After taking into account various factors as disclosed above, the Directors are of the view that the Company actually face no greater risks commonly faced by the banking industry for the use of deposit services provided by the Financial Services Providers. For the risks arisen from the fact that the Financial Services Providers being the financial institutions controlled by China Petrochemical Corporation (e.g., the possible liquidation of China Petrochemical Corporation or diversion of fund by China Petrochemical Corporation, etc.), the Directors are of the views that such risks are either remote or can be minimized/avoided by internal control system established by the Company. As such, having considered the above, and taking into account the no less favourable interest rates and other commercial benefits to the Group, the Directors consider it in the interests of the Company and its Shareholders as a whole to use those deposit services.

Other financial services provided by the Financial Services Providers to the Group

As Sinopec Group is the largest customer of the Group, using Financial Services Providers as a settlement platform will promote the efficiency of capital management and minimise capital management risks. Moreover, the Financial Services Providers can also provide specialised and low-cost financial services, which helps maximize the cost-effectiveness for the Group.

5. 2021 Technology R&D Framework Agreement

- | | |
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| (a) Provision of technology R&D services by the Group to Sinopec Group | The Group provides technology research and development services to its clients in relation to technologies in the oil engineering industry, which is in line with normal industry practice as the Group has in-depth knowledge of its own clients' needs when providing its oil engineering services to them. Sinopec Group will, as the Group's clients, receive technology R&D services provided by the Group from time to time. |
| (b) Provision of technology R&D services by Sinopec Group to the Group | Sinopec Group provides the Group with technology research and development services to its clients in relation to technologies in the oil engineering industries, which is in line with normal industry practice as Sinopec Group has in-depth knowledge of its customers' needs. The Group (as the customers of Sinopec Group) will receive technology R&D services provided by Sinopec Group from time to time. |

6. 2021 Land Use Rights and Property Leasing Framework Agreement

- | | |
|---|--|
| (a) Lease of land use rights and properties by Sinopec Group to the Group | The Group has been using the relevant properties in recent years mainly as dormitories, offices and factory buildings. Any relocation will cause unnecessary disruption of business operation. |
| (b) Lease of properties by the Group to Sinopec Group | Due to the convenience of their location and for the purpose of revitalization of assets, the Group leased several idle properties to Sinopec Group. |

7. 2021 Equipment Leasing Framework Agreement

In order to effectively deal with the impact of low oil prices on the Group, the Group has coordinated market layout, optimised resource allocation, further controlled and optimised the scale of investment, and strived to maintain a lean and efficient scale of its own equipment to adapt to the changing external market environment and enhance the ability to resist risks. Due to the unbalanced exploration and exploitation workload released by the owners and seasonal factors, there are often structural gaps in their own construction equipment, which is usually adjusted through the external equipment leasing market. However, with the increasing domestic development of deep and ultra-deep oil and gas reservoirs and deep shale gas, the owner's requirements for construction equipment and technology continue to increase, and the original external equipment leasing market cannot fully satisfy the equipment leasing needs of the Group. Sinopec Group owns related equipment manufacturing enterprises, as well as Taiping & Sinopec Financial Leasing Co., Ltd. and Pecinternational Leasing Co., Ltd. that can carry out financial leasing business. The Company and China Petrochemical Corporation have entered into the Equipment Leasing Framework Agreement, which can enable the Group to stably obtain the leasing source of

related equipment and effectively solve the Group's equipment structural gap issues. In the meantime, in addition to adjustments within the Group, for the equipment that is under downtime and idle due to insufficient workload, the active pursuit of external leasing market can effectively vitalise the equipment that is under downtime or idle. Taiping & Sinopec Financial Leasing Co., Ltd. and Pecinternational Leasing Co., Ltd. have extensive experience in the development of external equipment leasing business, and can also quickly find lessees for the Group's related equipment that is under downtime or idle.

8. 2021 Trademark License Agreement

The Group has been using the trademarks of Sinopec Group for a number of years. As such, in order to maintain the consistency of brand image, the Group will continue to use certain trademarks of Sinopec Group.

9. SPI Fund Document

According to the SPI Fund Document, the Company is required to pay insurance premium to the SPI Fund twice a year.

HONG KONG LISTING RULES IMPLICATIONS

China Petrochemical Corporation and its associates holds approximately 70.18% of the Company's issued share capital and is therefore the Company's substantial shareholder. Under Rules 14A.07(1) and 14A.07(4) of the Hong Kong Listing Rules, China Petrochemical Corporation and its associates are connected persons of the Company. Accordingly, the transactions between the Group and Sinopec Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company 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 the Financial Services Providers to the Group will also constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

1. 2021 Mutual Products Supply Framework Agreement

(1) Provision of products by Sinopec Group to the Group

As the relevant applicable percentage ratios exceed 5%, they are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(2) Provision of products by the Group to Sinopec Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

2. 2021 General Services Framework Agreement

(1) Provision of general services by Sinopec Group to the Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

(2) Provision of general services by the Group to Sinopec Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

3. 2021 Engineering and Construction Services Framework Agreement

As the relevant applicable percentage ratios of the provision of engineering services by the Group to Sinopec Group exceed 5%, they are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

4. 2021 Financial Services Framework Agreement

(1) Provision of deposit services by the Financial Services Provider to the Group

As the relevant applicable percentage ratios exceed 5%, they are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Further, such deposit services will also constitute disclosable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules.

(2) Provision of unsecured loan services by the Financial Services Provider to the Group

In accordance with Rule 14A.90 of the Hong Kong Listing Rules, as the unsecured loan services are conducted on normal commercial terms, they are exempt from reporting, announcement and Independent Shareholders' approval requirements.

(3) Provision of other financial services, such as payment and settlement, by the Financial Services Providers to the Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

5. 2021 Technology R&D Framework Agreement

(1) Provision of technology R&D services by the Group to Sinopec Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

(2) Provision of Technology R&D services by Sinopec Group to the Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

6. 2021 Land Use Rights and Property Leasing Framework Agreement

(1) Lease of land use rights and properties by Sinopec Group to the Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

(2) Lease of properties by the Group to Sinopec Group

As the relevant applicable percentage ratios are less than 0.1%, they are exempt from reporting, announcement and Independent Shareholders' approval requirements.

7. 2021 Equipment Leasing Framework Agreement

(1) Lease of equipment by the Group from Sinopec Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

(2) Lease of equipment by the Group to Sinopec Group

As the relevant applicable percentage ratios exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

8. 2021 Trademark License Agreement

As the applicable percentage ratios of licensing relevant trademarks by Sinopec Group to the Group are less than 0.1%, they are exempt from reporting, announcement and Independent Shareholders' approval requirements.

9. SPI Fund Document

As the relevant applicable percentage ratios of the premium payments from the Company to China Petrochemical Corporation for SPI Fund exceed 0.1% but less than 5%, they are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement.

The Company is listed on both the Hong Kong Stock Exchange and the SSE. According to the SSE listing rules, the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions and their annual caps are subject to the approvals of Independent Shareholders as well as relevant information disclosure. Therefore, for the purpose of compliance of both the SSE listing Rules and Hong Kong Listing Rules, the Major Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and their annual caps for the three years ending 31 December 2024 shall be submitted to the EGM for the approvals by the Independent Shareholders.

APPROVAL BY THE BOARD AND INDEPENDENT SHAREHOLDERS

On 16 September 2021, the sixth meeting of the tenth session of the Board was held. The Board considered and approved the 2021 Connected Transactions Framework Agreements, the SPI Fund Document and the proposed relevant annual caps for the three years ending 31 December 2024, and that the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions (including the relevant proposed annual caps) be submitted to the EGM for approval. Mr. Lu Baoping, Mr. Fan Zhonghai and Mr. Zhou Meiyun were deemed having interest in the resolutions in relation to the Continuing Connected Transactions due to their positions in the connected person of the Company and therefore abstained from voting.

The Independent Board Committee will be formed to advise Independent Shareholders on the Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2024. 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.

The Company has appointed Maxa Capital as the Independent Financial Adviser to advise Independent Board Committee and Independent Shareholders on the Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2024.

The Company will seek for the approval from the Independent Shareholders on the Major Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2024 at the EGM. Since China Petrochemical Corporation is the controlling shareholder of the Company, China Petrochemical Corporation and its associates (holding a total of approximately 70.18% equity interest in the Company's issued share capital, including approximately 56.51% shares the Company held by China Petrochemical Corporation, and 13.67% shares held by Sinopec Century Bright Capital Investment Limited, a wholly-owned overseas subsidiary of China Petrochemical Corporation, through HKSCC Nominee Limited) will abstain from voting on the ordinary resolutions in relation to Continuing Connected Transactions at the EGM.

II. THE CONTINUING RELATED TRANSACTIONS WITH PIPECHINA

PipeChina was established on 6 December 2019. On 23 July 2020, China Petroleum & Chemical Corporation and its subsidiaries (“**Sinopec Corp Group**”) entered into the agreement with PipeChina, in relation to subscribe for additional equity issued by PipeChina. Sinopec Corp Group paid the consideration with its equity interests in the relevant oil and gas pipeline companies to subscribe for PipeChina’s registered capital of RMB70 billion upon completion of the PipeChina reorganization, representing 14% of capital contribution of PipeChina. On 30 September 2020, PipeChina held a signing ceremony for the closing of oil and gas pipeline assets and operation handover. PipeChina took over the relevant oil and gas pipeline infrastructure assets (businesses) and employees originally belonging to the three major domestic petroleum companies, and duly emerging the network for operation. Since its establishment, the Company has been providing services such as long-distance oil and gas pipeline construction, natural gas station construction, pipeline operation, maintenance and protection to Sinopec Corp Group. On 30 September 2020, upon PipeChina’s duly emerging the network for operation PipeChina the Company continued to provide those services to PipeChina.

Mr. Ling Yiqun, an exiting director of PipeChina, serves as the deputy general manager of the Company’s Controlling Shareholder China Petrochemical Corporation. Pursuant to the SSE listing rule, PipeChina constitutes the related party of the Company. Based on the needs of the production and operation, the continuing related transactions between the Group and PipeChina include long-distance pipeline construction, natural gas stations construction, pipeline operation, maintenance and protection and relevant technology services. It is expected that the annual cap for the relevant continuing transactions from 1 January 2021 to 31 December 2021 is RMB4 billion. The annual cap above is mainly based on the following considerations: (i) the amount of the transaction between the Group and PipeChina in the first half of 2021 was RMB1.503 billion; (ii) the amount of new contracts between the Group and PipeChina in the first half of 2021 was approximately RMB2.1 billion; and (iii) projects fees are generally settled in the second half of the year under market practices, therefore the revenue in the second half is expected to be higher than that of the first half. The continuing related transactions between the Group and PipeChina do not constitute the connected transactions of the Company under the Hong Kong Listing Rules.

Each of the prices of long-distance pipeline construction, natural gas station construction, pipeline operation, maintenance and protection and relevant technology services is and/or will be determined based on the tender and bidding price. The continuing related transactions between the Group and PipeChina are normal business activities required by the Company’s daily operation, which complies with the principle of openness, fairness and justice and are conducted based on the professional collaboration and complementary advantages of both parties. The related transactions will not affect the Company’s normal production and operation.

Prior to the relevant resolution on the continuing related transactions between the Group and PipeChina submitted to the Board for consideration, independent Directors have recognized and expressed independent opinion on the relevant resolution that the price of the continuing related transactions between the Group and PipeChina is fair and in line with the Company’s commercial benefit, and does not harm the interests of the Company and the Shareholders, especially minority shareholders. On 16 September 2021, the sixth meeting of the tenth session of the Board was held. The Board considered and approved the continuing related transactions between the Group and

PipeChina and the 2021 annual cap, and agreed that the continuing related transactions between the Group and PipeChina and the 2021 annual cap be submitted to the EGM for approval. Mr. Lu Baoping, Mr. Fan Zhonghai and Mr. Zhou Meiyun were deemed having interest in these transactions due to their positions in the related person of the Company and therefore abstained from voting.

IV. GENERAL INFORMATION

SSC is a joint stock limited company incorporated in PRC and a leading provider of oil and gas engineering and technical services in China. It owns engineering equipment and technologies in the fields of geophysics, drilling, logging and mud logging, cementing, special downhole operations, oilfield ground construction and oil and gas pipeline construction, and is able to provide comprehensive engineering and technical services throughout the whole lifecycle of oil/gas fields. In China, SSC has more than 60 years of operation, and has provided oil and gas engineering services in 76 basins over time with operations across 14 provinces.

China Petrochemical Corporation was established in July 1998, and it is a state owned and authorized investment organization. The principal operations of China Petrochemical Corporation include: exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of oil and natural gas; oil refining; wholesale and retail of oil products; production, sales, storage, transportation of petrochemical and other chemical products; industrial investment and investment management; exploration and design, construction and installation of petroleum and petrochemical engineering; repairing and maintenance of petroleum and petrochemical equipment; manufacture of mechanical and electrical equipment; technology and information, research and development, application and consultation services of alternative energy products; import and export business.

PipeChina was established on 6 December 2019 in China with other limited liability. The State-owned Assets Supervision and Administration Commission of the State Council held 100% equities in PipeChina's establishment in July 2020, PipeChina increased capital and shares and its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council. The businesses of PipeChina mainly cover a range of pipeline transportation; warehousing services; equipment import; technology import and export; scientific and technological research; information technology research and application; technology consulting, technology services, technology transfer and promotion.

DEFINITION

“2018 Connected Transactions Framework Agreements”

the 2018 Mutual Products Supply Framework Agreement, 2018 General Services Framework Agreement, 2018 Engineering and Construction Services Framework Agreement, 2018 Financial Services Framework Agreement, 2018 Technology R&D Framework Agreement, 2018 Land Use Rights and Property Leasing Framework Agreement and 2018 Trademark License Agreement entered between SSC and China Petrochemical Corporation on 18 October 2018

“2018 EGM”	the second extraordinary general meeting for 2018 convened on 24 December 2018, on which the 2018 Connected Transactions Framework Agreements (except for the Trademark License Agreement), the SPI Fund Document and the relevant annual caps for the three years ended 31 December 2021 were being considered and approved
“2018 Engineering and Construction Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of engineering services by the Group to Sinopec Group
“2018 Financial Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of certain financial services by the Financial Services Providers to the Group
“2018 General Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of certain general services mutually between the Group and Sinopec Group
“2018 Land Use Rights and Property Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of certain land use rights and property leasing by Sinopec Group to the Group
“2018 Mutual Products Supply Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the supply of certain products mutually between the Group and Sinopec Group
“2018 Technology R&D Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of technology research and development services mutually between the Group and Sinopec Group
“2018 Trademark License Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to China Petrochemical Corporation granting the Group permission to use certain trademarks
“2020 Equipment Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 25 August 2020, in relation to the mutual leasing of equipment between the Group and Sinopec Group

“2021 Connected Transactions Framework Agreements”	the 2021 Mutual Products Supply Framework Agreement, 2021 General Services Framework Agreement, 2021 Engineering and Construction Services Framework Agreement, 2021 Financial Services Framework Agreement, 2021 Technology R&D Framework Agreement, 2021 Land Use Rights and Property Leasing Framework Agreement, 2021 Equipment Leasing Framework Agreement and 2021 Trademark License Agreement
“2021 Engineering and Construction Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of engineering services by the Group to Sinopec Group
“2021 Equipment Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the mutual leasing of equipment between the Group and Sinopec Group
“2021 Financial Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of certain financial services by the Financial Services Providers to the Group
“2021 General Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of certain general services mutually between the Group and Sinopec Group
“2021 Land Use Rights and Property Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to Sinopec Group leasing certain land use rights to the Group and relevant properties leases between the Group and Sinopec Group
“2021 Mutual Products Supply Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the supply of certain products mutually between the Group and Sinopec Group
“2021 Technology R&D Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of technology research and development services mutually between the Group and Sinopec Group

“2021 Trademark License Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to China Petrochemical Corporation granting the Group permission to use certain trademarks
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“China Petrochemical Corporation”	China Petrochemical Corporation (中國石油化工集團有限公司), a wholly state-owned enterprise incorporated in the PRC and the Controlling Shareholder of the Company
“Company” or “SSC”	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company established in the PRC and its A shares are listed on the SSE and its H shares are listed on the Main Board of the Hong Kong Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the 2021 Connected Transactions Framework Agreements and the SPI Fund Document
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	Directors of the Company
“EGM”	the second extraordinary general meeting for 2021 of the Company to be convened on 2 November 2021
“Exploration IV Drill Rig”	the “Exploration IV” drill rig
“Financial Services Providers”	Sinopec Finance and Sinopec Century Bright
“Group”	SSC and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprised of all Independent Non-executive Directors of the Company, formed to advise the Independent Shareholders on Major Continuing Connected Transactions and annual caps for the three years ending 31 December 2024
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, 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), and as the Independent Financial Adviser appointed to advise the Independent Board Committee and Independent Shareholders in relation to the Major Continuing Connected Transactions and the proposed annual caps
“Independent Non-executive Director(s)”	independent non-executive director(s) of the Company
“Independent Shareholder(s)”	Shareholder(s) of the Company other than China Petrochemical Corporation and its associates
“Lease Agreement on Exploration IV Drill Rig”	the agreement entered into by Ocean Petroleum Engineering and Shanghai Offshore Petroleum Bureau on 27 August 2019 in relation to the lease of the Exploration IV Drill Rig
“Major Continuing Connected Transactions”	the continuing connected transactions subject to reporting, announcement and approval of Independent Shareholders under the requirements of Chapter 14A of the Hong Kong Listing Rules, in particular, refers to the Continuing Connected Transactions between the Group and Sinopec Group under items 1(1), 3 and 4(1) of “HONG KONG LISTING RULES IMPLICATIONS” in this announcement
“NDRC”	the National Development and Reform Commission
“Non-Major Continuing Connected Transactions”	Continuing Connected Transactions between the Group and Sinopec Group under items 1(2), 2, 5(1), 6(1) and 7(1) of “HONG KONG LISTING RULES IMPLICATIONS” in this announcement
“Ocean Petroleum Engineering”	Sinopec Ocean Petroleum Engineering Co., Ltd., a wholly-owned subsidiary of the Company
“PBOC”	the People’s Bank of China
“PipeChina”	China Oil&Gas Pipeline Network Corporation, a limited liability company established in the PRC
“PRC”	People’s Republic of China

“RMB”	the lawful currency of the PRC
“SAFE”	The State Administration of Foreign Exchange of the PRC
“SFO”	the Securities and Futures Ordinance
“Shanghai Offshore Petroleum Bureau”	Sinopec Group Shanghai Offshore Petroleum Bureau Co., Ltd. (中國石化集團上海海洋石油局有限公司), a subsidiary of China Petrochemical Corporation
“Shareholder(s)”	shareholder(s) of the Company
“Sinopec Century Bright”	Sinopec Century Bright Capital Investment Limited (中國石化盛駿國際投資有限公司), a company incorporated in Hong Kong with limited liability. It is licensed under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). It is a subsidiary of China Petrochemical Corporation
“Sinopec Finance”	Sinopec Finance Co., Ltd. (中國石化財務有限責任公司), a non-bank financial institute with limited liabilities engaging in bank and financial services under the approval and supervision of PBOC and SAFE. It is a subsidiary of China Petrochemical Corporation
“Sinopec Group”	China Petrochemical Corporation (中國石化集團公司), its subsidiaries and associates (excluding the Group)
“SPI Fund Document”	Safety Production Insurance Fund Document, a document jointly issued in 1997 by the Ministry of Finance of the PRC and the ministerial level enterprise of China Petrochemical Corporation and its associated companies before the industry reorganisation in 1998 (Cai Gong Zi 1997 No. 268) relating to the payment of insurance premium by SSC to the China Petrochemical Corporation. Under the SPI Fund Document, SSC is required to pay twice a year an insurance premium. Each time SSC shall pay a maximum of 0.2% of the historical value of the fixed assets and the average month-end inventory value of the Group of the previous six months; after China Petrochemical Corporation has received the premium from SSC, the China Petrochemical Corporation will refund 20% of the paid premium to SSC if SSC pays the semi-annual premium on time according to the SPI Fund Document (“Refund”). The Refund would be 17% of the paid premium if SSC failed to pay the semi-annual premium on time. The Refund is used by SSC in the following manner: 60% shall be used in dealing with accidents and potential risks and safety measures; 20% shall be used in safety education and training and 20% shall be used in preventing major accidents and potential risks and as awards to units and individuals who have made a contribution to safety production

“SSE”	The Shanghai Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“%”	per cent

By Order of the Board
Shen Zehong
Company Secretary

Beijing, 16 September 2021

As at the date of this announcement, the Board of Directors comprises Mr. Chen Xikun[#], Mr. Yuan Jianqiang[#], Mr. Lu Baoping⁺, Mr. Fan Zhonghai⁺, Mr. Wei Ran⁺, Mr. Zhou Meiyun⁺, Mr. Chen Weidong^{}, Mr. Dong Xiucheng^{*} and Mr. Zheng Weijun^{*}.*

⁺ *Non-Executive Director*

[#] *Executive Director*

^{*} *Independent Non-Executive Director*