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Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

**I. PROPOSED RE-APPOINTMENT OF DOMESTIC AND
INTERNATIONAL AUDITORS AND
INTERNAL CONTROL AUDITOR OF THE COMPANY
FOR THE YEAR 2022**

II. CONTINUING RELATED TRANSACTIONS WITH PIPECHINA

**III. PROPOSED APPOINTMENT OF THE NON-EMPLOYEE
REPRESENTATIVE SUPERVISOR**

**IV. PROVISION OF GUARANTEE FOR WHOLLY-OWNED
SUBSIDIARIES AND JOINT VENTURE
AND**

**V. AUTHORISATION TO THE
BOARD TO REPURCHASE DOMESTIC SHARES AND/OR
OVERSEAS-LISTED FOREIGN SHARES OF THE COMPANY**

The Company proposes to convene the AGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting at Beijing Shengli Hotel, No. 3 Beishatan, Deshengmen Wai, Chaoyang District, Beijing, the PRC on Thursday, 26 May 2022 at 9:00 a.m., 10:00 a.m. and 10:15 a.m. The notices, proxy forms and reply slips in connection with the AGM and the H Shareholders Class Meeting have been dispatched separately on 8 April 2022 to the Shareholders.

Whether or not you are able to attend the AGM and/or the H Shareholders Class Meeting in person, please complete the proxy forms of the Company in accordance with the instructions printed thereon and return them to the business address of the Company or to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event no later than 24 hours before the time for holding the AGM or H Shareholders Class meeting or any adjournment (i.e. before 9:00 a.m. on 25 May 2022, Hong Kong time). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the AGM and/or the H Shareholders Class Meeting or any adjournment thereof (as the case may be) as you wish.

26 April 2022

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DEFINITIONS

In this circular, except where the context otherwise requires, the following expressions shall have the following meanings:

“A Shareholders Class Meeting”	the first A shareholders class meeting for 2022 of the Company to be held at Beijing Shengli Hotel, No. 3 Beishatan, Deshengmen Wai, Chaoyang District, Beijing, the PRC on Thursday, 26 May 2022 at 10:00 a.m. or any adjournment thereof
“AGM”	the annual general meeting for 2021 of the Company to be held at Beijing Shengli Hotel, No. 3 Beishatan, Deshengmen Wai, Chaoyang District, Beijing, the PRC on Thursday, 26 May 2022 at 9:00 a.m. or any adjournment thereof
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Class Meetings”	the A Shareholders Class Meeting and the H Shareholders Class Meeting
“Company”	Sinopec Oilfield Service Corporation (中石油石油工程技术服务有限公司), 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
“CSRC”	the China Securities Regulatory Commission
“DIAVAZ”	DIAVAZ DEP, S.A.P.I. de C.V.
“Director(s)”	Directors of the Company
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the guarantee agreement in relation to JV Performance Guarantee to be entered into by the Company or IPSC, the beneficiary and Mexico DS Company

DEFINITIONS

“H Shareholders Class Meeting”	the first H shareholders class meeting for 2022 of the Company to be held at Beijing Shengli Hotel, No. 3 Beishatan, Deshengmen Wai, Chaoyang District, Beijing, the PRC on Thursday, 26 May 2022 at 10:15 a.m. or any adjournment thereof
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“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 Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Director(s)”	the independent non-executive directors of the Company
“IPSC”	Sinopec International Petroleum Service Corporation, a subsidiary of the Company
“JV Performance Guarantee”	in the event that Mexico DS Company loses its contract performance capability, the joint and several liabilities guarantee of US\$275 million to be provided by the Company whenever Mexico DS Company engages in market development, tenders bidding activities for oilfield services locally and signs a business contract
“Latest Practicable Date”	19 April 2022
“Mandatory Provisions”	the Mandatory Provisions for the Articles of Association of Companies Seeking a Listing outside the PRC
“Mexican National Hydrocarbons Commission” or the “Beneficiary”	COMISIÓN NACIONAL DE HIDROCARBUROS
“Mexico DS Company”	DS Servicios Petroleros, S.A. de C.V. (DS石油服務有限公司)
“PipeChina”	China Oil&Gas Pipeline Network Corporation
“PRC”	People’s Republic of China

DEFINITIONS

“PRC Company Law”	the Company Law of the People’s Republic of China
“Production Sharing Contract”	the Exploration and Development Contract under the Production Sharing Model in relation to the Mexico EBANO Project entered into by the beneficiary, Petróleos Mexicanos and Mexico DS Company
“RMB”	the lawful currency of the PRC
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Shareholder(s)”	shareholder(s) of the Company
“Sinopec Corp Group”	China Petroleum and Chemical Corporation and its subsidiaries
“SSE”	The Shanghai Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisory Committee”	the supervisory committee of the Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD



Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

Directors:

Chen Xikun
Yuan Jianqiang
Lu Baoping
Fan Zhonghai
Wei Ran
Zhou Meiyun

Independent Non-executive Directors:

Chen Weidong
Dong Xiucheng
Zheng Weijun

Registered address:

22 Chaoyangmen North Street
Chaoyang District
Beijing, the PRC

*Principal place of business
in Hong Kong:*

26th Floor Jardine House
1 Connaught Place, Central
Hong Kong

26 April 2022

To the Shareholders

Dear Sir or Madam:

**I. PROPOSED RE-APPOINTMENT OF DOMESTIC AND
INTERNATIONAL AUDITORS AND
INTERNAL CONTROL AUDITOR OF THE COMPANY
FOR THE YEAR 2022**

II. CONTINUING RELATED TRANSACTIONS WITH PIPECHINA

**III. PROPOSED APPOINTMENT OF THE NON-EMPLOYEE
REPRESENTATIVE SUPERVISOR**

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AND

**V. AUTHORISATION TO THE
BOARD TO REPURCHASE DOMESTIC SHARES AND/OR
OVERSEAS-LISTED FOREIGN SHARES OF THE COMPANY**

References are made to the announcements of the Company dated 29 March 2022 in relation to (i) continuing related transactions with PipeChina; (ii) the change of supervisors; and (iii) the provision of guarantee for wholly-owned subsidiaries and joint venture.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, inter alia, further information on (i) the proposed re-appointment of domestic and international auditors and internal control auditor of the Company for the year 2022; (ii) continuing related transactions with PipeChina; (iii) the proposed appointment of the non-employee representative supervisor; (iv) the provision of guarantee for wholly-owned subsidiaries and joint venture; and (v) the authorisation to the Board to repurchase domestic shares and/or overseas-listed foreign shares of the Company, so that you can make informed decisions on whether or not to vote for relevant resolutions to be proposed at the AGM and the H Shareholders Class Meeting.

I. PROPOSED RE-APPOINTMENT OF DOMESTIC AND INTERNATIONAL AUDITORS AND INTERNAL CONTROL AUDITOR OF THE COMPANY FOR THE YEAR 2022

On 29 March 2022, the Board has considered and approved the resolutions on re-appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (“**Shu Lun Pan CPAs**”) and BDO Limited (“**BDO**”) as the Company’s domestic and international auditors for the year of 2022, respectively, and the re-appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company’s internal control auditor for the year of 2022. After negotiation, the Company proposes to pay RMB7.2 million and RMB1.3 million to Shu Lun Pan CPAs and BDO for the audit of financial statements and internal control for the year 2022, which are the same as the remuneration in 2021. The Board hereby requests shareholders to approve the aforesaid matters at the AGM and authorize the Board to adjust the remuneration of domestic and international auditors and internal control auditor in 2022 in accordance with industry standards and the actual situation, and in accordance with the fair and reasonable pricing principles in the market, if necessary.

II. 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.

LETTER FROM THE BOARD

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 Shanghai Listing Rules, 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 2022 to 31 December 2022 is RMB4 billion. The annual cap above is mainly based on the following considerations: (i) the actual amount of the Continuing Related Transaction between the Company and PipeChina in 2021 was RMB3.135 billion; (ii) it is expected that the amount of new contracts in respect of the continuing related transactions between the Company and PipeChina in 2022 will be approximately RMB3 billion; and (iii) the Company has increased the expected amount of contracts by a certain degree of buffer to allow room for further growth and flexibility in the future. 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 related transactions are based on the ordinary and usual course of business, 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 29 March 2022, the eighth meeting of the tenth session of the Board was held. The Board considered and approved the continuing related transactions between the Company and PipeChina and the 2022 annual cap, and agreed that the continuing related transactions between the Group and PipeChina and the 2022 annual cap would be submitted to the AGM 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.

LETTER FROM THE BOARD

III. PROPOSED APPOINTMENT OF THE NON-EMPLOYEE REPRESENTATIVE SUPERVISOR

In accordance with the PRC Company Law and the Articles of Association, the Company convened the eighth meeting of the tenth session of the Board on 29 March 2022 and resolved to nominate Mr. Wang Jun (“**Mr. Wang**”) as a candidate for the non-employee representative supervisor of the tenth session of the Supervisory Committee, for a term commencing from the date when the AGM approves the election to the date when the term of the tenth session of the Supervisory Committee expires (expecting to be February 2024). The proposed resolution is subject to approval from shareholders of the Company in the AGM.

Details of the above candidate for the non-employee representative supervisor of the tenth session of the Supervisory Committee are set out in Appendix I to this circular in accordance with the relevant requirements of the Hong Kong Listing Rules.

IV. PROVISION OF GUARANTEE FOR WHOLLY-OWNED SUBSIDIARIES AND JOINT VENTURE

(I). Overview of Guarantee

1. *Basic Information*

On 27 April 2021, the Board of the Company has considered and approved the resolution on the provision of guarantee for wholly-owned subsidiaries of the Company and such resolution was also approved by the 2020 annual general meeting of the Company convened on 18 June 2021. The valid period of the guarantee commenced from the date of approval by the shareholders at the 2020 annual general meeting until the conclusion of the 2021 annual general meeting of the Company.

In order to satisfy the needs of international market expansion and day-to-day operation, the Company expects that after the conclusion of the 2021 annual general meeting, the Company needs to continue to provide guarantee for wholly-owned subsidiaries of the Company. Meanwhile, in order to satisfy the needs of Mexico EBANO Project, the Company needs to provide performance guarantee for its joint venture, Mexico DS Company. Therefore, the Board considered and approved the resolution on the provision of guarantee for wholly-owned subsidiaries and joint venture on 29 March 2022, including:

1. Credit guarantee for wholly-owned subsidiaries: The Company has agreed that its wholly-owned subsidiaries (and their subsidiaries) may use part of the credit facilities of the Company to issue bank acceptance, letter of bank guarantee and letter of credit to external parties for use in day-to-day business operation, such as tender bidding, contract performance and payments, and the Company will undertake the corresponding joint and several guarantee liabilities. The maximum amount of joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed the equivalent value of RMB18 billion (Renminbi Eighteen Billion Yuan), and the specific amount of guarantee will be allocated by the Company according to the operation needs of each subsidiary (and their subsidiaries).

LETTER FROM THE BOARD

2. Performance guarantee for wholly-owned subsidiaries: The Company has agreed that whenever its wholly-owned subsidiary engages in market development and tenders bidding activities for oilfield services locally and signs a business contract, the Company will provide performance guarantee to ensure that when the wholly-owned subsidiary loses its contract performance capability, the Company will perform the contract on its behalf. The maximum amount of joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed the equivalent value of RMB22 billion (Renminbi Twenty Two Billion Yuan), and the specific amount of guarantee will be allocated by the Company according to the operation needs of each subsidiary.
3. JV Performance Guarantee: The Company has agreed that whenever the joint venture, Mexico DS Company, engages in market development and tenders bidding activities for oilfield services locally and signs a business contract, the Company will provide performance guarantee to ensure that in the event Mexico DS Company loses its contract performance capability, the Company will perform the contract on its behalf. The maximum amount of joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed US\$275 million.

The Board now proposes to the AGM to authorise the Board in turn authorising the management to handle the filing procedures in relation to the guarantees, including but not limited to the signing of relevant guarantee agreements, in accordance with relevant regulatory regulations and internal control system of the Company, within the scope of the guarantee amount and guaranteed entities as approved by the AGM.

Guarantee period: from the date of approval by the shareholders at the AGM until the conclusion of the 2022 annual general meeting of the Company.

2. Internal Decision Procedure

According to the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, since the maximum amount of the guarantee is approximately RMB41.8 billion (including the maximum amount of JV Performance Guarantee of US\$275 million, approximately RMB1.8 billion calculated based on the current exchange rate), which has exceeded 30% of the audited total assets of the Company for the latest reporting period (i.e. RMB64.052 billion), and has exceeded 50% of the audited net assets of the Company for the latest reporting period (i.e. RMB6.862 billion), and the gearing ratio of some guaranteed wholly-owned subsidiaries have exceeded 70%, therefore the guarantee shall be submitted to the AGM for approval after consideration and approval by the Board. If the approval is granted by the shareholders, the valid period of the guarantee will commence on the date of approval by the shareholders at the AGM until the conclusion of the 2022 annual general meeting of the Company.

LETTER FROM THE BOARD

Pursuant to the Hong Kong Listing Rules, the provision of performance guarantee by the Company in favour of the Mexico DS Company, a joint venture of the Company, constitutes a transaction under Chapter 14 of the Hong Kong Listing Rules. Based on (i) the maximum amount of the performance guarantee for the joint venture and (ii) the applicable financial data of the Company as at the date of this announcement, one or more of the applicable percentage ratios in respect of such performance guarantee exceed 5% but all fall below 25%. Therefore, the guarantee agreement and the transaction contemplated thereunder will potentially constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules. Since the joint venture guarantee agreement has not yet been executed, the Company will fulfill other requirements in addition to the requirements for discloseable transactions under Chapter 14 of the Hong Kong Listing Rules upon signing of the guarantee agreement (if applicable).

(II). Basic Information of the Guaranteed Entities

The guaranteed entities are wholly-owned subsidiaries of the Company and the joint venture, Mexico DS Company. Please see below for basic information of the guaranteed entities:

Wholly-owned Subsidiaries

Guaranteed Entities	Place of Incorporation	Scope of Business	Unit: 100 million Currency: RMB 31 December 2021			
			Company's shareholding percentage	Total Asset	Total Liabilities	Asset to Liabilities Ratio
Sinopec Oilfield Service Company Limited	Beijing City	Petroleum engineering technical service	100%	640.52	571.91	89.29%
Sinopec Shengli Oil Engineering Company Limited	Dongying City, Shandong Province	Petroleum engineering technical service	100%	107.59	107.49	99.91%
Sinopec Zhongyuan Oil Engineering Company Limited	Puyang City, Henan Province	Petroleum engineering technical service	100%	116.88	114.25	97.75%
Sinopec Jiangnan Oil Engineering Company Limited	Qianjiang City, Hubei Province	Petroleum engineering technical service	100%	38.94	27.12	69.65%
Sinopec East China Oil Engineering Company Limited	Nanjing, Jiangsu Province	Petroleum engineering technical service	100%	42.92	37.46	87.28%

LETTER FROM THE BOARD

Unit: 100 million Currency: RMB

31 December 2021

Guaranteed Entities	Place of Incorporation	Scope of Business	Company's shareholding percentage	Total Asset	Total Liabilities	Asset to Liabilities Ratio
Sinopec North China Oil Engineering Company Limited	Zhengzhou City, Henan Province	Petroleum engineering technical service	100%	45.04	26.25	58.28%
Sinopec Southwest Oil Engineering Company Limited	Chengdu, Sichuan Province	Petroleum engineering technical service	100%	63.54	29.79	46.88%
Sinopec Oil Engineering Geophysical Company Limited	Beijing City	Geophysical Exploration	100%	36.39	33.55	92.19%
Sinopec Oil Engineering and Construction Corporation	Beijing City	Engineering and Construction	100%	202.41	198.67	98.15%
Sinopec Shanghai Offshore Oil Engineering Company Limited	Shanghai City	Offshore oil engineering technical service	100%	47.28	10.32	21.82%
Sinopec International Petroleum Service Corporation	Beijing City	Petroleum engineering technical service	100%	25.79	15.36	59.56%
Sinopec Jingwei Co., Ltd.	Qingdao City, Shandong Province	Petroleum engineering technical service	100%	34.23	26.92	78.66%

Joint Venture

Unit: 100 million Currency: RMB

31 December 2021

Guaranteed Entities	Place of Incorporation	Scope of Business	Company's shareholding percentage	Total Asset	Total Liabilities	Asset to Liabilities Ratio
Mexico DS Company	Mexico	Oil and gas exploration and development	50%	25.19	17.14	68.04%

LETTER FROM THE BOARD

(III). Guarantee Agreement

1. *Credit guarantee for wholly-owned subsidiaries (and their subsidiaries)*

Method of Guarantee: guarantee with joint and several liabilities.

Type of Guarantee: provision of guarantee to wholly-owned subsidiaries (and their subsidiaries) of the Company which will use part of the credit facilities of the Company to issue bank acceptance, letter of bank guarantee and letter of credit to external parties for use in day-to-day business operation, such as tender bidding, contract performance and payments.

Guarantee Period: commence from the date of approval by the shareholders at the AGM until the conclusion of the 2022 annual general meeting.

Guarantee Amount: the maximum amount of joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed the equivalent value of RMB18 billion.

2. *Performance guarantee for wholly-owned subsidiaries:*

Method of Guarantee: guarantee with joint and several liabilities.

Type of Guarantee: provision of performance guarantee to wholly-owned subsidiaries of the Company when they engage in market development and tender bidding activities for oilfield services locally and sign business contracts to ensure that when the Subsidiaries lose contract performance capabilities, the Company will perform the contracts on their behalf.

Guarantee Period: commence from the date of approval by the shareholders at the AGM until the conclusion of the 2022 annual general meeting.

Guarantee Amount: the maximum amount of joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed the equivalent value of RMB22 billion.

3. *JV Performance Guarantee*

According to the provisions of the Production Sharing Contract for Mexico EBANO Project, Mexico DS Company needs to submit the parent company's performance guarantee to the owner, namely Mexican National Hydrocarbons Commission. As shareholders of Mexico DS Company, DIAVAZ and IPSC agreed that both parties will provide the parent company's performance guarantee on an annual basis for the EBANO project executed by Mexico DS Company.

LETTER FROM THE BOARD

According to the Production Sharing Contract signed by the Beneficiary with Petróleos Mexicanos and Mexico DS Company, the Company agreed to provide performance guarantee for Mexico DS Company whenever it engages in market development, tender bidding activities for oilfield service locally and signs a business contract, to ensure that when it loses contract performance capabilities, the Company will perform the contracts on its behalf. Accordingly, the Company will then enter into the Guarantee Agreement under which the Mexican National Hydrocarbons Commission shall be the Beneficiary.

Major contents of JV Performance Guarantee are as follows:

- Parties: (1) The Company or IPSC (as guarantor; the guarantor's net assets as stated in the latest audited financial statements shall not be less than US\$275 million)
- (2) Mexican National Hydrocarbons Commission (as Beneficiary)

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, the Mexican National Hydrocarbons Commission and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Method of Guarantee: guarantee with joint and several liabilities.

Guarantee Period: The authorisation for the JV Performance Guarantee shall become effective from the date of approval by the shareholders at the AGM until the conclusion of the 2022 annual general meeting. Effective period of the JV Performance Guarantee shall commence from the date of signing the Guarantee Agreement until the termination of the Production Sharing Contract (the maximum term of the Production Sharing Contract is 40 years), IPSC and DIAVAZ provide performance guarantee for Mexico DS Company on an annual basis alternately. Regarding the amount of JV Performance Guarantee that the Company may provide each year, the Company will perform the required procedures such as announcement or shareholders' general meeting approval (if applicable).

Guarantee Amount: The maximum amount of joint and several guarantee liabilities undertaken by the Company during the guarantee period shall not exceed US\$275 million. According to the agreement between IPSC and DIAVAZ, the shareholder who has not provided guarantee shall issue a unilateral guarantee letter for 50% of the guarantee amount for the shareholder who provides guarantee.

LETTER FROM THE BOARD

Reasons for and Benefits of the Provision of JV Performance Guarantee

Mexico DS Company is a joint venture established by IPSC and DIAVAZ. It is mainly engaged in the businesses of oil and gas exploration and development, and is responsible for the development, production and maintenance of the EBANO oilfield in Mexico. The Company provides the JV Performance Guarantee for Mexico DS Company to meet the project needs of the EBANO oilfield development, production and maintenance, which will facilitate the development of the project and promote the development of the Company's business in Mexico, thereby further expanding the scale of the Company's international market.

The Board is of the view that the terms of JV Performance Guarantee and the transactions contemplated thereunder are entered into on normal commercial terms, are fair and reasonable, and are in the interest of the Company and its shareholders as a whole.

(IV). Opinions of the Board

After consideration, the Board unanimously approved the resolution on the provision of guarantee for the wholly-owned subsidiaries and the joint venture of the Company and is of the view that the guarantee can facilitate the development of the Company's business, especially overseas business. Besides, the Company can effectively control and prevent relevant risks. The Company provides the JV Performance Guarantee for Mexico DS Company to meet the needs of projects of the EBANO oilfield development, production and maintenance, which will facilitate the development of the project and promote the development of the Company's business in Mexico, thereby further expanding the scale of the Company's international market. The decision of the Board complies with the procedures stipulated in the relevant regulations and the Articles of Association.

(V). Total Amount of External Guarantee and Amount of Overdue Guarantee

The maximum amount of this guarantee and the balance of guarantees actually provided for it: 1) Credit guarantee. The maximum amount of joint and several guarantee liabilities for the Company's wholly-owned subsidiaries within the guarantee period shall not exceed the equivalent of RMB18 billion. As of 31 December 2021, the balance of guarantees actually provided was RMB8.026 billion; 2) Performance guarantees. The maximum amount of joint and several guarantee liabilities for the Company's wholly-owned subsidiaries within the guarantee period shall not exceed the equivalent of RMB22 billion. As of 31 December 2021, the balance of guarantees actually provided was approximately RMB9.755 billion; 3) JV Performance Guarantee. The maximum amount of joint and several guarantee liabilities undertaken by the Company for the joint venture during the guarantee period shall not exceed US\$275 million. Due to the COVID-19, the owner of the joint venture did not request the joint venture to submit the parent company's performance guarantee. As of 31 December 2021, the balance of guarantees actually provided was nil. As at 31 March 2022, the total amount of external guarantee provided by the Company and its controlled subsidiaries is approximately RMB18.35 billion. The Company has no overdue external guarantee.

LETTER FROM THE BOARD

V. AUTHORISATION TO THE BOARD TO REPURCHASE DOMESTIC SHARES AND/OR OVERSEAS-LISTED FOREIGN SHARES OF THE COMPANY

(1) A Share Buy-back Mandate

The PRC Company Law, which has been incorporated into the Articles of Association, provides that a joint stock limited company incorporated in the PRC may not buy back its shares unless such buy back is effected for the purpose of (a) reducing its registered share capital; (b) in connection with a merger between itself and another entity that holds its shares; (c) granting shares as reward to the staff of the company; (d) the buy back is made at the request of its shareholders who disagrees with shareholders' resolutions in connection with a merger or division; (e) utilising the shares for conversion of corporate bonds which are convertible into shares issued by the Company; or (f) where it is necessary for safeguarding the value of the Company and the interests of its shareholders.

PRC laws and regulations and the Shanghai Listing Rules permit shareholders of a PRC joint stock limited company to grant a general mandate to the Directors to buy back the A shares of such company that are listed on the Shanghai Stock Exchange. Such mandate is required to be given by way of a special resolution passed by shareholders in general meeting and special resolutions passed by holders of domestic shares and overseas listed foreign shares in separate class meetings.

The Company would like to draw the Shareholders' attention to the fact that, even if the A Share Buy-back Mandate is approved at the AGM, the A Shareholders Class Meeting and H Shareholders Class Meeting, in the case of buy back of A Shares to be canceled to reduce the registered capital, the Company will still be required, under applicable PRC laws and regulations and the Shanghai Listing Rules, to seek additional, specific and prior approval from its Shareholders in general meeting by way of special resolution(s) for each buy back of A Shares and to provide further information and details of such buy back of A Shares in accordance with the requirements under applicable PRC laws and regulations and the Shanghai Listing Rules. The Company will at all times comply fully with all applicable PRC laws and regulations and the Shanghai Listing Rules and will seek additional, specific and prior approval from its Shareholders in general meeting by way of special resolution(s) for each buy back of A Shares (if applicable).

LETTER FROM THE BOARD

(2) H Share Buy-back Mandate

The PRC Company Law, which has been incorporated into the Articles of Association, provides that a joint stock limited company incorporated in the PRC may not buy back its shares unless such buy back is effected for the purpose of (a) reducing its registered share capital; (b) in connection with a merger between itself and another entity that holds its shares; (c) granting shares as reward to the staff of the company; (d) the buy back is made at the request of its shareholders who disagrees with shareholders' resolutions in connection with a merger or division; (e) utilising the shares for conversion of corporate bonds which are convertible into shares issued by the Company; or (f) where it is necessary for safeguarding the value of the Company and the interests of its shareholders.

PRC laws and regulations and the Hong Kong Listing Rules permit shareholders of a PRC joint stock limited company to grant a general mandate to the Directors to buy back H shares of such company that are listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of a special resolution passed by shareholders in general meeting and special resolutions passed by holders of domestic shares and overseas listed foreign shares in separate class meetings. Besides, the Company shall also carry out filings with the CSRC, if applicable, after the Company has bought back its Shares.

(3) General

Pursuant to the relevant regulatory requirements, it is proposed to the shareholders at the AGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting that a general mandate to buy back domestic shares (A shares) and overseas-listed foreign invested shares (H shares) (the **"Buy-Back Mandate"**) be granted to the Board of Directors so as to:

- (a) buy back, by reference to market conditions and in accordance with needs of the Company, domestic shares (A shares) not exceeding 10% of the total number of domestic shares (A shares) in issue at the time when this resolution is passed at the AGM and the relevant resolutions are passed at the Class Meetings, and use such shares for, including but not limited to, employee stock ownership plan or equity incentives, conversion of the corporate bonds issued by the Company that can be converted into shares, or maintenance of the value of the Company and the interests of its shareholders as necessary. Pursuant to PRC laws and regulations, in the case of buy back of A shares to be cancelled to reduce the registered capital, the Board of the Company will seek further approval from its shareholders in general meeting for each buy back of domestic shares (A shares) even where the general mandate is granted, but will not be required to seek shareholders' approval at class meetings of domestic share (A share) shareholders or overseas-listed foreign invested share (H share) shareholders.

LETTER FROM THE BOARD

- (b) buy back, by reference to market conditions and in accordance with needs of the Company, overseas-listed foreign invested shares (H shares) not exceeding 10% of the total number of overseas-listed foreign invested shares (H shares) in issue at the time when this resolution is passed at the AGM and the relevant resolutions are passed at the Class Meetings.
- (c) and, including but not limited to the following:
 - (i) develop and implement specific buy-back plans, including but not limited to determining the timing, duration, price and quantity of such repurchases;
 - (ii) notify creditors and issue announcements;
 - (iii) open domestic and overseas share accounts and carry out related change of foreign exchange registration procedures;
 - (iv) carry out relevant approval procedures and filings with the CSRC following the repurchases, if applicable; and
 - (v) carry out the transfer or cancelation procedures for buy back shares based on the actual circumstances, make corresponding amendments to the Articles of Association relating to share capital and shareholdings etc, carry out modification registrations, and to deal with any other documents and matters related to share buy back (if involved).

The above Buy-back Mandate will expire on the earlier of (“**Relevant Period**”):

- (i) the conclusion of the 2022 annual general meeting of the Company;
- (ii) the expiration of a period of twelve months from the date of passing this special resolution at the AGM, A Shareholders Class Meeting and the H Shareholders Class Meeting; or
- (iii) the revocation or variation of the authority conferred by this resolution by a special resolution of shareholders at a general meeting, or at a class meeting of domestic share (A share) shareholders or overseas-listed foreign invested share (H share) shareholders.

Except where the board of Board has resolved to buy back domestic shares (A shares) or overseas-listed foreign invested shares (H shares) during the Relevant Period and the share buy-back is to be continued or implemented after the Relevant Period.

LETTER FROM THE BOARD

In accordance with the requirements of the Articles of Association applicable to capital reduction, the Company will have to notify its creditors of the passing of the resolution for the reduction of the registered capital of the Company within 10 days commencing from the day of such resolution being passed and also by way of the publication on a newspaper designated by the relevant regulatory authority in the place where the Company's shares are listed within 30 days commencing from the day of the resolution. Creditors then have a period of up to 30 days after receiving the Company's notice or if no such notice has been received, up to 45 days after the publication of the press announcement to require the Company to repay amounts due to them or to provide guarantees in respect of such amounts.

An explanatory statement giving certain information regarding the H Share Buy-back Mandate is set out in Appendix II to this circular.

VI. AGM AND THE H SHAREHOLDERS CLASS MEETING

The Company proposes to convene the AGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting at Beijing Shengli Hotel, No. 3 Beishatan, Deshengmen Wai, Chaoyang District, Beijing, the PRC on Thursday, 26 May 2022 at 9:00 a.m., 10:00 a.m. and 10:15 a.m. The notices, proxy forms and reply slips in connection with the AGM and the H Shareholders Class Meeting have been dispatched separately on 8 April 2022 to the Shareholders.

Whether or not you are able to attend the AGM and/or the H Shareholders Class Meeting in person, please complete the proxy forms of the Company in accordance with the instructions printed thereon and return them to the office address of the Company or to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event no later than 24 hours before the time for holding the AGM or H Shareholders Class Meeting or any adjournment (i.e. before 9:00 a.m. on 25 May 2022, Hong Kong time). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the AGM and/or the H Shareholders Class Meeting or any adjournment thereof (as the case may be) as you wish.

Votes on the resolutions to be proposed at the AGM and the H Shareholders Class Meeting shall be taken by way of poll. The Company is required to notify Shareholders of any material changes to information contained in this circular as soon as possible subsequent to its despatch and prior to the AGM and the H Shareholders Class Meeting.

VII. RECOMMENDATION

The Board is of the view that all resolutions to be proposed at the AGM and the H Shareholders Class Meeting are in the interests of the Company and its shareholders as a whole. Accordingly, the Directors advise the Shareholders to vote in favor of all resolutions proposed at the AGM and the H Shareholders Class Meeting.

Details of the candidate for the non-employee representative supervisor of the tenth session of the Supervisory Committee are set out below:

Wang Jun, aged 54, currently Deputy Secretary of the Communist Party Committee, Secretary of the Commission for Discipline Inspection and Chairman of the Labour Union of the Company. Mr. Wang is a professor-level senior engineer with a master degree. In May 2007, he was appointed as the Secretary of Communist Party Committee of Bohai Drilling Company of Shengli Petroleum Administration Bureau of China Petrochemical Corporation. In April 2015, he was appointed as the Deputy Secretary of Committee for Discipline Inspection and director of Inspection Department of Shengli Petroleum Administration Bureau of China Petrochemical Corporation. In August 2017, he was appointed as the Deputy Secretary of Communist Party Committee, Secretary of Committee for Discipline Inspection, Chairman of Labour Union and Supervisor of Sinopec Shengli Oil Engineering Limited Company. Since January 2022, he has been appointed as the Deputy Secretary of the Communist Party Committee, Secretary of the Commission for Discipline Inspection and Chairman of the Labour Union of the Company.

Other than disclosed above, Mr. Wang did not hold any positions in the Company or any of its subsidiaries, nor did he hold any other directorship of other listed companies in the past three years. Mr. Wang does not have any relationship with any other directors, supervisors, senior management or substantial shareholders or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Wang holds approximately 57,251 A shares of the Company through Qi Xin Gong Ying Scheme of the Company. Other than disclosed above, Mr. Wang holds no other interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance and has not received any regulatory sanction imposed by the China Securities Regulatory Commission or any other government authority.

Mr. Wang will enter into a service contract with the Company. The remuneration of Mr. Wang will be determined according to relevant state regulations and Measures for Implementation of Remuneration Packages for Senior Management of the Company. Pursuant to such Measures for Implementation of Remuneration Packages for Senior Management of the Company, the specific amount of remuneration will consist of base salary, performance bonus and mid-term and long-term incentive, with specific reference to the functions and responsibilities of the respective employee and also the performance of the Company as a whole.

Other than disclosed above, there are no other matters in relation to the nomination of Mr. Wang as a candidate for non-employee representative supervisor of the Company which would require disclosure under rule 13.51(2)(h) to 13.51(2)(v) of the Hong Kong Listing Rules or matters should be disclosed to the shareholders of the Company.

In accordance with the Hong Kong Listing Rules, this appendix serves as the explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the special resolution(s) to be proposed at the AGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting for the grant of the H Share Buy-back Mandate to the Directors.

H SHARE BUY BACK MANDATE

Reasons for Buying back H Shares

The Directors believe that the flexibility afforded by the H Share Buy-back Mandate would be beneficial to and in the best interest of the Company and its Shareholders. Such buy backs may, depending on market conditions and funding arrangements at such time, lead to an enhancement of the net asset value per share and/or earnings per share of the Company. Such buy backs will only be made when the Directors believe that such buy backs will benefit the Company and its Shareholders.

Registered Capital

As at the Latest Practicable Date, the registered capital of the Company was RMB18,984,340,033 comprising 5,414,961,482 H Shares of RMB1.00 each and 13,569,378,551 A Shares of RMB1.00 each.

Exercise of the H Share Buy-back Mandate

Subject to the passing of the relevant special resolution(s) set out in the notice of AGM, the special resolution(s) approving the grant to the Board of the H Share Buy-back Mandate at the A Shareholders Class Meeting and H Shareholders Class Meeting respectively, the Board will be granted the H Share Buy-back Mandate until the earlier of: (a) the conclusion of the 2022 annual general meeting of the Company; (b) the expiration of a period of twelve months from the date of passing this special resolution at the AGM, A Shareholders Class Meeting and the H Shareholders Class Meeting; or (c) the revocation or variation of the authority conferred by this resolution by a special resolution of shareholders at a general meeting, or at a class meeting of domestic share (A share) shareholders or overseas-listed foreign invested share (H share) shareholders (“**Relevant Period**”). The exercise of the H Share Buy-back Mandate is subject to relevant approval(s) of and/or filings with the relevant regulatory authorities as required by the laws, rules and regulations of the PRC being obtained and/or carried out.

The exercise in full of the H Share Buy-back Mandate (on the basis of 5,414,961,482 H Shares in issue as at the Latest Practicable Date and there is no change to the number of issued H Shares prior to the date of the AGM, the A Shareholders Class Meeting and H Shareholders Class Meeting) would result in a maximum of 541,496,148 H Shares being bought back by the Company during the Relevant Period, being the maximum of 10% of the total H Shares in issue as at the date of passing the relevant resolution(s).

Funding of Buy Backs

In buying back its H Share, the Company intends to apply funds from the Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to buy back its H Shares. Any buy backs by the Company may only be made out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose. Under PRC laws, H Shares so bought back will be treated as cancelled and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled. The Company may not buy back securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

GENERAL

The Directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the H Share Buy-back Mandate is to be exercised in full at any time during the proposed buy back period (as compared with the position disclosed in the latest published audited accounts contained in the annual report of the Company for the year ended 31 December 2021). However, the Directors do not propose to exercise the H Share Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels of the Company. The number of H Shares to be bought back on any occasion and the price and other terms upon which the same are bought back will be decided by the Directors at the relevant time having regarded to the circumstances then prevailing, in the best interests of the Company.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make buy backs under the H Share Buy-back Mandate in accordance with the Hong Kong Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC.

H SHARES PRICES

The highest and lowest prices at which the H Shares have been traded on the Hong Kong Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

Date	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2021		
April	0.76	0.68
May	0.85	0.67
June	0.81	0.69
July	0.76	0.61
August	0.68	0.58
September	0.90	0.65
October	0.96	0.73
November	0.76	0.62
December	0.69	0.62
2022		
January	0.71	0.65
February	0.80	0.68
March	0.76	0.53
April (up to the Latest Practicable Date)	0.66	0.60

H SHARE BOUGHT BACK BY THE COMPANY

No buy back of H Shares has been made by the Company in the previous six months preceding the Latest Practicable Date (whether on the Hong Kong Stock Exchange or otherwise).

DISCLOSURE OF INTERESTS

If as a result of a share buy back by the Company, a substantial shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the Company or become obligated to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

The Directors are not aware of any consequences which will arise under the Takeovers Code and/or any similar applicable law, as a result of any buy backs to be made under the H Share Buy-back Mandate. Moreover, the Directors will not make share buy back on the Hong Kong Stock Exchange if such buy back would result in the requirements under Rule 8.08 of the Hong Kong Listing Rules not being complied with.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their close associates presently intends to sell H Shares to the Company under the H Share Buy-back Mandate in the event that the H Share Buy-back Mandate is approved by the Shareholders and the conditions (if any) to which the H Share Buy-back Mandate is subject are fulfilled.

The Company has not been notified by any core connected persons (as defined in the Hong Kong Listing Rules) of the Company that they have a present intention to sell any H Shares to the Company, or that they have undertaken not to sell any H Shares held by them to the Company in the event that the H Share Buy-back Mandate is approved by its Shareholders and the conditions (if any) to which the H Share Buy-back Mandate is subject are fulfilled.