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中国石化
SINOPEC

中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

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

(Stock Code: 00386)

**CONNECTED TRANSACTION
FORMATION OF A JOINT VENTURE**

THE TRANSACTION

The Board is pleased to announce that on 28 July 2022, the Company entered into the Promoter Agreement and the Articles of Association of Carbon Technology Company with UNIPPEC, Nanjing Chemical Company, Sinopec OEC, Nanjing Engineering and Shanghai Engineering. Pursuant to the Promoter Agreement, the parties will jointly promote and establish Carbon Technology Company by way of capital contribution. The registered capital of Carbon Technology Company will be RMB2.5 billion, for which, each of the Company and Nanjing Chemical Company shall contribute RMB1.15 billion and RMB850 million in cash, accounting for 46% and 34% of the registered capital of Carbon Technology Company, respectively; and each of UNIPPEC, Sinopec OEC, Nanjing Engineering and Shanghai Engineering shall contribute RMB125 million in cash, each accounting for 5% of the registered capital of Carbon Technology Company.

The Company and UNIPPEC will pay the consideration for the Transaction with self-owned funds. Upon completion of the Transaction, Carbon Technology Company will become a subsidiary of the Company. Financial results of Carbon Technology Company shall be consolidated into the Company's financial statements.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CPC is the controlling shareholder of the Company (directly and indirectly holding 68.96% of the issued shares of the Company). CPC also directly or indirectly controls Nanjing Chemical Company, Sinopec OEC, Nanjing Engineering and Shanghai Engineering, therefore, under Chapter 14A of the Listing Rules, Nanjing Chemical Company, Sinopec OEC, Nanjing Engineering and Shanghai Engineering are associates of CPC and are also connected persons of the Company. Therefore, the Transaction constitutes a connected transaction

of the Company under Chapter 14A of the Listing Rules. UNIPEC is a wholly-owned subsidiary of the Company.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceed 0.1% but fall below 5%, the Transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from independent shareholders' approval requirement.

INTRODUCTION

The Board is pleased to announce that on 28 July 2022, the Company entered into the Promoter Agreement and the Articles of Association of Carbon Technology Company with UNIPEC, Nanjing Chemical Company, Sinopec OEC, Nanjing Engineering and Shanghai Engineering. Pursuant to the Promoter Agreement, the parties will jointly promote and establish Carbon Technology Company by way of capital contribution. The registered capital of Carbon Technology Company will be RMB2.5 billion, for which, each of the Company and Nanjing Chemical Company shall contribute RMB1.15 billion and RMB850 million in cash, accounting for 46% and 34% of the registered capital of Carbon Technology Company, respectively; and each of UNIPEC, Sinopec OEC, Nanjing Engineering and Shanghai Engineering shall contribute RMB125 million in cash, each accounting for 5% of the registered capital of Carbon Technology Company.

The total capital contribution to be made by the Group amounted to RMB1.275 billion, including the capital contribution to be made by UNIPEC, a wholly-owned subsidiary of the Company, accounting for 51% of the registered capital of Carbon Technology Company.

BASIC INFORMATION ON THE TRANSACTION

The Transaction is a joint investment by the Company and its connected persons to establish Carbon Technology Company. As Carbon Technology Company is yet to be established, the following basic information of Carbon Technology Company is indicative and subject to its business registration results with the registration authority:

Company name	:	Sinopec Carbon Industry Technology Co., Ltd. (中石化碳產業科技股份有限公司)
Company nature	:	Joint stock limited company
Business scope	:	Carbon verification; carbon asset management; research and development of carbon emission reduction, carbon conversion, carbon capture and carbon storage technologies; China certified voluntary emission reduction services; natural science research and

		experimental development; engineering and technological research and experimental development; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; technology import and export; engineering technology services; production, storage and sales of chemical products and hazardous chemicals; contract energy management; project investment; equity investment; financial asset management services; computer data processing and storage services; big data collection and application; intelligent design consulting; enterprise management consulting and information technology consulting services.
Registered capital	:	RMB2,500,000,000
Contribution method and source of funds	:	All shareholders will make capital contribution in cash. The Company and UNIPEC will make the capital contribution with self-owned funds.

Upon the completion of the Transaction, Carbon Technology Company will become a subsidiary of the Company. Financial results of Carbon Technology Company shall be consolidated into the Company's financial statements.

CONSIDERATION BASIS OF THE TRANSACTION

The consideration of the Transaction was determined on a fair, voluntary and at arm's length basis with reference to normal commercial terms, industry practices and market prices without prejudice to the interests of shareholders.

PRINCIPAL TERMS OF THE PROMOTER AGREEMENT AND THE ARTICLES OF ASSOCIATION OF CARBON TECHNOLOGY COMPANY

1. Date: 28 July 2022.
2. Parties: Sinopec Corp., Nanjing Chemical Company, UNIPEC, Sinopec OEC, Nanjing Engineering and Shanghai Engineering.
3. The contribution amount, the number of shares to be subscribed and the shareholding percentage, and contribution method are set out as follows:

No.	Shareholders' Name	Number of shares to be subscribed	Contribution amount	Shareholding percentage	Contribution method
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		(million shares)	(RMB million)		
1	Sinopec Corp.	1,150	1,150	46%	Cash
2	Nanjing Chemical Company	850	850	34%	Cash
3	UNIPPEC	125	125	5%	Cash
4	Sinopec OEC	125	125	5%	Cash
5	Nanjing Engineering	125	125	5%	Cash
6	Shanghai Engineering	125	125	5%	Cash
Total		2,500	2,500	100%	Cash

4. Capital contribution period:

Shareholders' Name	Capital contribution period		Contribution amount (RMB million)
Sinopec Corp.	First installment	Before 31 October 2022	862.5
	Second installment	Before 31 January 2023	287.5
Nanjing Chemical Company	First installment	Before 31 October 2022	637.5
	Second installment	Before 31 January 2023	212.5
UNIPPEC	First installment	Before 31 October 2022	93.75
	Second installment	Before 31 January 2023	31.25
Sinopec OEC	First installment	Before 31 October 2022	93.75
	Second installment	Before 31 January 2023	31.25
Nanjing Engineering	First installment	Before 31 October 2022	93.75
	Second installment	Before 31 January 2023	31.25
Shanghai Engineering	First installment	Before 31 October 2022	93.75
	Second installment	Before 31 January 2023	31.25

5. Arrangements for the board of directors and the management of Carbon Technology Company

Carbon Technology Company will establish its board of directors and the management:

(1) The board of directors of Carbon Technology Company will be comprised of 5 to 7 directors, including 1 employee's representative director. More than half of its non-employee directors shall be nominated by Sinopec Corp., and the other non-employee's representative directors shall be nominated

according to the negotiation result(s) of the shareholders other than Sinopec Corp. More than half of the members of the board of directors shall be the directors who do not hold any positions in Carbon Technology Company.

(2) Carbon Technology Company will establish operation and management department to be responsible for the daily operation and management of Carbon Technology Company. The operation and management department shall have one general manager, several deputy general managers, one chief accountant and one general counsel. The above-mentioned senior management shall be nominated by Sinopec Corp. and appointed by the board of directors of Carbon Technology Company.

6. Share transfer restrictions

All shares issued by Carbon Technology Company upon its establishment will be subject to a lock-up period from the date of establishment of Carbon Technology Company to the 10th anniversary date of the establishment, unless otherwise agreed unanimously by the shareholders or provided in the Articles of Association of Carbon Technology Company. During the lock-up period, no shareholder shall directly or indirectly sell, assign, transfer, pledge or otherwise dispose of the shares issued by Carbon Technology Company upon its establishment, except for any transfer between shareholders or transfers to related parties (such transfer shall be subject to the statutory lock-up period stipulated in the PRC Company Law for the shares of Carbon Technology Company held by the Promoters, and shall only take place after the first anniversary of the date of establishment of Carbon Technology Company). Upon expiration of the lock-up period, without the consent of other shareholders, no shareholder shall directly or indirectly sell all or part of the shares to a competitor of Carbon Technology Company or any financial investor(s), and no encumbrances shall be created on the shares of Carbon Technology Company.

Shareholders may transfer all or part of their shares to each other upon giving written notice. Other shareholders shall reply within 60 days of receiving the notice of transfer as to whether or not to purchase, otherwise it shall be deemed to have waived. If the other shareholders require to purchase, the shares will be transferred in accordance with the proportion of their respective shareholdings, and a share transfer contract shall be signed with the shareholder who intends to transfer within 60 days from the expiration of the time limit for reply, failing which the shareholder who intends to transfer the shares shall have the right to choose counterparty among the other shareholders.

Either party (the “**Transferor**”) may notify the other parties at least 60 working days in advance to transfer all or part of the shares held by it to its related company (the “**Related Transferee**”), and the other parties shall be deemed to have agreed to the transfer and shall not exercise the right of first refusal to such transfer, provided that the Related Transferee has fully agreed to continue to abide by the Articles of Association of Carbon Technology Company and the Promoter Agreement.

If any party intends to transfer all or part of its shares of the Carbon Technology Company directly or indirectly to other shareholders of Carbon Technology Company or any third party other than the

shareholders, the Transferor shall send a transfer notice to the other promoters immediately in accordance with the Promoter Agreement and the Articles of Association of Carbon Technology Company, and the other promoters may exercise its right of first refusal pursuant to the terms and conditions set out in the transfer notice, by sending a written notice to the Transferor within 60 days from the date of receipt of the transfer notice (the “**Response Period**”). If all the other promoters wish to exercise the right of first refusal, the proportion of their respective right of first refusal will be negotiated and determined by the parties. Where no agreement can be reached through negotiation within 30 days after the expiration of the Response Period, it will be determined in accordance with their proportion of the actual paid-up capital shares of Carbon Technology Company at the time of the exercise of the right of first refusal. If only one promoter exercises the right of first refusal, it shall purchase all the shares to be transferred. If the other promoters notify the Transferor in writing of not exercising the right of first refusal or fail to give notice within the Response Period, such party shall be deemed to have waived its right of first refusal.

7. Effective conditions and effective date of the agreement

The Promoter Agreement shall take effect after the parties have performed internal procedures and it has been signed and affixed with the official seal by the legal representative or authorized representative of each of the Promoters. The Articles of Association of Carbon Technology Company shall take effect from the date of establishment of Carbon Technology Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The establishment of Carbon Technology Company to build up a professional carbon-industry operation platform is an important measure for Sinopec Corp.’s green and low-carbon development strategy. It will be conducive to giving full play to the advantages of each shareholder of Carbon Technology Company and integrating the resources so as to accelerate the incubation of CCUS technology and the transformation of relevant achievements and promote the development of the CCUS industry, which will have a positive effect on the sustainable development of the Company.

APPROVAL PROCEDURES FOR THE TRANSACTION AND THE OPINION OF THE DIRECTORS

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, CPC is the controlling shareholder of the Company (directly and indirectly holding 68.96% of the issued shares of the Company). CPC also directly or indirectly controls Nanjing Chemical Company, Sinopec OEC, Nanjing Engineering and Shanghai Engineering, therefore, under Chapter 14A of the Listing Rules, Nanjing Chemical Company, Sinopec OEC, Nanjing Engineering and Shanghai Engineering are associates of CPC and are also connected persons of the Company. Therefore, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. UNIPEC is a wholly-owned subsidiary of the Company.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceed 0.1% but fall below 5%, the Transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from independent shareholders' approval requirement.

The Transaction does not involve any non-compete undertakings between the Company and CPC.

Upon the completion of the Transaction, Carbon Technology Company will become a subsidiary of the Company. Transactions between Carbon Technology Company and CPC and its associates (including Nanjing Chemical Company, Sinopec OEC, Nanjing Engineering and Shanghai Engineering) will constitute connected transactions of the Company. In addition, Carbon Technology Company will become an associate of CPC (the controlling shareholder of the Company) and a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Therefore, the transactions between Sinopec Corp. and Carbon Technology Company will constitute connected transactions of the Company. The Company will comply with relevant approval and disclosure requirements as necessary.

GENERAL INFORMATION

The Company

The Company is a joint stock limited company established in the PRC, principally engaged in the exploration and production, pipeline transportation and sales of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fiber and other chemical products; the import and export, including import and export agency business, of petroleum, natural gas, petroleum products, petrochemicals and chemical products, and other commodities and technologies; and research, development and application of technologies and information. CPC holds 68.96% equity interest in the Company and therefore is its controlling shareholder.

Sinopec SSC

Sinopec SSC is a joint stock limited company established in PRC and a leading provider of oil and gas engineering and technical services in China. Sinopec SSC group 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, Sinopec SSC group has more than 60 years of operating and has provided oil and gas engineering services in 76 basins over time with operations across over 14 provinces.

Sinopec OEC

Sinopec OEC is a limited liability company established in the PRC, principally engaged in engineering project management, engineering survey, design, construction general contracting, professional contracting, governmental investment project bidding agency, engineering consulting, urban landscaping construction, special equipment design, engineering and technical research and experimental development, and other businesses. Sinopec OEC is a wholly-owned subsidiary of Sinopec SSC.

CPC

CPC is a limited liability company established under the laws of the PRC, and it is a state owned and authorized investment organization. Its principal operations include: exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of oil and natural gas; oil refining; wholesale and retail of 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.

Nanjing Chemical Company

Nanjing Chemical Company is a limited liability company established in the PRC, principally engaged in the production and operation of hazardous chemicals, the production of compound fertilizers, terminal and other port facility services, logistics services, manufacturing and sales of chemical products, rubber products and plastic products, and other businesses. Nanjing Chemical Company is a wholly-owned subsidiary of Sinopec Assets Management Co., Ltd., which is a wholly-owned subsidiary of CPC.

UNIPEC

UNIPEC is a limited liability company established in the PRC, principally engaged in crude oil wholesale, refined oil wholesale, import and export of state-owned trade management goods, futures business, contract energy management and other businesses. UNIPEC is a wholly-owned subsidiary of Sinopec Corp.

SINOPEC SEG

SINOPEC SEG is a joint stock limited company established in the PRC, mainly provides engineering services covering oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemical, clean energy, storage and transportation engineering, environmental

protection and energy-saving engineering with a complete service chain involving research, development and licensing, preliminary consultation, financial assistance, design, procurement, construction and pre-commissioning/start-up services. CPC holds 67.01% equity interests in SINOPEC SEG and therefore is its controlling shareholder.

Nanjing Engineering

Nanjing Engineering is a limited liability company established in the PRC, principally engaged in chemical engineering, petrochemical, electric power, building materials, pharmaceuticals, municipal services, public utilities, light industry, telecommunications, environment related services, construction, design and construction of fire protection engineering; general project contracting, design and installation of pressure vessels and pressure pipelines; consultancy services for petrochemical engineering, chemical engineering and pharmaceutical engineering; chemical and pharmaceutical, housing construction supervision and other businesses. Nanjing Engineering is a wholly-owned subsidiary of SINOPEC SEG.

Shanghai Engineering

Shanghai Engineering is a limited liability company established in the PRC, principally engaged in the chemical and petrochemical pharmaceutical, oil and gas, professional construction engineering design and project management; general contracting of engineering construction; engineering consulting and supervision of chemical, petrochemical, pharmaceutical, oil and gas, and professional construction project, and other businesses. Shanghai Engineering is a wholly-owned subsidiary of SINOPEC SEG.

DEFINITIONS

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

“Articles of Association of Carbon Technology Company”	the Articles of Association of Sinopec Carbon Industry Technology Co., Ltd. entered into among the Promoters on 28 July 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Carbon Technology Company”	Sinopec Carbon Industry Technology Co., Ltd.
“CCUS”	Carbon dioxide capture, utilization and storage
“Company” or “Sinopec Corp.”	China Petroleum & Chemical Corporation, a joint stock limited company incorporated in the PRC, whose A shares are listed on

	the Shanghai Stock Exchange and H shares are listed on the Main Board of the Stock Exchange (stock code: 00386)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CPC”	China Petrochemical Corporation
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanjing Chemical Company”	Sinopec Nanjing Chemical Industries Corporation
“Nanjing Engineering”	Sinopec Nanjing Engineering Co., Ltd.
“PRC”	the People’s Republic of China
“Promoter(s)”	Sinopec Corp., UNIPEC, Nanjing Chemical Company, Sinopec OEC, Nanjing Engineering and Shanghai Engineering
“Promoter Agreement”	the Promoter Agreement of Sinopec Carbon Industry Technology Co., Ltd. entered into among the Promoters on 28 July 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Engineering”	Sinopec Shanghai Engineering Co., Ltd.
“Sinopec OEC”	Sinopec Oil Engineering and Construction Corporation
“SINOPEC SEG”	SINOPEC Engineering (Group) Co., Ltd., a joint stock limited company incorporated in the PRC, whose H shares are listed on the Main Board of the Stock Exchange (stock code: 02386)
“Sinopec 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 incorporated in

the PRC, whose A shares are listed on the Shanghai Stock Exchange and H shares are listed on the Main Board of the Stock Exchange (stock code: 01033)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Transaction”

the establishment of Carbon Technology Company under the Promoter Agreement by the Promoters

“UNIPEC”

China International United Petroleum & Chemicals Co., Ltd.

By order of the Board

China Petroleum & Chemical Corporation

Huang Wensheng

Vice President, Secretary to the Board of Directors

Beijing, the PRC

28 July 2022

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

[#] *Executive Director*

^{*} *Non-executive Director*

⁺ *Independent Non-executive Director*