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中国石油化工股份有限公司

**CHINA PETROLEUM & CHEMICAL CORPORATION**

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

**(Stock Code: 00386)**

## **Connected Transaction Capital Increase in Hunan Petrochemical**

### **CAPITAL INCREASE**

The Board is pleased to announce that on 26 October 2023, the Company, the Assets Company and Hunan Petrochemical entered into the Capital Increase Agreement to agree upon the Capital Increase in Hunan Petrochemical. Pursuant to the Capital Increase Agreement, the Company shall make a capital contribution to Hunan Petrochemical with the Capital Contribution Assets of Sinopec Corp. equivalent to RMB5,600,332,800 and cash of RMB4,300,000,000, of which RMB3,593,975,929 will be contributed to the registered capital of Hunan Petrochemical and the remaining part will be booked in the capital reserve of Hunan Petrochemical; the Assets Company shall make a capital contribution to Hunan Petrochemical with the Capital Contribution Assets of Assets Company equivalent to RMB1,077,583,900, of which RMB391,179,840 will be contributed to the registered capital of Hunan Petrochemical and the remaining part will be booked in the capital reserve of Hunan Petrochemical. Upon completion of the Transaction, the registered capital of Hunan Petrochemical will be increased from RMB3,000,000,000 to RMB6,985,155,769, of which the shareholding of the Company will be increased from 55.00% to 75.07% and the shareholding of the Assets Company will be decreased from 45.00% to 24.93%. Hunan Petrochemical will remain a non-wholly owned subsidiary of the Company. The registered capital and shareholding ratio ultimately acquired by each party in the Transaction shall be based on the appraised values filed with the competent authority of state-owned assets and adjusted according to the audited data for the period for continuing operation from the Valuation Date to the Assets Delivery Date.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Assets Company is a wholly-owned subsidiary of China Petrochemical Corporation, the controlling shareholder of the Company, therefore the Assets Company is an associate of China Petrochemical Corporation and a connected person of the Company; in addition, Hunan Petrochemical is held as to 55% and 45% by the Company and the Assets Company respectively, therefore Hunan Petrochemical constitutes a connected subsidiary of the Company and a connected person of the Company. As such, the Transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios as calculated on an aggregate basis with the Previous Transaction are more than 0.1% but less than 5%, the Capital Increase is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board is pleased to announce that, in order to further enhance the level of the Company's integrated refining and petrochemical operations, improve the ability to coordinate and optimise the allocation of regional resources, and strengthen the Company's comprehensive competitiveness in the locations where it operates, on 26 October 2023, the Company, the Assets Company and Hunan Petrochemical entered into the Capital Increase Agreement to agree upon the Capital Increase in Hunan Petrochemical. Pursuant to the Capital Increase Agreement, the Company shall make a capital contribution to Hunan Petrochemical with the Capital Contribution Assets of Sinopec Corp. equivalent to RMB5,600,332,800 and cash of RMB4,300,000,000 (such capital contribution in cash is intended to be used for the construction of Hunan Petrochemical's Ethylene Refining and Petrochemical Integration Project (乙炔煉化一體化項目)), of which RMB3,593,975,929 will be contributed to the registered capital of Hunan Petrochemical and the remaining part will be booked in the capital reserve of Hunan Petrochemical; the Assets Company shall make a capital contribution to Hunan Petrochemical with the Capital Contribution Assets of Assets Company equivalent to RMB1,077,583,900, of which RMB391,179,840 will be contributed to the registered capital of Hunan Petrochemical and the remaining part will be booked in the capital reserve of Hunan Petrochemical. Upon completion of the Transaction, the registered capital of Hunan Petrochemical will be increased from RMB3,000,000,000 to RMB6,985,155,769, of which the shareholding of the Company will be increased from 55.00% to 75.07% and the shareholding of the Assets Company will be decreased from 45.00% to 24.93%. Hunan Petrochemical will remain a non-wholly owned subsidiary of the Company. The registered capital and shareholding ratio ultimately acquired by each party in the Transaction shall be based on the appraised values filed with the competent authority of state-owned assets and adjusted according to the audited data for the period for continuing operation from the Valuation Date to the Assets Delivery Date.

## PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

- Date** : 26 October 2023
- Parties** : (1) the Company;  
(2) the Assets Company; and  
(3) Hunan Petrochemical.
- Capital Increase** : The registered capital of Hunan Petrochemical will be increased from RMB3,000,000,000 to RMB6,985,155,769. In particular, the Company shall make a capital contribution to Hunan Petrochemical with the Capital Contribution Assets of Sinopec Corp. equivalent to RMB5,600,332,800 and cash of RMB4,300,000,000, of which RMB3,593,975,929 will be contributed to the registered capital of Hunan Petrochemical and the remaining part will be booked in the capital reserve of Hunan Petrochemical; the Assets Company shall make a capital contribution to Hunan Petrochemical with the Capital Contribution Assets of Assets Company equivalent to RMB1,077,583,900, of which RMB391,179,840 will be contributed to the registered capital of Hunan Petrochemical and the remaining part will be booked in the capital reserve of Hunan Petrochemical.

Since the renewal of the Business License by Hunan Petrochemical for the Transaction, the registered capital subscribed for by Sinopec Corp. shall be RMB5,243,975,929, representing 75.07% of the equity interest; and the registered capital subscribed for by the Assets Company shall be RMB1,741,179,840, representing 24.93% of the equity interest. The registered capital ultimately subscribed for by both parties and their shareholding ratios shall be based on the appraised values filed with the competent authority and adjusted according to the audited data for the period for continuing operation from the Valuation Date to the Assets Delivery Date.

Upon the issuance of the new Business License, each party shall be entitled to enjoy the corresponding shareholder's rights and assume the shareholder's obligations in accordance with the proportion of the paid-up portion of the subscribed registered capital as mentioned above.

**Transitional Arrangements** : The profit or loss of Hunan Petrochemical from the Valuation Date and the Assets Delivery Date shall be enjoyed and borne by Sinopec Corp. and the Assets Company in proportion to their original shareholdings.

**Registration of Change** : The Capital Contribution Assets shall be delivered on 1 January 2024 and the relevant property rights transfer and registration procedures shall be completed in accordance with legal requirements. Sinopec Corp.'s capital contribution of RMB4,300,000,000 in cash shall be paid up by 30 April 2024, and the date of payment shall be referred to as the "Payment Date of Cash Contribution". The parties shall complete the registration procedures for the changes related to the Capital Increase with the registration department and obtain a new Business License after the date of the Capital Increase Agreement and before 31 January 2024.

**Conditions Precedent** : Subject to the fulfilment of the following conditions or the following conditions being appropriately waived by the entitled parties, Sinopec Corp. and the Assets Company shall transfer the Capital Contribution Assets to Hunan Petrochemical on the Assets Delivery Date in accordance with the Capital Increase Agreement; and Sinopec Corp.'s capital contribution of RMB4,300,000,000 in cash shall be transferred to the bank account of Hunan Petrochemical by 30 April 2024:

- (1) the Capital Increase Agreement and the Articles of Association of Hunan Petrochemical (the "**Transaction Agreements**") have been duly signed by the relevant parties;
- (2) the parties have obtained the required prior consents, approvals or licenses from governmental authorities and other third-party entities, as applicable, in respect of the Capital Increase;
- (3) the internal competent decision-making bodies of the parties have passed the relevant resolutions to consent to the Capital Increase;

- (4) Sinopec Corp. and the Assets Company have each taken all necessary measures to ensure that the policyholders and beneficiaries of the insurance relating to their respective Capital Contribution Assets can be changed to Hunan Petrochemical on the Assets Delivery Date;
- (5) the representations and warranties made by each of the parties in the Capital Increase Agreement and the other Transaction Agreements are true and accurate and continue to be true and accurate in all material respects up to the Assets Delivery Date (as if made again on the Assets Delivery Date and on the Payment Date of Cash Contribution);
- (6) each of the parties has performed in all material respects any of the agreements, covenants, conditions and obligations to be performed or complied with by it under the Transaction Agreements;
- (7) no law or governmental order has been enacted, issued, promulgated, implemented or passed by any governmental authority that would render the Capital Increase unlawful or otherwise restrict or prohibit the Capital Increase; and there are no outstanding and potential administrative penalties, disputes, controversies, litigations, arbitrations, claims and/or other legal proceedings that have had or would have a material adverse effect on Hunan Petrochemical or the performance by it of its obligations under the Transaction Agreements and the Capital Increase; and
- (8) there have been no material adverse changes in Hunan Petrochemical from the date of the Transaction Agreements to the Assets Delivery Date and the Payment Date of Cash Contribution.

**Delivery of Capital Contribution Assets** : Subject to compliance with the terms and conditions of the Capital Increase Agreement and the conditions precedent stipulated under the Capital Increase Agreement being satisfied in full or waived by the entitled parties, Sinopec Corp. and the Assets Company shall carry out the transfer of the Capital Contribution Assets under the Capital Increase Agreement. The transfer of the Capital Contribution Assets by Sinopec Corp. and the Assets Company shall take place on the same date, which shall be referred to as the “Assets Delivery Date”, i.e. 1 January 2024.

On the Assets Delivery Date, Sinopec Corp. and the Assets Company shall deliver the Capital Contribution Assets and all relevant information to Hunan Petrochemical in one go. Hunan Petrochemical shall conduct inventory and confirmation of the assets listed in the Capital Increase Agreement with Sinopec Corp. and the Assets Company. After the inventory and confirmation, the authorised representatives designated by each of Sinopec Corp., the Assets Company and Hunan Petrochemical shall jointly sign a confirmation of the transfer of assets.

From the Assets Delivery Date, all rights and obligations and risks of damage and loss of the Capital Contribution Assets shall be deemed to have been transferred from Sinopec Corp. and the Assets Company to Hunan Petrochemical, and Hunan Petrochemical shall have the full rights of possession, use, revenue and disposal of such assets.

The policyholders and beneficiaries of the property insurance related to the Capital Contribution Assets shall be changed to Hunan Petrochemical on the Assets Delivery Date.

**Breach of Contract and Compensation** : An event of default under the Capital Increase Agreement (an “**Event of Default**”) shall be constituted by either party to the Capital Increase Agreement (i) if any of its representations and warranties under the Capital Increase Agreement are untrue or inaccurate or (ii) if it breaches any of its undertakings or covenants under the Capital Increase Agreement.

Upon the occurrence of an Event of Default, the defaulting party shall, upon receipt of a written notice from the non-defaulting party requesting for rectification of the default or taking of remedial measures, immediately rectify the default or take effective remedial measures within the time limit set out in the notice so as to save the non-defaulting party from damages.

The defaulting party shall compensate the other parties for any direct damage or loss suffered by the other parties as a result of the occurrence of an Event of Default by one party.

**Effectiveness and Termination of the Agreement** : The Capital Increase Agreement shall be formed and become effective on the date it is duly signed/chopped by the parties or their authorised representatives and chopped with the official chop by each of them.

The Capital Increase Agreement may only be terminated in the circumstances: (i) if any governmental body issues an order, decree or ruling, or has taken any other action, restricting, preventing or otherwise enjoining the Capital Increase and such order, decree, ruling or other action is final and not subject to a petition for review, suit or appeal, then either party may terminate the Capital Increase Agreement; or (ii) the Capital Increase Agreement may be terminated by written agreement reached by all parties through negotiation.

**Governing Law and Dispute Resolution** : The Capital Increase Agreement shall be governed by and construed in accordance with the laws of the PRC.

In the event of any dispute, controversy or claim arising out of or in connection with the Capital Increase Agreement or the breach, termination or validity thereof, such matter shall be referred to the senior management of each party for resolution immediately upon written request by either party. Such senior management shall meet as soon as reasonably practicable and shall make an effort in good faith to negotiate or mediate

internally to reach a resolution of the dispute. If the parties are unable to resolve the dispute within 45 days of receipt of such written request, either party may submit the dispute to a court of competent jurisdiction for litigation.

## INFORMATION ON HUNAN PETROCHEMICAL

### Basic Information of Hunan Petrochemical

Hunan Petrochemical is a company incorporated on 28 February 2020 with limited liability under the laws of the PRC. Its principal businesses include petroleum processing, production of synthetic rubber, epoxy resin, caprolactam and coal chemical products. The following table sets out the key financial data of Hunan Petrochemical for the two years ended 31 December 2022 and the nine months ended 30 September 2023 prepared under the China Accounting Standards for Business Enterprises:

*Unit: RMB'0,000*

	<b>As at 31 December 2021</b> <i>(Audited)</i>	<b>As at 31 December 2022</b> <i>(Audited)</i>	<b>As at 30 September 2023</b> <i>(Unaudited)</i>
Total assets	1,483,818.42	2,241,649.70	2,501,006.94
Net assets	460,349.77	442,617.46	621,298.18
	<b>For the year ended 31 December 2021</b> <i>(Audited)</i>	<b>For the year ended 31 December 2022</b> <i>(Audited)</i>	<b>For the nine months ended 30 September 2023</b> <i>(Unaudited)</i>
Operating income	1,999,623.31	1,990,008.74	1,374,652.18
Profit before taxation	-3,413.39	-92,005.52	171,515.55
Net profit	-14,731.46	-120,630.79	165,162.04

In the next step, Hunan Petrochemical will give full play to the complementary advantages of the relevant businesses of the Capital Contribution Assets, and gradually realise the integrated operation of the whole industrial chain from crude oil processing to modern chemicals, so as to further enhance its market competitiveness and risk resistance.

## Shareholding Structure of Hunan Petrochemical prior to and upon Completion of the Capital Increase

The capital contributions by respective shareholders of Hunan Petrochemical and their proportions in the registered capital of Hunan Petrochemical as at the date of this announcement and upon completion of the Capital Increase are set out as follows:

Name of shareholders	As at the date of this announcement		Upon completion of the Capital Increase	
	Capital contribution to the registered capital (RMB)	Proportion (%)	Capital contribution to the registered capital (RMB)	Proportion (%)
The Company	1,650,000,000	55.00	5,243,975,929	75.07
The Assets Company	1,350,000,000	45.00	1,741,179,840	24.93
<b>Total</b>	<b>3,000,000,000</b>	<b>100.00</b>	<b>6,985,155,769</b>	<b>100.00</b>

Upon completion of the Capital Increase, Hunan Petrochemical will remain a non-wholly owned subsidiary of the Company and its financial statements will continue to be consolidated into the consolidated financial statements of the Company.

## INFORMATION ON THE CAPITAL CONTRIBUTION ASSETS

Under the Capital Increase, the Company will subscribe for the additional registered capital of Hunan Petrochemical with the Capital Contribution Assets of Sinopec Corp. as well as its self-owned monetary funds, and the Assets Company will subscribe for the additional registered capital of Hunan Petrochemical with the Capital Contribution Assets of Assets Company, respectively.

### Capital Contribution Assets of Sinopec Corp.

The assets of Sinopec Corp. Changling Branch included in the scope of the capital contribution for the Transaction are production- and operation-related assets as at the Valuation Date, which mainly include assets related to petroleum refining, and production, sales, storage and transportation of petrochemical and other chemical products. The following table sets out the key financial data of the Capital Contribution Assets of Sinopec Corp. for the two years ended 31 December 2022 and the nine months ended 30 September 2023 prepared under the China Accounting Standards for Business Enterprises:

*Unit: RMB'0,000*

	As at 31 December 2021 (Audited)	As at 31 December 2022 (Audited)	As at 30 September 2023 (Unaudited)
Total assets	865,360.14	903,418.93	891,019.78
Net assets	473,406.07	484,588.47	515,133.93

Unit: RMB'0,000

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the nine months ended 30 September 2023</b>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Operating income	4,118,176.75	5,641,346.52	4,130,837.41
Profit before taxation	130,824.69	94,587.47	104,192.70
Net profit	95,996.76	71,479.65	77,602.26

As at 31 December 2022, the original book value of the Capital Contribution Assets of Sinopec Corp. amounted to RMB18,576.7849 million, depreciation and amortisation accrued amounted to RMB8,849.1972 million, impairment provision amounted to RMB693.3984 million and the net book value amounted to RMB9,034.1893 million, and the aforesaid financial data had been audited; as at 30 September 2023, the original book value of the Capital Contribution Assets of Sinopec Corp. amounted to RMB18,971.6125 million, depreciation and amortisation accrued amounted to RMB9,369.9650 million, impairment provision amounted to RMB691.4497 million and the net book value amounted to RMB8,910.1978 million, and the aforesaid financial data were unaudited.

### **Capital Contribution Assets of Assets Company**

The Capital Contribution Assets of Assets Company include the assets of the Assets Company Baling Branch and the assets of the Assets Company Changling Branch. The assets of the Assets Company Baling Branch included in the scope of capital contribution for the Transaction are certain production- and operation-related assets such as land use rights and real estate as at the Valuation Date; the assets of the Assets Company Changling Branch included in the scope of capital contribution for the Transaction are production- and operation-related assets, including dock loading and unloading, asphalt, water supply business, and some land use rights and other assets as at the Valuation Date. Such assets have good synergies with Sinopec Corp.'s related businesses.

### ***Financial Data on the Assets of the Assets Company Baling Branch Used for Capital Contribution***

As at 31 December 2022, the original book value of the assets of the Assets Company Baling Branch used for capital contribution amounted to RMB71.0961 million, depreciation and amortisation accrued amounted to RMB50.6482 million, impairment provision amounted to RMB6.1087 million and the net book value amounted to RMB14.3392 million, and the aforesaid financial data were unaudited; as at 30 September 2023, the original book value of the assets of the Assets Company Baling Branch used for capital contribution amounted to RMB79.5833 million, depreciation and amortisation accrued amounted to RMB52.0288 million, impairment provision amounted to RMB6.1087 million and the net book value amounted to RMB21.4458 million, and the aforesaid financial data were unaudited.

In view of the fact that the assets of the Assets Company Baling Branch used for capital contribution are independent assets such as land use rights and real estate, independent accounting on the profit or loss of such assets is not required to be carried out by the Assets Company Baling Branch under relevant accounting standards, and therefore there is no corresponding profit before taxation and net profit for such assets for the two years ended 31 December 2022 and the nine months ended 30 September 2023 respectively.

### ***Financial Data on the Assets of the Assets Company Changling Branch Used for Capital Contribution***

The following table sets out the key financial data of the assets of the Assets Company Changling Branch used for capital contribution for the two years ended 31 December 2022 and the nine months ended 30 September 2023 prepared under the China Accounting Standards for Business Enterprises:

*Unit: RMB'0,000*

	<b>As at 31 December 2021 (Audited)</b>	<b>As at 31 December 2022 (Audited)</b>	<b>As at 30 September 2023 (Unaudited)</b>
Total assets	52,890.79	72,675.02	58,777.84
Net assets	11,434.22	17,233.71	3,074.68

  

	<b>For the year ended 31 December 2021 (Audited)</b>	<b>For the year ended 31 December 2022 (Audited)</b>	<b>For the nine months ended 30 September 2023 (Unaudited)</b>
Operating income	35,572.31	21,691.54	20,364.66
Profit before taxation	-7,863.99	-13,673.23	340.19
Net profit	-8,000.00	-13,985.37	110.01

As at 31 December 2022, the original book value of the assets of the Assets Company Changling Branch used for capital contribution amounted to RMB1,066.0273 million, depreciation and amortisation accrued amounted to RMB277.8873 million, impairment provision amounted to RMB61.3898 million and the net book value amounted to RMB726.7502 million, and the aforesaid financial data had been audited. As at 30 September 2023, the original book value of the assets of the Assets Company Changling Branch used for capital contribution amounted to RMB943.4408 million, depreciation and amortisation accrued amounted to RMB294.2726 million, impairment provision amounted to RMB61.3898 million and the net book value amounted to RMB587.7784 million, and the aforesaid financial data were unaudited.

Among the assets of the Assets Company Changling Branch used for capital contribution, the water supply business has been profitable; the asphalt business has been in a loss-making position in the past two years due to factors such as weak market demand, which has gradually recovered this year; and the assets related to the dock business have been in the period of upgrading and revamping in the past two years, which is expected to be completed and put into operation in November this year.

### **BASIS FOR DETERMINING THE CONSIDERATION FOR THE CAPITAL INCREASE**

The Transaction involves the valuation of the net assets of Hunan Petrochemical and the valuation of the assets used for capital contribution of Sinopec Corp. Changling Branch, the Assets Company Baling Branch and the Assets Company Changling Branch. China United Appraisal, a valuation institution that has completed the filing for the securities services business, issued asset valuation reports as at the Valuation Date of 30 April 2023 respectively, and the valuation results by the asset-based method were adopted as the final valuation conclusions.

Based on the valuation results and after arm's length negotiations between Sinopec Corp. and the Assets Company, Sinopec Corp. proposes to subscribe for the additional registered capital of Hunan Petrochemical of RMB3,593,975,929 by way of capital contribution to Hunan Petrochemical with the Capital Contribution Assets of Sinopec Corp. equivalent to RMB5,600,332,800 and cash of RMB4,300,000,000, and the Assets Company proposes to subscribe for the additional registered capital of Hunan Petrochemical of RMB391,179,840 by way of capital contribution to Hunan Petrochemical with the Capital Contribution Assets of Assets Company equivalent to RMB1,077,583,900. The registered capital and shareholding ratio ultimately acquired by each party in the Transaction shall be based on the appraised values filed with the competent authority of state-owned assets and adjusted according to the audited data for the period for continuing operation from the Valuation Date to the Assets Delivery Date. The relevant valuation results are set out below:

## **Valuation and Pricing Basis**

### ***Net Assets of Hunan Petrochemical***

As at the Valuation Date, the book value of the net assets of Hunan Petrochemical was RMB6,388.7443 million, which was valued at RMB8,264.1061 million, representing an appreciation rate of 29.35%.

### ***Capital Contribution Assets of Sinopec Corp.***

As at the Valuation Date, the book value of the net assets of the Capital Contribution Assets of Sinopec Corp. was RMB5,237.7748 million, which was valued at RMB5,600.3328 million, representing an appreciation rate of 6.92%.

### ***Capital Contribution Assets of Assets Company***

#### ***Assets of the Assets Company Baling Branch used for capital contribution***

As at the Valuation Date, the book value of the net assets of the assets of the Assets Company Baling Branch used for capital contribution was RMB22.0715 million, which was valued at RMB162.8024 million, representing an appreciation rate of 637.61%.

The assets that contributed to the aforesaid high appreciation rate mainly included land use right assets and building and construction assets. The appreciation was mainly due to the fact that such land use right assets were acquired at an early stage and were recorded at a relatively low original acquisition cost, thus the book value was low, and the price of the land use rights in the Baling area has risen considerably in recent years, resulting in a high appreciation in value; the material price and labour cost of the building and construction assets as at the Valuation Date have risen substantially compared with those at the time of completion of the buildings, and at the same time, the accounting depreciation lives of certain buildings are shorter than the economic useful lives for the purpose of valuation, which led to a high appreciation in value.

#### ***Assets of the Assets Company Changling Branch used for capital contribution***

As at the Valuation Date, the book value of the net assets of the assets of the Assets Company Changling Branch used for capital contribution was RMB25.6051 million, which was valued at RMB914.7815 million, representing an appreciation rate of 3,472.65%.

The assets that contributed to the aforesaid high appreciation rate were mainly land use right assets. The appreciation was mainly due to the fact that the land use rights were acquired at an early stage and were recorded at a low original acquisition cost, thus the book value was low, and the price of the land use rights in the Changling area has risen significantly, resulting in a high appreciation in value.

### **Significant Valuation Assumptions and Valuation Parameters**

**Valuation Assumptions** : In addition to the general assumptions such as the transaction assumption, open market assumption and asset going concern assumption, the valuation of the Capital Contribution Assets in the Transaction also adopted the special assumptions, among others: that there would be no significant changes in the prevailing national policies on macro-economics, finance, industry and taxation, that the valuation target would continue to be in operation in the future, and that each of the valuation target would be based on the existing assets as at the Valuation Date and that the prevailing market price would be based on the effective prices prevailing in the domestic market as at the Valuation Date.

**Valuation Parameters** : The key valuation parameters involved in the valuation of the Capital Contribution Assets in the Transaction are set out below:

(1) Land use right assets

The valuation of the land use right assets included in the valuation scope was mainly conducted by using the benchmark land price coefficient correction method (基準地價係數修正法). The benchmark land price coefficient correction method utilises the results of the benchmark land price and its land price correction system for cities and towns, in accordance with the principle of substitution, compares the regional and individual conditions of the valuation target with the conditions of the publicly announced land price, and then obtains the value of the valuation target as at the Valuation Date through correction.

Calculation formula:

$$P = P_o \times (1 + \sum K_i) \times K_v \times K_n \times K_t \times K_p \times K_s - K_f$$

In the formula:

$P_o$  - benchmark land price of the applicable grade (級別基準地價)

$\sum K_i$  - the sum of the corrected values of the factors in the table of correction coefficients for the regional factors of the land parcels (宗地區域因素修正係數)

$K_v$  - plot ratio correction coefficient (容積率修正係數)

$K_n$  - term correction coefficient (年期修正係數)

$K_t$  - correction coefficient on the date of valuation (估價期日修正係數)

$K_p$  - correction coefficient for location deviation of land parcels (宗地位置偏離度修正係數)

$K_s$  - correction coefficient for topography and area of land parcels (宗地形狀與面積修正係數)

$K_f$  - correction value for development degree (開發程度修正數)

(2) Housing and building assets

The valuation of the housing and building assets included in the valuation scope was mainly conducted by using the replacement cost method. The replacement cost method is based on the principle of continuous use, using the market conditions and the conditions of housing and building assets as at the Valuation Date to calculate the full investment price required to replace similar properties, multiplied by the residue ratio of the housing and building assets after comprehensive evaluation, and finally determine the value of housing and building assets.

Calculation formula: appraised value = full replacement price × residue ratio

(3) Equipment assets

The valuation of the equipment assets included in the valuation scope was mainly conducted by using the replacement cost method. The replacement cost method follows the principle of continuous use, using the market conditions and the conditions of equipment assets as at the Valuation Date to calculate the full investment price required to replace similar properties, multiplied by the residue ratio of the equipment assets after comprehensive evaluation, and finally determine the value of the equipment assets.

Calculation formula: appraised value = full replacement price × residue ratio

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

The Capital Increase will be conducive to further enhancing the Company's integrated refining and petrochemical operations, optimising the layout of the industrial chain, improving the ability to coordinate and optimise the allocation of regional resources and strengthening business synergies, thereby enhancing the Company's comprehensive competitiveness in the locations where it operates.

## **THE OPINION OF THE DIRECTORS**

As at the date of this announcement, Ma Yongsheng, Zhao Dong, Yu Baocai, Li Yonglin and Lv Lianggong, 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 its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Assets Company is a wholly-owned subsidiary of China Petrochemical Corporation, the controlling shareholder of the Company, therefore the Assets Company is an associate of China Petrochemical Corporation and a connected person of the Company; in addition, Hunan Petrochemical is held as to 55% and 45% by the Company and the Assets Company respectively, therefore Hunan Petrochemical constitutes a connected subsidiary of the Company and a connected person of the Company. As such, the Transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios as calculated on an aggregate basis with the Previous Transaction are more than 0.1% but less than 5%, the Capital Increase is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INFORMATION ON THE PARTIES**

### **The Company**

The Company is 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; research, development and application of technologies and information; and hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping for new energy vehicles, solar energy, wind energy and other new energy business and related services. As at the date of this announcement, China Petrochemical Corporation directly and indirectly holds 67.86% equity interest in the Company and therefore is its controlling shareholder.

### **The Assets Company**

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

## DEFINITIONS

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

“Articles of Association of Hunan Petrochemical”	the Articles of Association of Sinopec Hunan Petrochemical Company Limited
“Assets Company”	Sinopec Group Asset Management Co., Ltd.
“Assets Company Baling Branch”	Baling Petrochemical Branch of Sinopec Group Asset Management Co., Ltd.
“Assets Company Changling Branch”	Changling Branch of Sinopec Group Asset Management Co., Ltd.
“Assets Delivery Date”	1 January 2024
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Capital Contribution Assets”	the Capital Contribution Assets of Sinopec Corp. and the Capital Contribution Assets of Assets Company
“Capital Contribution Assets of Assets Company”	the assets and liabilities relating to the production and operation of oil refining and petrochemical of the Assets Company Changling Branch and the Assets Company Baling Branch, which were valued at RMB1,077.5839 million in total as at the Valuation Date by adopting the asset-based method
“Capital Contribution Assets of Sinopec Corp.”	the assets and liabilities relating to the production and operation of oil refining and petrochemical of Sinopec Corp. Changling Branch, which were valued at RMB5,600.3328 million as at the Valuation Date by adopting the asset-based method
“Capital Increase” or “Transaction”	the capital increase in Hunan Petrochemical by the Company and the Assets Company in accordance with the terms and conditions of the Capital Increase Agreement, upon completion of which, the Company and the Assets Company will hold 75.07% and 24.93% of equity interest in Hunan Petrochemical, respectively
“Capital Increase Agreement”	the Capital Increase Agreement entered into by the Company, the Assets Company and Hunan Petrochemical in relation to the Capital Increase

“China Petrochemical Corporation”	China Petrochemical Corporation, a company established under the laws of the PRC with limited liability, an institution approved to carry out state-authorised investments and a state-controlling company
“China United Appraisal”	China United Assets Appraisal Group Co., Ltd.
“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 thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Hunan Petrochemical”	Sinopec Hunan Petrochemical Company Limited; formerly known as Sinopec Baling Petrochemical Company Limited, renamed as Sinopec Hunan Petrochemical Company Limited on 6 June 2023
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Previous Transaction”	the additional capital contribution of RMB377.8 million and RMB309.8 million respectively made by the Company and the Assets Company to Hunan Petrochemical on 28 December 2022, in proportion to their respective shareholdings in Hunan Petrochemical for the time being, which was exempted from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules as the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules were less than 0.1%; such capital contribution and the Capital Increase are subject to aggregation pursuant to Rule 14A.81 of the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Sinopec Corp. Changling Branch”	Changling Branch of China Petroleum & Chemical Corporation

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Valuation Date”

30 April 2023

By order of the Board  
**China Petroleum & Chemical Corporation**  
**Huang Wensheng**  
*Vice President, Secretary to the Board of Directors*

Beijing, the PRC

26 October 2023

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

*# Executive Director*

*\* Non-executive Director*

*+ Independent Non-executive Director*