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If you have sold or transferred all your shares in SINOPEC Engineering (Group) Co., Ltd., you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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中石化煉化工程（集團）股份有限公司 SINOPEC Engineering (Group) Co., Ltd.*

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

(Stock Code: 2386)

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT AND THE PROPOSED ANNUAL CAPS

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS UNDER THE ENGINEERING AND CONSTRUCTION SERVICES FRAMEWORK AGREEMENT AND THE PROPOSED ANNUAL CAPS

PROPOSED APPOINTMENTS OF DIRECTORS OF THE FIFTH SESSION OF THE BOARD

PROPOSED APPOINTMENTS OF SUPERVISORS OF THE FIFTH SESSION OF THE SUPERVISORY COMMITTEE

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out on pages 6 to 38 of this circular. A letter from the Independent Board Committee is set out on pages 39 to 40 of this circular. A letter from Maxa Capital is set out on pages 41 to 63 of this circular.

A notice convening the first extraordinary general meeting for the year 2024 ("EGM") to be held at 2 p.m. on Friday, 8 November 2024 at A67, Ande Road, Xicheng District, Beijing, the PRC is set out on pages 64 to 67 of this circular.

If you intend to attend the EGM, please complete and return the enclosed reply slip in accordance with the instructions printed thereon as soon as possible and in any event by Friday, 18 October 2024.

Whether or not you are able to attend the EGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time scheduled for holding the EGM (or any adjourned meeting thereof). Completion and delivery of the proxy form shall not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings.

“Articles”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“Audit Committee”	the audit committee of the Board
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“Company” or “SINOPEC SEG”	SINOPEC Engineering (Group) Co., Ltd., a joint stock limited liability company incorporated under the laws of the PRC on 28 August 2012, which is listed on the Hong Kong Stock Exchange (Stock Code: 2386)
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CPC”	China Petrochemical Corporation (中國石油化工集團有限公司), a state-owned enterprise incorporated under the laws of the PRC and established in July 1998 upon reorganization of the former China Petrochemical Corporation (中國石油化工總公司), and the Company’s controlling shareholder
“controlling shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange

DEFINITIONS

“EGM”	the first extraordinary general meeting of the Company for the year 2024 to be convened and held at 2 p.m. on Friday, 8 November 2024 at A67, Ande Road, Xicheng District, Beijing, the PRC
“EGM Notice”	the notice for convening the EGM dated 11 September 2024
“Engineering and Construction Services Framework Agreement”	an engineering and construction services framework agreement entered into between the Company and CPC on 19 December 2012, as amended by certain supplemental agreements dated 16 August 2024, etc., respectively
“Financial Services Framework Agreement”	a financial services framework agreement entered into between the Company and CPC on 19 December 2012, as amended by certain supplemental agreements dated 16 August 2024, etc., respectively
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested share(s) of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent Board committee comprising Mr. HUI Chiu Chung, Stephen, Mr. DUAN Xue, Mr. YE Zheng and Mr. ZHAO Jinsong, which is set up for the purpose of advising the Independent Shareholders on the terms of the Non-exempt Transactions and the Proposed Annual Caps

DEFINITIONS

“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which was appointed by the Company as the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Transactions and the Proposed Annual Caps
“Independent Shareholders”	Shareholders other than Sinopec Group
“Independent Third Party(ies)”	party(ies) not connected with any of the Directors, the Supervisors, the chief executive or the substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Latest Practicable Date”	10 September 2024, being the latest practicable date before the printing of this circular for ascertaining certain information herein
“NFRA”	the National Financial Regulatory Administration
“Non-exempt Framework Agreements”	the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement
“Non-exempt Transactions”	the continuing connected transactions in relation to the deposits and entrustment loans under the Financial Services Framework Agreement and the continuing connected transactions under the Engineering and Construction Services Framework Agreement
“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC” or “People’s Republic of China”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual caps in respect of each of the Non-exempt Transactions for each of the years ending 31 December 2025, 2026 and 2027, respectively
“Prospectus”	the prospectus of the Company dated 10 May 2013
“R&D”	research and development

DEFINITIONS

“RMB”	the lawful currency of the PRC
“SAMC”	Sinopec Assets Management Co., Ltd. (中國石化集團資產經營管理有限公司), a company incorporated in the PRC on 7 December 2005 with limited liability and a wholly-owned subsidiary of CPC, which is also a connected person of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares
“Sinopec Century Bright”	Sinopec Century Bright Capital Investment Limited (中國石化盛駿國際投資有限公司), a limited liability company incorporated in Hong Kong on 29 November 1994 and a wholly-owned subsidiary of CPC, which is also a connected person of the Company
“Sinopec Corp.”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC, which is listed on the Hong Kong Stock Exchange (Stock Code: 0386) and Shanghai Stock Exchange (Stock Code: 600028) and is a subsidiary of CPC
“Sinopec Finance”	Sinopec Finance Co., Ltd. (中國石化財務有限責任公司), a limited liability company incorporated in the PRC in 1998, which is a connected person of the Company, with 49% of its equity interest being held by Sinopec Corp. and 51% of its equity interest being held by CPC
“Sinopec Finance Institutions”	Sinopec Century Bright and Sinopec Finance
“Sinopec Group”	CPC and its associates
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“substantial shareholder(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Supplemental Agreements”	the supplemental agreement to the Engineering and Construction Services Framework Agreement and the supplemental agreement to the Financial Services Framework Agreement dated 16 August 2024
“US\$”	the lawful currency of the United States of America
“%”	percentage ratio

LETTER FROM THE BOARD



中石化煉化工程（集團）股份有限公司
SINOPEC Engineering (Group) Co., Ltd.*

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

(Stock Code: 2386)

Executive Directors:

Mr. JIANG Dejun (蔣德軍) (*Chairman*)

Mr. ZHANG Xinming (張新明)

Ms. XIE Yanli (謝艷麗) (*Employee Representative Director*)

Non-executive Directors:

Mr. XIANG Wenwu (向文武)

Mr. LI Chengfeng (李成峰)

Mr. YU Renming (俞仁明)

Independent non-executive Directors:

Mr. HUI Chiu Chung, Stephen (許照中)

Mr. DUAN Xue (段雪)

Mr. YE Zheng (葉政)

Mr. ZHAO Jinsong (趙勁松)

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK
AGREEMENT AND THE PROPOSED ANNUAL CAPS**

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**PROPOSED APPOINTMENTS OF DIRECTORS
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LETTER FROM THE BOARD

I. INTRODUCTION

References are made to the Company's announcements dated 18 August 2024. The purpose of this circular is to provide you with further information in relation to the following resolutions to be proposed at the EGM:

1. to consider and approve the terms under the Financial Services Framework Agreement, the renewal of the continuing connected transactions thereunder and the Proposed Annual Caps in respect thereof for each of the years ending 31 December 2025, 2026 and 2027, respectively. The continuing connected transactions in relation to the deposits and entrustment loans under the Financial Services Framework Agreement will also constitute major transactions of the Company on an aggregated basis;
2. to consider and approve the terms under the Engineering and Construction Services Framework Agreement, the renewal of the continuing connected transactions thereunder and the Proposed Annual Caps in respect thereof for each of the years ending 31 December 2025, 2026 and 2027, respectively. The continuing connected transactions under the Engineering and Construction Services Framework Agreement will also constitute major transactions of the Company on an aggregated basis; and
3. to consider and approve the proposed appointments of the Directors of the Fifth Session of the Board and Supervisors of the Fifth Session of the Supervisory Committee, and the biographical details of the Directors and Supervisors candidates.

II. TRANSACTIONS UNDER THE NON-EXEMPT FRAMEWORK AGREEMENTS AND THE PROPOSED ANNUAL CAPS

(I). Background Information

References are made to the Company's announcement dated 23 August 2021, and the Company's circular dated 15 September 2021, and the Company's announcement of resolutions passed at the extraordinary general meeting dated 26 October 2021. The Company reviewed and approved the resolutions in relation to the terms under the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement, the renewal of the continuing connected transactions thereunder and the proposed annual caps for each of the years ended/ending 31 December 2022, 2023 and 2024, respectively, at the second extraordinary general meeting of the Company for the year of 2021 held on 26 October 2021. Pursuant to the said meeting, the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement were renewed for three years, with a valid term from 1 January 2022 to 31 December 2024.

LETTER FROM THE BOARD

Reference is made to the Company's announcement dated 16 August 2024 in relation to (among other things) the terms of the Non-exempt Transactions and the Proposed Annual Caps. Since the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement will expire on 31 December 2024, the Company and CPC entered into the Supplemental Agreements on 16 August 2024, renewing each of the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement for another three years. Pursuant to the renewals, a new valid term of each of the Financial Services Framework Agreement and the Engineering and Construction Services Framework Agreement will be from 1 January 2025 to 31 December 2027. However, the renewal of the Non-exempt Transactions is still subject to the approval of the Independent Shareholders.

On 16 August 2024, the Board reviewed and approved, among other things, the proposed resolutions in relation to the Non-exempt Framework Agreements and the Proposed Annual Caps, and to convene the EGM for the Independent Shareholders to consider and, if thought fit, approve, among other things, the above proposed resolutions.

As each of the highest applicable percentage ratios of the Proposed Annual Caps in respect of the continuing connected transactions in relation to the deposits and entrustment loans under the Financial Services Framework Agreement and the continuing connected transactions under the Engineering and Construction Services Framework Agreement exceeds 5%, in accordance with the Hong Kong Listing Rules, such transactions shall be subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the annual caps of RMB5 million in respect of the service fees in relation to settlement, entrustment loans and other financial services under the Financial Services Framework Agreement does not exceed 0.1%, in accordance with the Hong Kong Listing Rules, such transaction is fully exempted from the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Meanwhile, since each of the highest applicable percentage ratios of the Proposed Annual Caps in respect of the continuing connected transactions in relation to the deposits and entrustment loans under the Financial Services Framework Agreement and the continuing connected transactions under the Engineering and Construction Services Framework Agreement exceeds 25%, such transactions will also constitute major transactions of the Company on an aggregated basis, and are subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Non-exempt Transactions and the Proposed Annual Caps and as to how they should vote in respect of the resolutions in relation to the Non-exempt Framework Agreements and other issues. Maxa Capital has been engaged as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Meanwhile, Sinopec Group will abstain from voting at the EGM in respect of the resolutions in relation to the Non-exempt Framework Agreements.

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(II). Financial Services Framework Agreement

1. Principal Terms

(a) *Signing Date and Term*

The Company entered into the Financial Services Framework Agreement with CPC on 19 December 2012, as amended by several supplemental agreements. Pursuant to the supplemental agreement dated 16 August 2024, the term of the Financial Services Framework Agreement has been renewed by both parties after arm's length negotiations for another three years from 1 January 2025 to 31 December 2027, subject to Independent Shareholders' approval at the EGM.

(b) *Scope of Services*

Pursuant to the Financial Services Framework Agreement, Sinopec Finance and Sinopec Century Bright will provide financial services to the Group, and such financial services primarily include deposits, loans, entrustment loans, settlement services, entrustment investments, financial and financing consulting, credit certification, insurance agency, exchange settlement, bond underwriting, foreign exchange business, and related consultancy and agency and other financial services. The Group will enter into separate contracts with Sinopec Finance and Sinopec Century Bright, which set out the specific terms and conditions according to the principles provided in the Financial Services Framework Agreement.

(c) *Pricing Policy*

The pricing of the services provided under the Financial Services Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) ***government-prescribed price and government-guided price***: if at any time, the government-prescribed price is applicable to any particular financial service, such service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;
- (ii) ***market price***: the price of the same or similar services provided by an Independent Third Party in the ordinary and usual course of business on normal commercial terms; and
- (iii) ***agreed price***: to be determined by adding a reasonable profit over a reasonable cost.

LETTER FROM THE BOARD

Generally, the pricing of the services provided under the Financial Services Framework Agreement is determined mainly by reference to (i) the government-prescribed price and government-guided price; and (ii) the market price. In the event that the agreed price has to be used, with a view to arriving at a reasonable profit, such price will be determined through arm's length negotiations between the relevant parties after taking into account the prevailing market and business conditions.

In particular, the Financial Services Framework Agreement provides that the services shall be provided in accordance with the following pricing principles:

- (i) **Deposits services:** the interest rate applicable to the Group's deposits with Sinopec Finance Institutions will not be lower than: (i) the minimum interest rate published by the PBOC for deposits of a similar type for the same period (applicable to deposits with Sinopec Finance only); (ii) the interest rate for deposits of a similar type for the same period placed by other members of Sinopec Group; and (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Group;
- (ii) **Entrustment loan services:** the interest rates applicable to the Group's entrustment loans to Sinopec Group through Sinopec Finance shall be (i) on normal commercial terms; (ii) no less favourable than the interest rates for entrustment loans of a similar type provided by other members of Sinopec Group to Sinopec Group through Sinopec Finance; and (iii) generally not lower than the interest rates for bonds or loans available in the PRC financial market issued/provided by companies or financial institutions of credit ratings and risk profile similar to those of CPC or Sinopec Corp.; and
- (iii) **Settlement, entrustment loan and other financial services:** the service fees charged by Sinopec Finance Institutions shall not be higher than (i) fees charged by independent commercial banks or financial institutions; and (ii) fees charged to other members of Sinopec Group for similar services.

(d) Termination

Before the termination of the Financial Services Framework Agreement, the parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew the Financial Services Framework Agreement to ensure the normal operations of both parties after expiration of the term of the Financial Services Framework Agreement.

2. Commercial Rationale and Benefits of the Deposits and Entrustment Loans

(a) Deposits

- (i) **Centralized cash management.** It is the Group's policy to centralize the management of funds. As the terms offered by Sinopec Finance Institutions are no less favorable than the deposit interest rates published by the PBOC or independent commercial banks in Hong Kong for deposits of a similar type for the same period, the terms of placing deposits with

LETTER FROM THE BOARD

Sinopec Finance Institutions are no less favorable to the Group than placing deposits with independent commercial banks. In addition, the centralized deposit of funds with Sinopec Finance Institutions will enable the Group to use Sinopec Finance Institutions as a primary clearing and settlement platform, provide the Group with access to a centralized cash pool (both onshore and offshore), giving the Group the flexibility to make timely withdrawals from time to time to meet its funding needs and reduce the need for the Group to obtain third party financing, which will in turn help it achieve a lower cost of funding and maximize cost and operational efficiencies.

- (ii) ***Clearing and settlement platform.*** In the Group's ordinary and usual course of business, as Sinopec Group is the Group's single largest client, the Group transacts with numerous subsidiaries/affiliated companies within Sinopec Group. In line with Sinopec Group's internal group policy, such subsidiaries/affiliated companies generally maintain settlement accounts with Sinopec Finance Institutions. The centralized management of deposits of the Group by Sinopec Finance Institutions will facilitate clearing with other members of Sinopec Group (some of whom are the Group's clients), reduce the time required for transfer and turnaround of funds and is generally more administratively efficient than settlement through independent banks. It would not be efficient for Sinopec Group (and its affiliates) and the Group to separately maintain bank accounts with independent banks for clearing and settlement.

 - (iii) ***Familiarity with the Group's business.*** As Sinopec Finance Institutions only provide financial services to Sinopec Group and its members, they have acquired extensive knowledge of the Group's industry over the years. For the Group, Sinopec Finance Institutions are familiar with the Group's capital structure, business operations, funding needs and cash flow pattern, which enables them to anticipate and serve the Group's capital needs. As a result, Sinopec Finance Institutions are more well-positioned to provide the Group with bespoke and cost efficient services which would not be easy for independent commercial banks to replicate.

 - (iv) ***Flexibility to the Group.*** The Group has the sole discretion to deposit and withdraw its deposits with Sinopec Finance Institutions from time to time. There is no restriction on the Group's ability to deposit its cash with independent commercial banks in or outside the PRC now or in the future. Currently, the Group maintains deposits with independent commercial banks in and outside the PRC subject to the Group's contractual and other requirements, and expects to continue to do so. The Group chooses to deposit its cash with Sinopec Finance Institutions as this facilitates centralized management of funds.
- (b) ***Entrustment loans***
- (i) ***Best short term fund investment options.*** Due to the nature of the Group's business, the Group receives significant amounts of prepayments from clients from time to time. Such prepayments are in effect advance payments from the Group's clients, which the Group will apply towards performance of the relevant contracts as appropriate (such as purchase of raw materials and equipment, and payment to the Group's sub-contractors) and are only

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temporarily idle. Therefore, the Group needs to invest such surplus cash prudently as it is an advance/deposit from the Group's clients. Given the Group's need to match funds within a relatively short period of time whilst maintaining flexibility to pay the Group's trade payables from time to time, there is a lack of comparable alternative fund investment options. From the Group's perspective, the provision of entrustment loans to Sinopec Group is a safe, cost efficient and flexible option for investing such cash surplus, which may not otherwise be available in the open market.

- (ii) ***Credit rating of CPC.*** Sinopec Group is the borrower of the entrustment loans. Pursuant to the terms of the entrustment loans, Sinopec Group has the sole obligation to repay principal and interest (and any late payment interest). In 2023, CPC obtained an A+ long term corporate credit rating from Standard & Poor's and an A1 long-term corporate credit rating from Moody's. As at the Latest Practicable Date, CPC had a registered capital of RMB326.5 billion. CPC ranked sixth in 2023 in Fortune Global 500. The Group therefore considers that lending to Sinopec Group is a low risk fund allocation option. During the two years ended 31 December 2022 and 2023 and the six months ended 30 June 2024, Sinopec Group has not defaulted under any of the entrustment loans provided by the Group. Taking into account the creditworthiness of Sinopec Group and clean repayment history, the entrustment loans provided by the Group are generally unsecured. The Group considers that providing entrustment loans to Sinopec Group is a comprehensive, low risk fund allocation option due to the top-tier credit rating and clean repayment history of CPC, generating a higher return for the Group than deposits which would have been the only other fund investment option for the Group given the investment policy with respect to such funds.
- (iii) ***Efficient and flexible cash management.*** Provision of entrustment loans to Sinopec Group will allow the Group to allocate its surplus cash efficiently within a relatively short timeframe. The Group's entrustment loans to Sinopec Group generally do not exceed one year (the majority are for a period of one year or six months), enabling the Group to deploy its financial resources efficiently and flexibly. Upon the expiry of the entrustment loans, the Group will receive the principal amount and the interest payment in relation to such entrustment loans from Sinopec Finance. Any new entrustment loans to Sinopec Group will be subject to normal approval procedures in a standardized way. Furthermore, whilst the Group has historically provided entrustment loans to Sinopec Group and expects to continue to do so in the future, the Group is not under any legal or other obligation to provide entrustment loans to Sinopec Group. Pursuant to the entrustment loan agreements, the Group is entitled to early terminate the entrustment loans (without penalty) at its option in which case current deposit interest rate will apply.
- (iv) ***Normal commercial terms.*** The Group understands that there is no market standard rate for entrustment loans as the interest rate is determined through arm's length negotiations between the parties based on, among other things, relative bargaining power, risk profile and security level. The Group generally uses the applicable base deposit rate published by the PBOC from time to time as a reference point with an upward adjustment taking into account the amount and term of the loan. In addition, the Group will refer to the list of

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interest rates which specifies the range of interest rates for different entrustment loan amounts and terms. Such list has been agreed by CPC and the Company after arm's length negotiations and will be reviewed and re-negotiated by the parties periodically. Based on such list, the Company's Chief Financial Officer and finance department will decide the interest rates of the entrustment loan agreements to be entered into between CPC and the Group. In determining the interest rates for the entrusted loan, the Group will also make reference to other comparable rates, such as the interest rates for bonds or loans available in the PRC financial market issued/provided by companies or financial institutions of credit ratings and risk profile similar to those of CPC or Sinopec Corp., obtained through various channels such as banks and the relevant bond issuers (if any) for the purpose of ensuring that the interest rates for the entrustment loans are in the interests of the Company and the Shareholders as a whole. The interest rates on entrustment loans are generally not lower than the interest rates on bonds of similar terms issued by CPC and Sinopec Corp. The interest rates on entrustment loans provided by the Group to Sinopec Group are generally higher than the yield on principal-guaranteed wealth management products currently available in the PRC market.

In addition, the Board has considered the risks in association with the use of the services provided by Sinopec Finance and Sinopec Century Bright under the Financial Services Framework Agreement instead of the same services provided by independent commercial banks. Such risks include (i) the risks commonly faced by the banking industry, including credit risks and liquidity risks (e.g. banks have no immediately available fund for making payment when any deposit becomes due); and (ii) the possible material adverse change in the financial conditions of Sinopec Finance and Sinopec Century Bright. However, after taking into account (i) that the Company's internal control and corporate governance measures over the continuing connected transactions under the Financial Services Framework Agreement can reasonably and effectively assist the Company in monitoring the relevant financial services and minimize the potential financial risks of the Company; (ii) that the interest rates on the Group's entrustment loans are generally higher than yield on principal-guaranteed investment products available in the open market; (iii) CPC's strong credit rating and clean repayment history; (iv) the potential significant drain on the Group's time and resources to seek alternative borrowers and a lack of comparable alternative fund allocation options in the market compatible with the Group's needs; and (v) that the Group can early terminate its entrustment loans at its option (in which case the current deposit interest rate will apply), the Company and the Board are of the view that the risks faced by the Group in depositing funds with Sinopec Finance Institutions will not be higher than depositing funds with independent commercial banks and the continuing connected transactions contemplated under the Financial Services Framework Agreement are in the interests of the Company and the Shareholders as a whole.

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3. Internal control and corporate governance measures

Although there is no limit on the percentage of the Group's total liquid and/or surplus funds to be deposited with Sinopec Finance Institutions or loaned to Sinopec Group, the Company considers that for the reasons explained above, such policy is in the interests of the Company and the Shareholders as a whole. In addition, the Board has considered the risks (such as the possible material adverse change in the financial conditions of Sinopec Finance Institutions) in association with the use of the services provided by Sinopec Finance and Sinopec Century Bright under the Financial Services Framework Agreement instead of the same services provided by independent commercial banks. The Group has further adopted (i) an independent financial system; (ii) risk management measures; (iii) internal control measures; and (iv) corporate governance measures (including the pricing mechanism) with respect to the transactions under the Financial Services Framework Agreement in order to further safeguard the interests of the Independent Shareholders. The relevant measures include, but are not limited to, the following:

- (a) Sinopec Finance is a major domestic non-banking financial institution under the supervision of NFRA. The Beijing Bureau, being the dispatched agency of NFRA, conducts daily supervision on Sinopec Finance, as well as on-site and off-site inspections. Over the years, all its regulatory indicators have met the regulatory requirements. As at 31 December 2023, Sinopec Finance had total assets of RMB214.12 billion, net assets of RMB33.754 billion, registered capital of RMB18 billion, capital adequacy ratio of 17.62%, liquidity ratio of 78.18%. According to the unaudited financial data of Sinopec Finance, as at 30 June 2024, Sinopec Finance had total assets of RMB219.329 billion, net assets of RMB33.906 billion, registered capital of RMB18 billion, capital adequacy ratio of 16.50%, liquidity ratio of 69.24%. Sinopec Century Bright holds a money lender licence issued by the Hong Kong government and is subject to the management of the Hong Kong government, the Hong Kong Companies Registry and other relevant regulatory bodies. As at 31 December 2023, Sinopec Century Bright had total assets of RMB320.927 billion and net assets of RMB30.346 billion. According to the unaudited financial data of Sinopec Century Bright, as at 30 June 2024, Sinopec Century Bright had total assets of RMB316.694 billion and net assets of RMB32.642 billion. Currently, Sinopec Century Bright has a credit rating of A2 from Moody's and A from Standard & Poor's.
- (b) Sinopec Finance Institutions and CPC will provide sufficient information including various financial indicators (as well as annual and interim financial statements) at the end of every quarter to enable the Group to monitor and review the financial condition of Sinopec Finance Institutions and Sinopec Group.
- (c) The Group requests, from time to time at its sole discretion, for the deposits with Sinopec Finance Institutions and the entrustment loans through Sinopec Finance to Sinopec Group to be withdrawn or early terminated (either in full or in part) to assess and ensure the liquidity and safety of its deposits and entrustment loans.

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- (d) CPC has undertaken, unconditionally and irrevocably, that it shall provide capital injection to Sinopec Finance in case of any payment difficulties arising from its operations. Such undertaking provides an indemnity for the Group's deposits with Sinopec Finance under the Financial Services Framework Agreement.
- (e) The Group has adopted a cash management policy (《資金管理辦法》) and an internal bank management policy (《內部銀行管理辦法》). Such policies provide that the Group's cash should be centrally managed in order to maximise the benefits of a cash pool. The Company's finance department is responsible for administering the cash management policy and the internal bank management policy. When providing entrustment loans to connected persons (whether through Sinopec Finance or otherwise), the Group will consider the interest rate, service fees, term and use of loan and the credit of the ultimate borrower based on principles of maximum return, cost control and risk control. The entrustment loan agreements (setting out interest rate, service fees, term and use of loan) need to be first approved by the Company's finance department, then the Company's Chief Financial Officer and ultimately by the Chairman of the Board or his authorized representatives.
- (f) The Company's management prepares risk assessment reports of the funds deposited with Sinopec Finance Institutions and entrustment loans to Sinopec Group every quarter which will be submitted to the Board for consideration.
- (g) The independent non-executive Directors independently scrutinise the performance and the enforcement of the transactions and the key contractual terms (including the pricing mechanism) under the Financial Services Framework Agreement. The Independent non-executive Directors committee will vote in respect of matters under the Financial Services Framework Agreement.
- (h) Before entering into any transactions under the Financial Services Framework Agreement with Sinopec Finance Institutions, the Company will obtain at least three quotes from independent financial institutions for similar services of the same term. The Company will compare such quotes with those offered by Sinopec Finance Institutions, and decide whether to accept the quotes offered by Sinopec Finance Institutions.
- (i) In the event that there is any change in the fees or interest rates for the services provided by Sinopec Finance Institutions to the Group under the Financial Services Framework Agreement, Sinopec Finance Institutions are required to notify the Company of (i) such change in the fees or interest rates; and (ii) the pricing information for the similar services provided by Sinopec Finance Institutions to other members of Sinopec Group. The relevant internal audit personnel of the Company will then verify the aforementioned information to ensure that such revised fees or interests rates are not less favorable than the fees or interest rates offered by Sinopec Finance Institutions to other members of Sinopec Group for similar services.

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- (j) Sinopec Finance Institutions undertake that the deposits obtained from the Company will be primarily used for the Company’s capital needs and ensure the safety of the deposits. In the event that the Company has a need for funds in excess of those deposited with Sinopec Finance Institutions, Sinopec Finance Institutions will use their best endeavours to satisfy the aforesaid needs of the Company in accordance with the relevant provisions under the Financial Services Framework Agreement.

For further details of the Group’s internal control and corporate governance measures, please refer to the section headed “Connected Transactions” in the Prospectus and the Company’s announcement dated 16 August 2024.

4. Historical Amounts

Set out below are (i) the maximum daily balance of deposits with Sinopec Finance Institutions and interest income arising from such deposits; and (ii) the maximum daily balance of entrustment loans arranged through Sinopec Finance for each of the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024:

	For the year ended 31 December		For the six months ended 30 June
	2022	2023	2024
	<i>(RMB’000)</i>		
Maximum daily balance of deposits and interest income	7,676,186	7,959,223	7,257,398
Maximum daily balance of entrustment loans and interest income	20,500,000	20,500,000	20,500,000

5. Existing and Proposed Annual Caps

(a) Existing Annual Caps

As disclosed in the Company’s announcement dated 16 August 2024, the existing annual caps for each of the years ended/ending 31 December 2022, 2023 and 2024 are set out below:

	For the years ended/ending 31 December		
	2022	2023	2024
	<i>(RMB’000)</i>		
Maximum daily balance of deposits and interest income	8,000,000	8,000,000	8,000,000
Maximum daily balance of entrustment loans and interest income	20,500,000	20,500,000	20,500,000

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(b) Proposed Annual Caps

The Proposed Annual Caps for each of the years ending 31 December 2025, 2026 and 2027 are set out below:

	For the years ending 31 December		
	2025	2026	2027
	<i>(RMB'000)</i>		
Maximum daily balance of deposits and interest income	8,000,000	8,000,000	8,000,000
Maximum daily balance of entrustment loans and interest income	20,500,000	20,500,000	20,500,000

Basis of Caps

In determining the above annual caps for each of the years ending 31 December 2025, 2026 and 2027, the following factors have mainly been considered:

- (1) the utilization rates of the above-mentioned annual caps for each of the years ended 31 December 2022, 2023 and for the six months ended 30 June 2024;
- (2) the interest rates and fee rates in connection with deposits, entrustment loans and other financial services;
- (3) the Group is expected to expand social investment channels and diversify our investment portfolio, thus the Group will remain the scale of deposits and entrustment loans with Sinopec Finance Institutions unchanged in the next three years;
- (4) the expected business volume of the Group for the years 2025, 2026 and 2027; and
- (5) the Group's expected net cash inflow generated by its operating activities for the years 2025, 2026 and 2027.

When determining whether funds are placed as deposits with Sinopec Finance Institutions or loaned to Sinopec Group through the provision of entrustment loans, the Group will take into account the following factors based on principles of maximum return, cost control and risk control: (i) the funding plan which specifies the Group's long term and short term funding needs, operational needs and capital expenditure requirements; (ii) the Group's fund investment needs with reference to the interest rates offered for deposits and entrustment loans; (iii) the amount of cash inflow from business operations; and (iv) the service fees charged and terms of entrustment loans.

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In addition, the Group has also taken into account of following key basis and assumptions when determining the above annual caps:

(1) Deposits and interest income

For the continuing connected transactions in connection with the maximum daily balance of deposits and interest income, based on the historical figures for the two years ended 31 December 2022 and 2023, the utilization rates for the annual caps were 95.6% and 99.9% for 2022 and 2023, respectively; also, for the six months ended 30 June 2024, the maximum daily balance of deposits and interest income has already reached 90.7% of the annual cap of 2024.

Based on (i) the utilization level of the annual caps; (ii) the future business development, cash flow position and scale of fund settlement of the Group; and (iii) the need to expand social investment channels and diversify investment portfolio, the Group is expected to remain the scale of deposits with Sinopec Finance and Sinopec Century Bright unchanged in the next three years. Thus, the Proposed Annual Caps for maximum daily balance of deposits and interest income will remain the same as the existing annual caps.

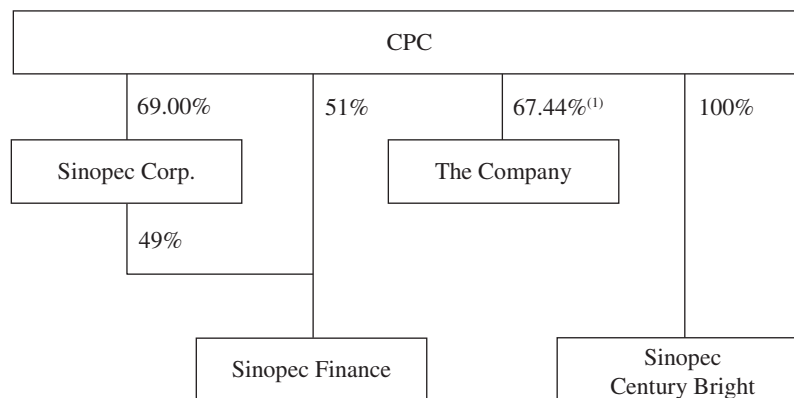
(2) Entrustment loans

For the continuing connected transactions in connection with the maximum daily balance of entrustment loans, based on the historical figures for the two years ended 31 December 2022 and 2023, the utilization rates for the annual caps were 100.0% for both 2022 and 2023; also, for the six months ended 30 June 2024, the maximum daily balance of entrustment loans has already reached 100.0% of the annual cap of 2024 (has been fully utilized).

On the basis of the above, the Directors are of the view that the annual caps of the deposits and interest income and the entrustment loans for the years of 2025, 2026 and 2027 are consistent with the corresponding expected scale of changes of the income, the net cash inflow to be generated by the operating activities and the total payments transactions of the Company. As such, the Directors are of the view that the Proposed Annual Caps for the year of 2025, 2026 and 2027 are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

6. Requirements under the Hong Kong Listing Rules

The following diagram sets out the shareholding relationship among CPC, Sinopec Finance, Sinopec Century Bright and the Company as at the Latest Practicable Date.



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Note:

- (1) CPC directly and/or indirectly holds 2,967,200,000 Domestic Shares (including 59,344,000 Domestic Shares held by its wholly-owned subsidiary, SAMC), representing approximately 67.44% of the total share capital of the Company as of the Latest Practicable Date.

As shown above, CPC holds more than 10% of the Company's issued share capital and is therefore a substantial shareholder of the Company. Under Rules 14A.07(1) and 14A.07(4) of the Hong Kong Listing Rules, CPC and its associates (including Sinopec Century Bright and Sinopec Finance) are connected persons of the Company. Accordingly, the transactions under the Financial Services Framework Agreement between the Group and Sinopec Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms. In respect of the continuing connected transactions in relation to the deposits and entrustment loans, the relevant percentage ratios (except for the profit ratio) of the Proposed Annual Caps calculated pursuant to Chapter 14A of the Hong Kong Listing Rules will exceed 5%, and therefore, under Rule 14A.76(2) of the Hong Kong Listing Rules, those transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In respect of the service fees in relation to settlement, entrustment loans and other financial services, the relevant percentage ratios (except for the profit ratio) of the annual caps of RMB5 million calculated pursuant to Chapter 14A of the Hong Kong Listing Rules will not exceed 0.1%, and therefore, under Rule 14A.76(1) of the Hong Kong Listing Rules, such transaction is fully exempted from the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Meanwhile, in terms of the Proposed Annual Caps in respect of the continuing connected transactions in relation to the deposits and entrustment loans under the Financial Services Framework Agreement, one or more of the applicable percentage ratios calculated according to Rule 14.07 of the Hong Kong Listing Rules will exceed 25%. Therefore, under Chapter 14A of the Hong Kong Listing Rules, the continuing connected transactions in relation to the deposits and entrustment loans under the Financial Services Framework Agreement will also constitute major transactions of the Company on an aggregated basis, and are subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

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(III). Engineering and Construction Services Framework Agreement

1. Principal Terms

(a) *Signing Date and Term*

The Company entered into the Engineering and Construction Services Framework Agreement with CPC on 19 December 2012, as amended by several supplemental agreements. According to the supplemental agreement dated 16 August 2024, the term of the Engineering and Construction Services Framework Agreement has been renewed by both parties after arm's length negotiations for another three years from 1 January 2025 to 31 December 2027, subject to Independent Shareholders' approval at the EGM. Relevant subsidiaries or associated companies of both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the Engineering and Construction Services Framework Agreement.

(b) *Service Scope*

- (i) ***Provision of engineering and construction services by the Group to Sinopec Group:*** engineering consulting; project management; project supervision; contracting; engineering design; construction; testing and inspection and repair services; machinery equipment processing and manufacturing services; procurement services and equipment leasing; technology licensing, technology transfer and engineering technology services; labor service; and other engineering supporting services.
- (ii) ***Provision of engineering and construction services by Sinopec Group to the Group:*** supply of equipment and materials; procurement services and equipment leasing; technology licensing, technology transfer and engineering technology services; labor service; other engineering supporting services.

(c) *Pricing Policy*

The pricing of the relevant products and services provided under the Engineering and Construction Services Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) ***government-prescribed price and government-guided price:*** if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;

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- (ii) **tender and bidding price:** where tender and bidding process is necessary under applicable laws, regulations and rules, the price will be ultimately determined in accordance with the tender and bidding process;
- (iii) **market price:** the price of the same or similar products, technologies or services provided by an Independent Third Party in the ordinary and usual course of business on normal commercial terms; and
- (iv) **agreed price:** to be determined by adding a reasonable profit over a reasonable cost.

Historically, there was no government-prescribed price or government-guided fee standard which was applicable to the engineering and construction services provided by the Group to Sinopec Group and those provided by Sinopec Group to the Group under the Engineering and Construction Services Framework Agreement. If, during the term of the Engineering and Construction Services Framework Agreement, there is any mandatory government-prescribed price or government-guided fee standard specifically applicable to the engineering and construction services to be provided by the Group to Sinopec Group or the services to be provided by Sinopec Group to the Group, relevant parties to the agreement shall be obliged to use the applicable government-prescribed price or agree the price of such services within the range of the government-guided fee standard (as appropriate). The Company also undertakes that it will disclose the details of the policy and guidance under the government prescribed price and government-guided fee standards when such price or fee standard becomes available.

For the engineering and construction services to be provided by the Group to Sinopec Group, the pricing is determined mainly by reference to the tender and bidding price. The bidding price mainly takes into account various factors including technical requirements, project execution standards, local meteorological and geographical conditions, public works conditions, estimated labor hours and costs, estimated material and equipment costs and other unforeseeable expenses. The bidding prices are generally specific to each project and the Group is not able to implement standard pricing policies for all projects. In addition, the tender and bidding process and the price are conducted in accordance with the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and other applicable PRC laws, rules and regulations. The Company also implemented the Internal Management Measures in relation to the Procurement and Bidding of Sinopec Engineering (Group) Co., Ltd. (《中石化煉化工程(集團)股份有限公司物資採購招標管理辦法》) to monitor and manage the tender and bidding processes. The tender and bidding prices are also subject to the strict reviews of the Company's audit departments each year. Meanwhile, the tender and bidding process is an open and transparent process based on market participation, the tender and bidding price under such process reflects the applicable price available in the open market. Hence, the tender and bidding price is the market price. The agreed price is mainly applied for services under certain circumstances (e.g. for services with unique technological advantages).

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For the engineering and construction services to be provided by Sinopec Group to the Group, the pricing is determined mainly by reference to the agreed price. The reasons why the Group did not use tender and bidding price approach are mainly because, historically, such services were not typically subject to tender and bidding process due to the common type and nature of such services as well as the high frequency of the procurement of such services. The Company does not anticipate the type, the nature, and the frequency of the procurement of the services to be procured from Sinopec Group by the Group during the term of the Engineering and Construction Services Framework Agreement to significantly deviate from those of the services the Group currently procures from Sinopec Group. In the event that the services to be procured from Sinopec Group by the Group are mandatorily subject to tender and bidding process, the price and the process will be conducted in accordance with the Bidding Law of the People's Republic of China. In addition, historically, the Group did not use the market price for the procurement of such services from Sinopec Group because the agreed price and terms have generally been more competitive than the available market price and terms from Independent Third Parties, which will further economize the procurement funds of the Group, increase the efficiency of the allocation of its procurement resources, as well as achieve economies of scale. For more details in relation to the determination of the agreed price and the relevant internal control procedures, please refer to “– 3. Procedures and Internal Control Measures for Pricing and Terms of the Continuing Connected Transactions under the Engineering and Construction Services Framework Agreement.”

(d) Termination

Before the termination of the Engineering and Construction Services Framework Agreement, the parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew the Engineering and Construction Services Framework Agreement to ensure the normal running of the production and operations of both parties after expiration of the term of the Engineering and Construction Services Framework Agreement.

2. Reasons for and Benefits of the Transactions under the Engineering and Construction Services Framework Agreement

There are specific technology and quality standard requirements implemented in the oil industry. With a leading position in the oil industry, CPC ranked sixth in 2023 in Fortune Global 500. Benefiting from its scale strength, Sinopec Group can provide the Group with stable supply of equipment and materials, procurement services and technical services and other supporting products and services. Pursuant to the relevant terms under the Engineering and Construction Services Framework Agreement, the Group is able to procure products and services from Sinopec Group at prices no higher than the prices offered by other independent suppliers.

In addition, Sinopec Group mainly adopts external public tendering process for its engineering projects. In consideration of the Group being a leading energy chemical engineering company in the PRC and the long-term cooperative relationship maintained with Sinopec Group, it is expected that Sinopec Group may also increase the demand for the Group's products and services in its future investment plan.

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3. Procedures and Internal Control Measures for Pricing and Terms of the Continuing Connected Transactions under the Engineering and Construction Services Framework Agreement

The Company has internal control measures for regulating the entering into of the continuing connected transactions under the Engineering and Construction Services Framework Agreement (including the relevant pricing mechanism).

For the engineering and construction services provided by the Group to Sinopec Group under the limited circumstances (e.g. for services with unique technological advantages) where the agreed price is used, with a view to arriving at a reasonable profit, such price will be determined through arm's length negotiations between the relevant parties after making references to the gross profit margins of various business segments as disclosed in the Company's annual report for the most recent financial year, and taking into account various factors, including the type of business, the complexity of the projects and the technologies involved, as well as the prevailing market and business conditions. As to the Group, such price is subject to the prior review of the marketing department of the relevant subsidiary of the Company, or depending on the actual circumstances, such price will be reported by the marketing department of the relevant subsidiary of the Company to the management of such subsidiary for its further review. The marketing department and the management (as the case may be) of the relevant subsidiary of the Company will take into account factors including the type of business, the complexity of the projects and the technologies involved, as well as the price scope and service price of at least one relevant comparable service recently (generally in the three months to around one year given that the agreed price is mainly applied for services under certain circumstances (e.g. for services with unique technological advantages)) provided by the Group to Independent Third Parties to ensure that the terms of the engineering and construction services provided by the Group to Sinopec Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favorable to the Group than the terms available to Independent Third Parties.

For the services provided by Sinopec Group to the Group where the agreed price is used, relevant services providers inside Sinopec Group generally provide a cost list in respect of the relevant services provided by Sinopec Group to the Group, and the Group will then seek to obtain the prices of relevant comparable services provided by at least three (where applicable) independent services providers to determine the reasonable costs and profits for ascertaining the agreed price of the services to be provided by Sinopec Group to the Group through arm's length negotiations between the relevant parties. As to the Group, such price is subject to the prior review of the marketing department and the procurement department of the relevant subsidiary of the Company, or depending on the actual circumstances, such price will be reported by the marketing department and the procurement department of the relevant subsidiary of the Company to the management of such subsidiary for its further review. The marketing department, the procurement department and the management (as the case may be) of the relevant subsidiary of the Company will take into account factors including the scope, the quality and the prices of relevant comparable services provided by independent services providers to ensure that the terms of the services to be provided by Sinopec Group to the Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favourable to the Group than those available from Independent Third Parties.

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4. Historical Amounts

Set out below are (i) the revenue generated from the provision of engineering and construction services by the Group to Sinopec Group; and (ii) the expenditure incurred for the provision of engineering and construction services by Sinopec Group to the Group for each of the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024:

	For the years ended		For the
	31 December		six months
	2022	2023	ended
	<i>(RMB'000)</i>		30 June
			2024
Total revenue generated from the provision of engineering and construction services by the Group to Sinopec Group	31,245,665	31,981,522	12,582,520
Total expenditure incurred for the provision of engineering and construction services by Sinopec Group to the Group	5,328,745	2,480,959	1,487,067

5. Existing and Proposed Annual Caps

Existing Annual Caps

As disclosed in the announcement of the Company dated 16 August 2024, the existing annual caps for each of the years ended/ending 31 December 2022, 2023 and 2024 are set out below:

	For the years ended/ending 31 December		
	2022	2023	2024
	<i>(RMB'000)</i>		
Total revenue generated from the provision of engineering and construction services by the Group to Sinopec Group	55,000,000	55,000,000	55,000,000
Total expenditure incurred for the provision of engineering and construction services by Sinopec Group to the Group	7,000,000	7,000,000	7,000,000

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Proposed Annual Caps

The Proposed Annual Caps for each of the years ending 31 December 2025, 2026 and 2027 are set out below:

	For the years ending 31 December		
	2025	2026	2027
	<i>(RMB'000)</i>		
Total revenue generated from the provision of engineering and construction services by the Group to Sinopec Group	55,000,000	55,000,000	55,000,000
Total expenditure incurred for the provision of engineering and construction services by Sinopec Group to the Group	7,000,000	7,000,000	7,000,000

Basis of Caps

In determining the above Proposed Annual Caps for the Group's provision of engineering and construction services to Sinopec Group for each of the years ending 31 December 2025, 2026 and 2027, the following factors have mainly been considered:

- (i) Sinopec Group's investment plan in relation to, among other things, oil refining, petrochemical, new coal chemical, and natural gas during the period from 2025 to 2027;
- (ii) historical operating income generated from the provision of engineering and construction services by the Group to Sinopec Group, as well as such operating income as a percentage of the Group's total operating income for the corresponding year;
- (iii) the total amount of backlog and new contracts value in connection with the provision of engineering and construction services by the Group to Sinopec Group, as well as such amounts as a percentage of the total amount of the Group's backlog and new contracts value as of 30 June 2024; and
- (iv) the Group's business development plan for the years of 2025, 2026 and 2027, and the operating income in connection with the engineering and construction services provided by the Group to Sinopec Group as a percentage of the Group's total operating income.

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After reviewing the above and based on following assumptions:

- (i) Based on the publicly disclosed information of Sinopec Corp., in 2021, 2022 and 2023, the capital expenditure of Sinopec Corp. on oil refining and chemicals were RMB74.1 billion, RMB81.5 billion and RMB77.9 billion, respectively. Its capital expenditure on oil refining and chemicals in 2024 is expected to be RMB70.6 billion. In 2021, 2022 and 2023, the revenue of the Group's engineering and construction services generated from Sinopec Group were RMB37.819 billion, RMB31.246 billion and RMB31.982 billion, respectively, maintaining basically stable. As such, after considering (a) the high quality development requirements of the petrochemicals industry in the next three years, (b) the expected continuously stable capital expenditure plan of Sinopec Corp., and (c) the expected stable revenue of Group's engineering and construction services generated from Sinopec Group, and based on historical amount, the ratio of conversion of Sinopec Group's investment amount to the Group's contract amount is in the range of 40-50%, on which the Proposed Annual Caps are determined;
- (ii) Projects obtained by the Group from Sinopec Group form a core part of the Group's principal activities. To ensure the continuity of the Group's production operations, and to avoid business interruption due to the exceeding of proposed caps of the continuing connected transactions under the Engineering and Construction Services Framework Agreement, the Group adopts the maximum amount of the forecast amount as the cap when determining the Proposed Annual Caps;
- (iii) The proportion of new contracts and backlog of engineering and construction services obtained by the Group from Sinopec Group. From 2022 to 2023, the proportions of new contracts value of engineering and construction services obtained by the Group from Sinopec Group to the Group's new contracts value of engineering and construction services were at approximately 30%-40%, while the proportions of backlog obtained by the Group from Sinopec Group to the Group's total backlog for the same years were at approximately 40%-50%. Therefore, the Group will also determine annual caps with reference to such proportions of the engineering and construction services contracts obtained by the Group from Sinopec Group. Therefore, the Proposed Annual Caps are in line with historical caps.
- (iv) The utilization rate of the annual cap for engineering and construction services provided by the Group to Sinopec Group in 2023 was approximately 58%. The differences among the historical transaction amounts in 2023, the annual caps for 2023 and the amounts for Proposed Annual Caps are mainly due to the facts that: (i) there are significant changes in the arrangement of engineering and construction service projects related to petroleum and petrochemical products due to the fluctuations in international crude oil prices and macroeconomic environment. According to International Energy Agency (IEA), the global petrochemical industry is currently going through a momentous period of transition. Global oil use in 2023 has grown to 1 million barrels per day (mb/d) above compared with that in 2019

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which is largely boosted by petrochemical demand and is especially concentrated in China. In 2023, demand for petrochemical feedstocks such as naphtha, liquefied petroleum gas (LPG) and ethane in China was average 1.7 mb/d more than in 2019; and (ii) both the Group and Sinopec Group are large enterprises with a large scale and volume, and the Company considers the factors such as changes in the macro environment, the business development of the Group and Sinopec Group and changes in the scheduling of Sinopec Group's large scale chemical projects. The Group expects to participate in several potential large scale petrochemical projects of Sinopec Group with a proposed total investment amount of over RMB110 billion during the three years ending 31 December 2026. Thus, there will be potential contingencies during such period that may be difficult to accurately anticipate for the time being. Therefore, the Proposed Annual Caps are determined on a commercially viable plan taking into account the maximum amount for various possibilities for providing flexibility to the revenue transaction of the Group in relation to engineering and construction services provided by the Group to Sinopec Group.

The Board is of the view that the Proposed Annual Caps for the provision of engineering and construction services by the Group to Sinopec Group in 2025, 2026 and 2027, namely RMB55.0 billion per year, are consistent with the development plan of Sinopec Group in the oil refining, petrochemical and LNG fields and of the Group's business in the corresponding years. As such, the Directors are of the view that such Proposed Annual Caps are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

In determining the above Proposed Annual Caps for the provision of services by Sinopec Group to the Group, the following factors have mainly been considered:

- (i) historical expenditure incurred for the provision of services by Sinopec Group to the Group;
- (ii) the expenditure incurred for the provision of services by Sinopec Group to the Group as a percentage of the revenue generated from the provision of engineering and construction services by the Group to Sinopec Group; and
- (iii) the Group's business development plan for the years of 2025, 2026 and 2027.

After reviewing the above and based on following assumptions:

- (i) the expenditure incurred for the provision of engineering and construction services by Sinopec Group to the Group as a percentage of the revenue generated from the provision of engineering and construction services by the Group to Sinopec Group is generally less than 12%. Such percentage is not expected to exceed the above level for the period from 2025 to 2027 as a result of future development of the Group and Sinopec Group;

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- (ii) the actual connected transaction amount in relation to the engineering and construction services provided by Sinopec Group to the Group can be estimated using the above percentage, and combined with the estimated increase in investment in different sectors according to the investment plan of Sinopec Group in the coming three years and thus the corresponding future expected expenditure incurred for the provision of engineering and construction services by Sinopec Group to the Group can be estimated;
- (iii) in order to meet the Group's needs of future business development, the Group will engage Sinopec Group to conduct centralized procurement of IT equipment, bespoke software and network installation, since such arrangements will not only contribute to an increased operational efficiency, but also lower the purchase cost as a result of stronger buying power by combining the needs of various subsidiaries/associates under Sinopec Group; and
- (iv) the utilization rate of the annual cap for engineering and construction services provided by Sinopec Group to the Group in 2023 was approximately 35%. The differences among the historical transaction amounts in 2023, the annual caps for 2023 and the amounts for Proposed Annual Caps are mainly due to: (i) the potential large scale petrochemical projects of Sinopec Group which may be conducted by the Group during the three years ending 31 December 2026 with a proposed total investment amount of over RMB110 billion; (ii) the volatility of engineering related procurement cycles (usually an approximately one-year time lag); and (iii) the fact that both the Group and Sinopec Group are large enterprises with a large scale and volume, and considering the factors such as changes in the macro environment, the business development of the Group and Sinopec Group and changes in the procurement cycles, thus there will be potential contingencies during such period that may be difficult for the Company to accurately anticipate for the time being. Therefore, the Proposed Annual Caps for the engineering and construction services provided by Sinopec Group to the Group are determined on a commercially viable plan taking into account the maximum amount for various possibilities.

The Board is of the view that the Proposed Annual Caps for the provision of engineering and construction services by Sinopec Group to the Group for the years of 2025, 2026 and 2027, namely RMB7.0 billion per year, are consistent with the Group's business development plan in the corresponding years. As such, the Directors are of the view that such Proposed Annual Caps are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

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The Directors are also of the opinion that, notwithstanding the above substantial size of the continuing connected transactions with Sinopec Group under the Engineering and Construction Services Framework Agreement will remain in 2025, 2026 and 2027, there is no undue reliance concern between the Group and Sinopec Group. This is mainly because:

- (1) ***The business relationship between the Group and Sinopec Group is mutual and complementary.*** Sinopec Group is one of the largest petrochemical products manufacturers in the PRC and one of the world's largest petroleum process operators and refiners. The Group is one of the leading oil refining and chemical engineering companies with advanced technologies and remarkable performance in the PRC. Sinopec Group is the largest client of the Group, and the Group is the largest oil refining and chemical engineering service provider of Sinopec Group in terms of the historical revenues. The business cooperation between the Group and Sinopec Group is a mutual result of the respective industry positions and competitive strengths of both parties;
- (2) ***Notwithstanding the fact that the industry landscape is dominated by a limited number of customers, the Group has close business relationships with customers other than Sinopec Group.*** Oil refining and petrochemical industry in the PRC is highly concentrated and dominated by a handful of leading energy enterprises. As a result, the revenues of oil refining and chemical engineering companies in the PRC, such as the Group, are mostly derived from a limited number of customers in the market, including those from their controlling shareholders. Notwithstanding such industry landscape, the Group has established a diversified customer network other than Sinopec Group and set up a strategic plan for global development and endeavors to exploit the intensely competitive overseas markets. The Group carries out dozens of projects in the Middle East, Central Asia, Southeast Asia and other regions, most of which are projects from Independent Third Parties. In this regard, the Group has a relatively diversified group of major clients; and
- (3) ***The Group can maintain its revenue level to be generated from independent clients.*** The Group proposed to further promote its cooperation with leading energy enterprises in the PRC and Independent Third Parties in overseas markets to further procure more EPC contracts. As a result, it is expected that the revenue from Independent Third Parties may grow and thereby the revenue level to be generated from independent clients will be maintained.

6. Requirements under the Hong Kong Listing Rules

CPC holds more than 10% of the Company's issued share capital and is therefore a substantial shareholder of the Company. Under Rules 14A.07(1) and 14A.07(4) of the Hong Kong Listing Rules, CPC and its associates are connected persons of the Company. Accordingly, the transactions under the Engineering and Construction Services Framework Agreement between the Group and Sinopec Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

The transactions under the Engineering and Construction Services Framework Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms where, as the Directors currently expect, relevant percentage ratios (except for the profit ratio) of the Proposed Annual Caps of the transactions calculated pursuant to Chapter 14A of the Hong Kong Listing Rules will exceed 5% and therefore, under Rule 14A.76(2) of the Hong Kong Listing Rules, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Meanwhile, in terms of the Proposed Annual Caps in respect of the continuing connected transactions under the Engineering and Construction Services Framework Agreement, one or more of the applicable percentage ratios calculated according to Rule 14.07 of the Hong Kong Listing Rules will exceed 25%. Therefore, under Chapter 14 of the Hong Kong Listing Rules, the continuing connected transactions under the Engineering and Construction Services Framework Agreement will also constitute major transactions of the Company on an aggregated basis, and are subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

(IV). Approval by the Board

On 16 August 2024, the Company held the 20th meeting of the Fourth Session of the Board to consider and vote on, among other things, the terms of the Non-exempt Transactions and the Proposed Annual Caps. The Non-exempt Transactions will also constitute major transactions of the Company on an aggregated basis. After consideration, all non-connected Directors unanimously agreed and passed the resolutions in relation to the Non-exempt Framework Agreements. Since those resolutions are related to a connected transaction with the controlling Shareholder, Mr. XIANG Wenwu, Mr. LI Chengfeng and Mr. YU Renming, our Directors, have abstained from voting on those resolutions at the relevant Board meeting.

Mr. HUI Chiu Chung, Stephen, Mr. DUAN Xue, Mr. YE Zheng and Mr. ZHAO Jinsong, being the independent non-executive Directors, unanimously approved the relevant resolutions. All the non-connected Directors (including the independent non-executive Directors) considered that (i) the Non-exempt Transactions are on normal commercial terms and in the ordinary and usual course of the Group's business; and (ii) the terms of the Non-exempt Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Maxa Capital has been appointed as the Independent Financial Adviser and will advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Non-exempt Transactions and the Proposed Annual Caps, and whether they are in the interests of the Company and the Shareholders as a whole. It will also advise the Independent Shareholders on how to vote and other relevant issues.

LETTER FROM THE BOARD

According to the Hong Kong Listing Rules, the Independent Board Committee has been formed. After considering the advice from the Independent Financial Adviser, the Independent Board Committee will advise the Independent Shareholders on the fairness and reasonableness of the terms of the Non-exempt Transactions and the Proposed Annual Caps, and whether they are in the interests of the Company and the Shareholders as a whole. To the best of the Directors' knowledge, information and belief after making all due enquiry, no member of the Independent Board Committee has any material rights or interests in the aforementioned connected transactions.

The Company will convene the EGM for the Independent Shareholders to consider and approve (if thought fit), among other things, the terms of the Non-exempt Transactions and the Proposed Annual Caps. As of the Latest Practicable Date, CPC directly or indirectly holds 2,967,200,000 Domestic Shares (including 59,344,000 Domestic Shares held by its wholly-owned subsidiary, SAMC), representing approximately 67.44% of the issued total share capital of the Company. CPC therefore constitutes the controlling shareholder and a connected person of the Company. As such, Sinopec Group will abstain from voting at the EGM in respect of the resolutions in relation to the Non-exempt Framework Agreements.

(V). Procedures and Internal Control Measures for Pricing and Terms of the Continuing Connected Transactions

The Company has implemented internal control measures for the entering into of the above continuing connected transactions (including the relevant pricing mechanisms). Such measures include the following:

- (1) The Company supervises the continuing connected transactions in accordance with the procedures set forth in the Company's internal control guidelines on continuing connected transactions (including the relevant pricing mechanism);
- (2) The finance department of the Group works closely with other business departments and subsidiaries to collect information such as historical transaction amounts and transaction terms of connected transactions, analyze and estimate if the actual transaction amounts of the continuing connected transactions may exceed the annual caps, form a joint inspection team which inspects the performance of connected transactions twice a year, recommends and enforces measures of enhancement to correct any non-compliant issues identified in a timely manner;
- (3) As part of its audit procedures for the half-year audit, the Group's external auditor will conduct checking on the pricing policies and the annual caps of the continuing connected transactions on a half-yearly basis. The Group's external auditor also issues an assurance report in respect to the continuing connected transactions each year;

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- (4) The Board will review the performance of the continuing connected transactions and the financial reports that consist of the actual transaction amounts of the continuing connected transactions incurred on a half-yearly basis. The Board of the Company will then opine on matters such as (i) whether the pricing policies thereunder were fully complied with by the Group and relevant connected person when performing each of the framework agreements; and (ii) whether the actual transaction amounts of each of the continuing connected transactions incurred exceed the annual caps as approved at the general meeting. The independent non-executive Directors will report to the Shareholders at the general meeting on an annual basis on their performance of such duties. Such report includes opinions of independent non-executive Directors on (i) whether the actual transaction amounts of the continuing connected transactions incurred exceed the annual caps as approved at the general meeting; (ii) whether each of the continuing connected transactions is performed pursuant to the pricing policies or mechanisms and other key terms under each of the framework agreements; and (iii) whether each of the continuing connected transactions is fair and reasonable and in the interests of the Group and the Shareholders as a whole;
- (5) The Group's internal control and risk management departments will conduct review on the pricing policies/mechanisms and other internal control measures in respect of the continuing connected transactions on an annual basis, in order to ensure such internal control measures remain complete and effective;
- (6) The Supervisory Committee will also review the matters relating to the continuing connected transactions. It will review the annual financial reports and interim financial reports of the Group which contain information regarding the performance of the continuing connected transactions on an annual basis. It will also review the performance of the continuing connected transactions such as whether the pricing policies or mechanisms are enforced, whether the prices are fair and reasonable and whether there is any act which may be detrimental to the interests of the Group and the Shareholders as a whole; and
- (7) The Company's Audit Committee will also review the annual report, annual financial report, interim report and interim financial report of the Group which contain information regarding the performance of the continuing connected transactions. It will opine on matters such as whether the pricing policies or mechanisms are enforced, whether the connected transactions are fair and reasonable and whether the actual transaction amounts of the continuing connected transactions incurred exceed the annual caps as approved at the general meeting.

By implementing the above measures, the Directors consider that the Company has established sufficient internal control measures to ensure that the continuing connected transactions are fair and reasonable, on normal commercial terms and there are no terms that are less favourable than the terms available to/from Independent Third Parties (as the case may be), and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(VI). General Information

1. The Company

The Company is a joint stock limited company established in the PRC, principally provides engineering services covering oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation engineering, environmental engineering and energy saving engineering, among other industry sectors, and provides overall services across business chain including technology R&D and licensing, preliminary consulting, financing assistance, design, procurement, construction and pre-commissioning and start-up services. As at the Latest Practicable Date, CPC is the controlling shareholder of the Company.

2. CPC

CPC is a limited liability company established under the laws of the PRC, and it is a state-authorized investment institution and state-owned company. 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. As at the Latest Practicable Date, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) is the controlling shareholder of CPC.

3. Sinopec Finance

Sinopec Finance is a non-banking financial institution incorporated in the PRC in 1988, and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the PBOC and NFRA to provide deposits, loans and other financial services to member companies of Sinopec Group. Sinopec Finance is 51% owned by CPC and 49% owned by Sinopec Corp.

As a non-banking financial institution, Sinopec Finance is subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, loan-to-deposit ratios and deposit reserve thresholds. NFRA amended the Administrative Measures on Finance Companies within Group Enterprises, a regulatory guideline with respect to the ongoing regulation of non-banking financial institutions, in November 2022, specifying that “the group parent shall assume the primary responsibility for the prevention and mitigation of risks of the finance company, and shall establish an effective risk segregation mechanism to prevent risks extending from the finance company; and the group parent and the controlling shareholder of

LETTER FROM THE BOARD

the finance company shall supplement capital to the finance company if necessary, which shall be set out in the articles of association of the finance company.” CPC provided such undertaking in relation to the obligation to supplement capital on 18 December 2004 (the “**Parent Undertaking**”). The Parent Undertaking provides that CPC undertakes that if, in an emergency, Sinopec Finance faces difficulties in meeting its payment obligations, it will increase the capital of Sinopec Finance as required to solve such payment difficulties.

As at 31 December 2023, Sinopec Finance had total assets of RMB214.12 billion, net assets of RMB33.754 billion, registered capital of RMB18 billion, a capital adequacy ratio of 17.62% and a liquidity ratio of 78.18%. Based on the unaudited financial data of Sinopec Finance, as at 30 June 2024, Sinopec Finance had total assets of RMB219.329 billion, net assets of RMB33.906 billion, registered capital of RMB18 billion, a capital adequacy ratio of 16.50% and a liquidity ratio of 69.24%. Sinopec Finance’s operation is in good condition with steady development, and its major regulatory indicators are in compliance with the relevant requirements of NFRA.

4. Sinopec Century Bright

Sinopec Century Bright was incorporated in Hong Kong in March 1995 and is a licensed money lender established pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). It was approved by the State Administration of Foreign Exchange as an offshore settlement center in 2007 to provide deposits, loans and other financial services to member companies of Sinopec Group. It has wholly-owned subsidiaries in Shenzhen of the PRC, Singapore, Houston of the USA, London of the UK, Dubai of the UAE and Malaysia.

As at 31 December 2023, Sinopec Century Bright had total assets of RMB320.927 billion and net assets of RMB30.346 billion. Based on the unaudited financial data of Sinopec Century Bright, as at 30 June 2024, Sinopec Century Bright had total assets of RMB316.694 billion and net assets of RMB32.642 billion. In addition, Sinopec Century Bright has obtained A2 credit rating from Moody’s and A rating from Standard & Poor’s.

III. PROPOSED APPOINTMENTS OF DIRECTORS OF THE FIFTH SESSION OF THE BOARD AND SUPERVISORS OF THE FIFTH SESSION OF THE SUPERVISORY COMMITTEE

Proposed Appointments of Directors of the Fifth Session of the Board

On 16 August 2024, the Board considered and approved the proposed appointments of Mr. JIANG Dejun[#], Mr. ZHANG Xinming[#], Mr. XIANG Wenwu^{*}, Mr. LI Chengfeng^{*}, Mr. YU Renming^{*}, Mr. DUAN Xue⁺, Mr. YE Zheng⁺ and Mr. ZHAO Jinsong⁺ as non-employee representative Directors candidates of the Fifth Session of the Board^{Note}. The Company proposed to appoint Ms. XIE Yanli[#] as the employee representative Director of the Fifth Session of the Board (together with the non-employee representative Directors candidates, the

Note:

[#] *Executive Directors*

^{*} *Non-executive Directors*

⁺ *Independent non-executive Directors*

LETTER FROM THE BOARD

“**Director Candidates**”) through employees democratic election procedures. The Director Candidates have confirmed that they had no disagreement on their nominations, respectively. In accordance with the Articles of Association, the proposed appointments of the above Directors are subject to approval by the Shareholders or election through employees democratic procedures. The relevant proposals on the appointments of the non-employee representative Director candidates as Directors of the Company shall be submitted to the EGM for consideration and approval by way of ordinary resolutions.

Mr. YE Zheng is expected to serve as an independent non-executive Director of the Company for over nine years. Mr. YE Zheng has confirmed and the Board also considers that he is still an independent person and has enough time to engage in the affairs of the Company. Mr. YE Zheng has rich experience and a thorough understanding of the operation, finance and business of the Company, and has proposed objective opinions and independent guidance to the Board. Since his appointment as an independent non-executive Director of the Company, Mr. YE Zheng has been in conform with the independent requirements as set out in Rule 3.13 of the Hong Kong Listing Rules, and does not have any interest or transaction in the business of the Company or any of its subsidiaries or holding company. Save as serving as an independent non-executive Director of the Company, Mr. YE Zheng has not taken any other position in the Company or any of its subsidiaries or holding company. Mr. YE Zheng fully understands the responsibility of an independent non-executive Director and expected time to devote based on his professional background and director experience in other listed companies. The Board is of the view that Mr. YE Zheng can devote enough time to the Board and his continuing to serve as an independent non-executive Director of the Company will enable the Board to share his professional skills in finance and valuable experience in corporate governance and other aspects, and listen to his sound suggestions and independent judgment based on the Group’s circumstances. Therefore, the Board recommends the Shareholders to re-elect Mr. YE Zheng as an independent non-executive Director of the Fifth Session of the Board.

If the Director Candidates are approved by the EGM or elected by employees democratic procedures as Directors, they will enter into relevant service contracts with the Company. According to the service contracts, the Directors’ term starts from the date since their appointments are approved by the EGM or being elected as Director through employees democratic elections, and ends at the expiry of the Fifth Session of the Board. Pursuant to relevant provisions of the service contracts, the remunerations for the services rendered by the executive Directors under the service contracts shall be determined pursuant to relevant regulations in the PRC and the relevant measures on remunerations of the Company. Pursuant to such regulations, a Director’s remuneration shall consist of base salaries, performance bonuses and medium-to-long-term incentives, with reference to the responsibilities or duties of the relevant person and the performance of the Group. The fee for the services rendered by an independent non-executive Director under the service contract shall be RMB200,000 (before tax) per year. Non-executive Directors will not receive any remuneration from the Company. The Company shall also disclose the remunerations to be received by relevant Directors during the relevant reporting periods in its annual reports.

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Biographical details of the Director Candidates are set out in Appendix III to this circular.

As at the Latest Practicable Date, save as disclosed above and in Appendix III to this circular, none of the Director Candidates served as a director in other listed companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and had any relationship with any Director, Supervisors, senior management member or substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

As at the Latest Practicable Date, none of the Director Candidates had any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, or had ever been penalised by any securities regulatory authorities or any other relevant authorities.

Save as disclosed above, the Board is not aware of other matter in relation to the Director Candidates being appointed as Directors that needs to be brought to the attention of the Shareholders, or other information to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

Proposed Appointments of Supervisors of the Fifth Session of the Supervisory Committee

The Supervisory Committee recently considered and approved the proposed appointments of Mr. BU Fanyong, Mr. WU Defei, Mr. HAN Weiguo, Mr. SHA Yu and Mr. ZHOU Yingguan as non-employee representative Supervisors candidates of the Fifth Session of the Supervisory Committee. The above non-employee Supervisors candidates have confirmed that they had no disagreement on their nominations, respectively. In accordance with the Articles of Association, the proposed appointments of the above non-employee representative Supervisors shall be approved by the Shareholders. The relevant proposals on the appointments of non-employee representative Supervisors shall be submitted to the EGM for consideration and approval by way of ordinary resolutions.

In addition, according to the Company Law of the People's Republic of China and the Articles of Association, the Company proposed to appoint Mr. ZHENG Lijun, Mr. DONG Kexue, Mr. YI Hao and Mr. WANG Yi as employee representative Supervisors (together with the above non-employee representative Supervisors candidates, the "**Supervisor Candidates**") through democratic elections. The above employee representative Supervisor candidates have confirmed that they had no disagreement on their nominations, respectively.

If the Supervisor Candidates are approved by the EGM or elected through democratic procedures as Supervisors, they will enter into relevant service contracts with the Company. According to the service contracts, the Supervisors' term starts from the date since their appointments are approved by the general meeting or being elected as Supervisors through democratic elections, and ends at the expiry of the Fifth Session of the Supervisory Committee. The Company shall pay remunerations to the Supervisors pursuant to the relevant regulations in the PRC and relevant measures on remunerations of the Company, and the Company shall also disclose remunerations to be received by relevant Supervisors during the reporting periods in its annual report.

LETTER FROM THE BOARD

Biographical details of the Supervisor Candidates are set out in Appendix III to this circular.

As at the Latest Practicable Date, save as disclosed above and in Appendix III to this circular, none of the Supervisor Candidates served as a director in other listed companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and had any relationship with any Director, Supervisor, senior management member or substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

As at the Latest Practicable Date, none of the Supervisor Candidates had any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, or had ever been penalised by any securities regulatory authorities or any other relevant authorities.

Save as disclosed above, the Board is not aware of other matter in relation to the Supervisor Candidates being appointed as Supervisors that needs to be brought to the attention of the Shareholders, or other information to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

IV. RECOMMENDATIONS

The Board (including independent non-executive Directors) considers that (i) the Non-exempt Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms of the Non-exempt Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the authorization shall be approved to Mr. JIANG Dejun, the Chairman, to sign relevant documents on behalf of the Company, and do such things and take such actions as he deems necessary or desirable in accordance with the resolutions of the Board dated 16 August 2024, so as to make any changes as he deems necessary, desirable or expedient. Therefore, the Board recommends the Independent Shareholders to vote in favour of the resolutions in relation to the Non-exempt Framework Agreements to be proposed at the EGM. As mentioned above, Maxa Capital was appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

Your attention is drawn to the letter from the Independent Board Committee and the letter from Maxa Capital to the Independent Board Committee and the Independent Shareholders which are set out on pages 39 to 40 and pages 41 to 63 of this circular, respectively. The Independent Board Committee, having taken into consideration the advice of Maxa Capital, considers that (i) the Non-exempt Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms of the Non-exempt Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions in relation to the Non-exempt Framework Agreements to be proposed at the EGM.

LETTER FROM THE BOARD

The Board (including all independent non-executive Directors) considers that the resolutions in relation to the proposed appointments of Directors of the Fifth Session of the Board and Supervisors of the Fifth Session of the Supervisory Committee are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM.

Your attention is drawn to the financial information of the Group and the general information set out in Appendix I and Appendix II to this circular, respectively.

By order of the Board
SINOPEC ENGINEERING (GROUP) CO., LTD.
YIN Fengbing
Chief Financial Officer & Secretary to the Board

Beijing, the PRC
11 September 2024



中石化煉化工程（集團）股份有限公司
SINOPEC Engineering (Group) Co., Ltd.*

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

(Stock Code: 2386)

11 September 2024

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK
AGREEMENT AND THE PROPOSED ANNUAL CAPS**

**MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS UNDER THE ENGINEERING AND CONSTRUCTION
SERVICES FRAMEWORK AGREEMENT AND
THE PROPOSED ANNUAL CAPS**

We refer to the circular of the Company dated 11 September 2024 (the “**Circular**”) despatched to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions in this letter shall have the same meanings as those defined in the Circular.

We have been appointed to advise the Independent Shareholders on whether the terms of the Non-exempt Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the terms of the Non-exempt Transactions and the Proposed Annual Caps.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 38 and the letter from the Independent Financial Adviser as set out on pages 41 to 63 of the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by the Independent Financial Adviser, we are of the opinion that (i) the Non-exempt Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms of the Non-exempt Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions in relation to the Non-exempt Framework Agreements to be proposed at the EGM.

For and on behalf of the Independent Board Committee
HUI Chiu Chung, Stephen DUAN Xue YE Zheng ZHAO Jinsong
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Maxa Capital, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

11 September 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Mesdames,

**MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK
AGREEMENT AND THE PROPOSED ANNUAL CAPS**

**MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS UNDER THE ENGINEERING AND CONSTRUCTION
SERVICES FRAMEWORK AGREEMENT AND
THE PROPOSED ANNUAL CAPS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2027, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 11 September 2024 issued by the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Since the existing Framework Agreements will expire on 31 December 2024, the Group and CPC entered into supplemental agreements on 16 August 2024, renewing the terms of the Non-exempt Framework Agreements for another three years.

As of the Latest Practicable Date, CPC directly and/or indirectly held approximately 67.44% of the issued total share capital of the Company, which is the controlling shareholder of the Company. According to Rule 14A.07 of the Hong Kong Listing Rules, CPC and its associates (including Sinopec Century Bright and Sinopec Finance) are connected persons of the Company and hence the transactions contemplated under the Non-exempt Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest applicable percentage ratios of the proposed annual caps in respect of the continuing connected transactions in relation to the deposits and entrustment loans under the Financial Services Framework Agreement and the continuing connected transactions under the Engineering and Construction Framework Agreement exceed 5%, such transactions are subject to reporting, annual review, announcement, and Independent Shareholders' approval requirements of the Chapter 14A of the Hong Kong Listing Rules. Sinopec Group will abstain from voting at the EGM on the resolutions in relation to the Non-exempt Framework Agreements. The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Non-exempt Transactions as well as the Proposed Annual Caps thereunder. We, Maxa Capital, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard. Meanwhile, since each of the highest applicable percentage ratios of the proposed annual caps in respect of the continuing connected transactions in relation to the deposits and entrustment loans under the Financial Services Framework Agreement and the continuing connected transactions under the Engineering and Construction Framework Agreement exceeds 25%, such transactions will also constitute major transactions of the Company on an aggregated basis, and are subject to the announcement, circular and Shareholders' approval under Chapter 14 of the Hong Kong Listing Rules.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Hong Kong Listing Rules, and accordingly, are eligible to give independent advice and recommendations on the terms of the Non-exempt Transactions and the Proposed Annual Caps. Save for this appointment, there was no other engagement between the Company and us in last two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have reviewed, among others, (i) the Non-exempt Framework Agreements; (ii) the annual reports of the Company for the two years ended 31 December 2022 (the “**2022 AR**”) and 31 December 2023 (the “**2023 AR**”) and the interim report of the Company for the six months ended 30 June 2024 (the “**2024 IR**”); (iii) the consolidated audited financial statements for the three years ended 31 December 2023 of Sinopec Finance Institutions; (iv) the basis of calculation of the Proposed Annual Caps; and (v) the Company's internal control procedures and records in relation to continuing connected transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Hong Kong Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of this letter. We have also assumed that all statements of belief, opinion, expectation, and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. Our opinion is based on the Directors' representation and confirmation that no material facts have been omitted from the information provided and referred to in the Circular.

The Company confirmed that it has, at our request, provided us with all information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor do we doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, conducted any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, CPC, Sinopec Finance Institutions and each of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background of and reasons for the Non-exempt Framework Agreements

1.1 Information of the Group

The Company is a joint stock limited company established in the PRC, principally provides engineering services covering oil refining, petrochemicals, new coal chemicals, inorganic chemicals, pharmaceutical chemicals, clean energy, storage and transportation engineering, environmental engineering and energy saving engineering, among other industry sectors, and provides overall services across business chain including technology R&D and licensing, preliminary consulting, financing assistance, design, procurement, construction and pre-commissioning and start-up services. As at the Latest Practicable Date, CPC is the controlling shareholder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the summarised financial information of the Group for the three years ended 31 December 2021, 2022 and 2023 (“FY2021”, “FY2022” and “FY2023”, respectively) and for the six months ended 30 June 2023 and 2024 (“1H2023” and “1H2024”, respectively), as extracted from the financial statements prepared in accordance with the International Financial Reporting Standards in the 2022 AR, 2023 AR and 2024 IR:

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Total revenue	57,759,590	53,028,139	56,220,641	24,829,660	28,553,121
Profit attributable to equity holders of the Company	2,123,590	2,285,103	2,335,445	1,317,070	1,318,677

The total revenue of the Group was approximately RMB53,028.1 million for FY2022, representing a decrease of approximately RMB4,731.5 million or 8.2% as compared to approximately RMB57,759.6 million for FY2021, whereas the profit attributable to equity holders of the Company was approximately RMB2,285.1 million for FY2022, representing an increase of approximately RMB161.5 million or 7.6% as compared to approximately RMB2,123.6 million for FY2021. Such decrease in the revenue was primarily attributable to (i) construction cycle of projects led to the closure of large projects such as Zhenhai Base project, Crude Oil Storage Facility Project Cluster and Gulei Refining and Chemical Integration project, whereas projects such as Huizhou Ethylene were at initial stage of construction; (ii) decrease in engineering business volume; and (iii) manufacturing business volume decrease and temporary suspension of production.

The total revenue of the Group was approximately RMB56,220.6 million for FY2023, representing an increase of approximately RMB3,192.5 million or 6.0% as compared to approximately RMB53,028.1 million for FY2022, whereas the profit attributable to equity holders of the Company was approximately RMB2,335.4 million for FY2023, representing an increase of approximately RMB50.3 million or 2.2% as compared to approximately RMB2,285.1 million for FY2022. Such increase in the revenue was primarily attributable to (i) the domestic and foreign large-scale projects, such as Huizhou Ethylene, Zhenhai Base Phase II, Tianjin Nangang as well as the upgrading and reconstruction of Saudi Aramco’s crude oil transfer pump station, entered the peak construction period; and (ii) increase in engineering, consulting and licensing business volume.

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The total revenue of the Group was approximately RMB28,553.1 million for 1H2024, representing an increase of approximately RMB3,723.5 million or 15.0% as compared to approximately RMB24,829.7 million for 1H2023, whereas the profit attributable to equity holders of the Company was approximately RMB1,318.7 million for 1H2024, representing an increase of approximately RMB1.6 million or 0.1% as compared to approximately RMB1,317.1 million for 1H2023. Such increase in the revenue was primarily attributable to (i) large-scale general contracting projects such as Huizhou Ethylene Project entering the peak construction period; and (ii) the continuous advancement of domestic and overseas projects on hand.

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>2024</i> <i>RMB'000</i> <i>(audited)</i>
Total assets	72,918,249	78,682,463	80,967,671	81,085,459
Total liabilities	43,800,940	48,645,671	50,119,956	49,986,524
Net assets	29,117,309	30,036,792	30,847,715	31,098,935
Cash and cash equivalents	10,305,176	14,973,098	12,864,587	9,408,318

The Group's total assets increased gradually from approximately RMB72.9 billion as at 31 December 2021 to approximately RMB81.1 billion as at 30 June 2024. The Group's total liabilities increased gradually from approximately RMB43.8 billion as at 31 December 2021 to approximately RMB50.1 billion as at 31 December 2023, and then decreased slightly to RMB50.0 billion as at 30 June 2024. The Group's net assets have been increasing stably from approximately RMB29.1 billion as at 31 December 2021 to approximately RMB31.1 billion as at 30 June 2024. The Group's cash and cash equivalents increased from approximately RMB10.3 billion as at 31 December 2021 to approximately RMB15.0 billion as at 31 December 2022, and then decreased to RMB9.4 billion as at 30 June 2024.

1.2 Information of CPC

CPC is a limited liability company established under the laws of the PRC, and it is a state-authorized investment institution and state-owned company. 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. As at the Latest Practicable Date, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) is the controlling shareholder of CPC.

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1.3 Information of Sinopec Century Bright

Sinopec Century Bright was incorporated in Hong Kong in March 1995 and is a licensed money lender established pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). It was approved by the State Administration of Foreign Exchange as an offshore settlement center in 2007 to provide deposits, loans and other financial services to member companies of Sinopec Group. It has wholly-owned subsidiaries in Shenzhen of the PRC, Singapore, Houston of the USA, London of the UK, Dubai of the UAE and Malaysia.

As at 31 December 2023, Sinopec Century Bright had total assets of RMB320.927 billion and net assets of RMB30.346 billion. Based on the unaudited financial data of Sinopec Century Bright, as at 30 June 2024, Sinopec Century Bright had total assets of RMB316.694 billion and net assets of RMB32.642 billion. In addition, Sinopec Century Bright has obtained A2 rating from Moody's and A rating from Standard & Poor's.

1.4 Information of Sinopec Finance

Sinopec Finance is a non-banking financial institution incorporated in the PRC in 1988, and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the People's Bank of China and NFRA to provide deposits, loans and other financial services to member companies of Sinopec Group. Sinopec Finance is 51% owned by CPC and 49% owned by Sinopec Corp.

As a non-banking financial institution, Sinopec Finance is subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, loan-to-deposit ratios and deposit reserve thresholds. NFRA amended the Administrative Measures on Finance Companies within Group Enterprises, a regulatory guideline with respect to the ongoing regulation of non-banking financial institutions, in November 2022, specifying that "the group parent company shall assume the primary responsibility for the prevention and mitigation of risks of the finance company, and shall establish an effective risk segregation mechanism to prevent risks extending from the finance company; and the group parent and the controlling shareholder of the finance company shall supplement capital to the finance company if necessary, which shall be set out in the articles of association of the finance company." CPC provided such undertaking in relation to the obligation to supplement capital on 18 December 2004 (the "**Parent Undertaking**"). The Parent Undertaking provides that CPC undertakes that if, in an emergency, Sinopec Finance faces difficulties in meeting its payment obligations, it will increase the capital of Sinopec Finance as required to solve such payment difficulties.

As at 31 December 2023, Sinopec Finance had total assets of RMB214.12 billion, net assets of RMB33.754 billion, registered capital of RMB18 billion, a capital adequacy ratio of 17.62% and a liquidity ratio of 78.18%. Based on the unaudited financial data of Sinopec Finance, as at 30 June 2024, Sinopec Finance had total assets of RMB219.329 billion, net assets of RMB33.906 billion, registered capital of RMB18 billion, a capital adequacy ratio of 16.50% and a liquidity ratio of 69.24%. Sinopec Finance's financial position is in good condition with steady development, and its major regulatory indicators are in compliance with the relevant requirements of NFRA.

2. Principal terms of the Non-exempt Framework Agreements

We have reviewed the Non-exempt Framework Agreements and noted that the terms and conditions of the supplemental agreements signed on 16 August 2024 are substantially the same as those of the existing framework agreements. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the Non-exempted Framework Agreements.

2.1 *Scope of services*

The scope of services under the Non-exempt Framework Agreements are set out below:

- (i) Pursuant to the Financial Services Framework Agreement, Sinopec Finance and Sinopec Century Bright will provide financial services to the Group, and such financial services primarily include deposits, loans, entrustment loans, settlement services, entrustment investments, financial and financing consulting, credit certification, insurance agency, exchange settlement, bond underwriting, foreign exchange business, and related consultancy and agency and other financial services. The Group enters into separate contracts with Sinopec Finance and Sinopec Century Bright, which set out the specific terms and conditions according to the principles provided in the Financial Services Framework Agreement;
- (ii) Pursuant to the Engineering and Construction Services Framework Agreement, the Group will provide engineering and construction services to Sinopec Group including but not limited to: engineering consulting; project management; project supervision; contracting; engineering design; construction; testing and inspection and repair services; machinery equipment processing and manufacturing services; procurement services and equipment leasing; technology licensing, technology transfer and engineering technology services; labor service; and other engineering supporting services; and
- (iii) Pursuant to the Engineering and Construction Services Framework Agreement, Sinopec Group will provide the following services to the Group in respect of the Group's engineering and construction services business: supply of equipment and materials; procurement services and equipment leasing; technology licensing, technology transfer and engineering technology services; labor service; other supporting services.

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2.2 Pricing Policies

2.2.1 Pricing Policies under the Financial Services Framework Agreement

The pricing of the services provided under the Financial Services Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular financial service, such service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;
- (ii) market price: the price of the same or similar services provided by an Independent Third Party in the ordinary and usual course of business on normal commercial terms; and
- (iii) agreed price: to be determined by adding a reasonable profit over a reasonable cost.

The pricing of the services provided under the Financial Services Framework Agreement is mainly determined by reference to (i) the government-prescribed price and government-guided price; and (ii) the market price. In the event that the agreed price has to be used, with a view to arriving at a reasonable profit, such price will be determined through arm's length negotiations between the relevant parties after taking into account the prevailing market and business conditions.

In particular, the Financial Services Framework Agreement provides that the services shall be provided in accordance with the following pricing principles:

- (i) Deposits services: the interest rate applicable to the Group's deposits with Sinopec Finance Institutions will not be lower than: (i) the minimum interest rate published by the PBOC for deposits of a similar type for the same period (applicable to deposits with Sinopec Finance only); (ii) the interest rate for deposits of a similar type for the same period placed by other members of Sinopec Group; and (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Group; and
- (ii) Entrustment loan services: the interest rates applicable to the Group's entrustment loans to Sinopec Group through Sinopec Finance shall be (i) on normal commercial terms; (ii) no less favourable than interest rates for comparable entrustment loans provided by other members of Sinopec Group to Sinopec Group through Sinopec Finance; and (iii) generally not lower than the interest rates for bonds or loans available in the PRC market issued/provided by companies or financial institutions of credit ratings and risk profile similar to those of CPC or Sinopec Corp.

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Given that the Company could earn interest income from the Sinopec Finance Institutions at interest rates which are no less favourable than the deposit interest rates published by the PBOC or independent commercial banks or interest rates offered by the Sinopec Finance Institutions to other members of Sinopec Group for deposits of a similar type for the same period and interest rates for comparable bonds or loans available in the PRC market, we consider that the abovementioned pricing policies are fair and reasonable to the Company and its Shareholders as a whole.

2.2.2 Pricing policies under the Engineering and Construction Services Framework Agreement

The pricing of the services provided under the Engineering and Construction Framework Agreement shall be determined in accordance with the following principles in ascending order:

- (i) government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;
- (ii) tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process;
- (iii) market price: the price of the same or similar products, technologies or services provided by an Independent Third Party in the ordinary and usual course of business on normal commercial terms; and
- (iv) agreed price: to be determined by adding a reasonable profit over a reasonable cost.

Historically, there was no government-prescribed price or government-guided fee standard which was applicable to the engineering and construction services provided by the Group to Sinopec Group and those provided by Sinopec Group to the Group under the Engineering and Construction Services Framework Agreement. If, during the term of the Engineering and Construction Services Framework Agreement, there is any mandatory government-prescribed price or government-guided fee standard specifically applicable to the engineering and construction services to be provided by the Group to Sinopec Group or the services to be provided by Sinopec Group to the Group, relevant parties to the agreement shall be obliged to use the applicable government-prescribed price or agree the price of such services within the range of the government-guided fee standard. The Company also undertakes that it will disclose the details of the policy and guidance under the government prescribed price and government-guided fee standards when such price or fee standard becomes available.

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For the engineering and construction services to be provided by the Group to Sinopec Group, the pricing is determined mainly by reference to the tender and bidding price. The bidding price mainly takes into account various factors including technical requirements, project execution standards, local meteorological and geographical conditions, public works conditions, estimated labor hour and costs, estimated material and equipment costs and other necessary expenses. The bidding prices are generally specific to each project and the Group is not able to implement standard pricing policies for all projects. In addition, the price and the tender and bidding process are conducted in accordance with the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and other applicable PRC laws, rules and regulations. The Company also implemented the Internal Management Measures in relation to the Procurement and Bidding of Sinopec Engineering (Group) Co., Ltd. (《中石化煉化工程(集團)股份有限公司物資採購招標管理辦法》) to monitor and manage the tender and bidding processes. The tender and bidding prices are also subject to the strict reviews of the Company's audit departments each year. Meanwhile, the tender and bidding process is an open and transparent process based on market participation, the tender and bidding price under such process reflects the applicable price available in the open market. Hence, the tender and bidding price is the market price. The agreed price is only applied for services under certain circumstances (e.g. for services with unique technological advantages).

For the engineering and construction services to be provided by Sinopec Group to the Group, the pricing is determined mainly by reference to the agreed price. The reasons why the Group did not use tender and bidding price approach are mainly because, historically, such services were not typically subject to tender and bidding process due to the common type and nature of such services as well as the high frequency of the procurement of such services. The Company does not anticipate the type, the nature, and the frequency of the procurement of the services to be procured from Sinopec Group by the Group during the term of the Engineering and Construction Services Framework Agreement to significantly deviate from those of the services the Group currently procures from Sinopec Group. In the event that the services to be procured from Sinopec Group by the Group are mandatorily subject to tender and bidding process, the price and the process will be conducted in accordance with the Bidding Law of the People's Republic of China. In addition, historically, the Group did not use the market price for the procurement of such services from Sinopec Group because the agreed price and terms have generally been more competitive than the available market price and terms from Independent Third Parties, which will further economize the procurement funds of the Group, increase the efficiency of the allocation of its procurement resources, as well as achieve economies of scale.

As (i) the pricing of the engineering and construction services to be provided by the Group to Sinopec Group is mainly determined by tender and bidding price, which is an open and transparent process reflecting market price; and (ii) the price of engineering and construction services to be provided by Sinopec Group to the Group is not less favorable than the price provided by Independent Third Parties, we consider that (i) the basis of such pricing principle is formulated via pre-determined procedures; and (ii) the abovementioned pricing policies are fair and reasonable to the Company and its Shareholders as a whole.

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3. Reasons for and benefits of the transactions contemplated under the Non-exempt Framework Agreements

3.1 Financial Services Framework Agreement

As stated in the Letter from the Board, the reasons for and possible benefits of the Financial Services Framework Agreement are as follows:

3.1.1 Deposits services

(i) Centralised cash management

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

(ii) Clearing and settlement platform

In the Group's ordinary and usual course of business, as Sinopec Group is the Group's single largest client, the Group transacts with numerous subsidiaries/affiliated companies of Sinopec Group. In line with Sinopec Group's internal group policy, such subsidiaries/affiliated companies generally maintain settlement accounts with Sinopec Finance Institutions. The centralized management of deposits of the Group by Sinopec Finance Institutions will facilitate clearing with other members of Sinopec Group (some of whom are the Group's clients), reduce the time required for transfer and turnaround of funds and is generally more administratively efficient than settlement through independent banks. It would not be efficient for Sinopec Group (and its affiliates) and the Group to separately maintain bank accounts with independent banks for clearing and settlement.

(iii) Familiarity with the Group's business

As Sinopec Finance Institutions only provide financial services to Sinopec Group and its members, they have acquired extensive knowledge of the Group's industry over the years. For the Group, Sinopec Finance Institutions are familiar with the Group's capital structure, business operations, funding needs and cash flow pattern, which enables them to anticipate and serve the Group's business needs. As a result, Sinopec Finance Institutions are more well-positioned to provide the Group with bespoke and cost-efficient services which would not be easy for independent commercial banks to replicate.

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(iv) Flexibility to the Group

The Group has the sole discretion to deposit and withdraw its deposits with Sinopec Finance Institutions from time to time. There is no restriction on the Group's ability to deposit its cash with independent commercial banks in or outside the PRC now or in the future should the Group so wish. Currently, the Group maintains deposits with independent commercial banks in and outside the PRC subject to the Group's contractual and other requirements, and expects to continue to do so. The Group chooses to deposit its cash with Sinopec Finance Institutions as this facilitates centralized management of funds.

3.1.2 Entrusted loans

(i) Best short term fund investment options

Due to the nature of the Group's business, the Group receives significant amounts of prepayments from clients from time to time, which may not be immediately used for its operational needs. Such prepayments are in effect advance payments from the Group's clients, which the Group will apply towards performance of the relevant contracts as appropriate (such as purchase of raw materials and equipment, and payment to the Group's sub-contractors) and are only temporarily idle. Therefore, the Group needs to invest such surplus cash prudently as it is an advance/deposit from the Group's clients. Given the Group's need to match funds within a relatively short period of time whilst maintaining flexibility to pay the Group's trade payables from time to time, there is a lack of comparable alternative fund investment options. From the Group's perspective, the provision of entrustment loans to Sinopec Group is a safe, cost efficient and flexible option for investing such cash surplus, which may not otherwise be available in the open market.

(ii) Credit rating of CPC

Sinopec Group is the borrower of the entrustment loans. Pursuant to the terms of the entrustment loans, Sinopec Group has the sole obligation to repay principal and interest (and any late payment interest). In 2023, CPC obtained an A+ long-term corporate credit rating from Standard & Poor's and an A1 long-term corporate credit rating from Moody's. As at the Latest Practicable Date, CPC had a registered capital of approximately RMB326.5 billion and ranked sixth in 2023 in Fortune Global 500. The Group therefore considers that lending to Sinopec Group is a low-risk fund allocation option. During the two years ended 31 December 2023 and the six months ended 30 June 2024, Sinopec Group has not defaulted under any of the entrustment loans provided by the Group. Taking into account the creditworthiness of Sinopec Group and clean repayment history, the entrustment loans provided by the Group are generally unsecured. The Group considers that providing entrustment loans to Sinopec Group is a comprehensive, low risk fund allocation option due to the top-tier credit rating and clean repayment history of CPC, generating a higher return for the Group than deposits which would have been the only other fund allocation option for the Group given the investment policy with respect to such funds.

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(iii) Efficient and flexible cash management

Provision of entrustment loans to Sinopec Group will allow the Group to allocate its surplus cash efficiently within a relatively short timeframe. The Group's entrustment loans to Sinopec Group generally do not exceed one year (the majority are for a period of one year or six months), enabling the Group to deploy its financial resources efficiently and flexibly. Upon the expiry of the entrustment loans, the Group will receive the principal amount and the interest payment in relation to such entrustment loans from Sinopec Finance Institutions. Any new entrustment loans to Sinopec Group will be subject to normal approval procedures in a standardized way. Furthermore, whilst the Group has historically provided entrustment loans to Sinopec Group and expects to continue to do so in the future, the Group is not under any legal or other obligation to provide entrustment loans to Sinopec Group. Pursuant to the entrustment loan agreements, the Group is entitled to early terminate the entrustment loans (without penalty) at its option in which case current deposit interest rate will apply.

(iv) Normal commercial terms

The Group understands that there is no market standard rate for entrustment loans as the interest rate is determined through arm's length negotiations between the parties based on, among other things, relative bargaining power, risk profile and security level. The Group generally uses the prevailing base deposit rate published by the PBOC as a reference point with an upward adjustment taking into account the amount and term of the loan. In addition, the Group will refer to the list of interest rates which specifies the range of interest rates for different entrustment loan amounts and terms. Such list has been agreed by CPC and the Company after arm's length negotiations and will be reviewed and re-negotiated by the parties periodically. Based on such list, the Company's Chief Financial Officer and finance department will decide the interest rates of the entrustment loan agreements to be entered into between CPC and the Group. The Group will also make reference to other comparable rates, such as the interest rates for bonds or loans available in the PRC financial market issued/provided by companies or financial institutions of credit ratings and risk profile similar to those of CPC or Sinopec Corp., obtained through various channels such as banks and the relevant issuers (if any) for the purpose of ensuring that the interest rates for the entrustment loans are in the interests of the Company and the Shareholders as a whole. The interest rates on entrustment loans are generally not lower than the interest rates on bonds of similar terms issued by CPC and Sinopec Corp. The interest rates on entrustment loans provided by the Group to Sinopec Group are generally higher than the yield on principal-guaranteed wealth management products available in the PRC market.

In addition, the Board has considered the risks in association with the use of the services provided by Sinopec Finance and Sinopec Century Bright under the Financial Services Framework Agreement instead of the same services provided by independent commercial banks. Such risks include (i) the risks commonly faced by the banking industry including credit risks and liquidity risks (e.g. banks have no immediately available fund for making payment when any deposit becomes due); and (ii) the possible material adverse change in the financial conditions of Sinopec Finance and Sinopec

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Century Bright. However, after taking into account (i) that the Company's internal control and corporate governance measures over the continuing connected transactions under the Financial Services Framework Agreement can reasonably and effectively assist the Company in monitoring the relevant financial services and minimize the potential financial risks of the Company; (ii) that the interest rates on the Group's entrustment loans are generally higher than yield on principal-guaranteed investment products available in the open market; (iii) CPC's strong credit rating and clean repayment history; (iv) the potential significant drain on the Group's time and resources to seek alternative borrowers and a lack of comparable alternative fund allocation options in the market compatible with the Group's needs; and (v) that the Group can early terminate its entrustment loans at its option (in which case the current deposit interest rate will apply), the Company and the Board are of the view that the risks faced by the Group in depositing funds with Sinopec Finance Institutions will not be higher than depositing funds with independent commercial banks and the continuing connected transactions contemplated under the Financial Services Framework Agreement are in the interests of the Company and the Shareholders as a whole.

We have reviewed the licenses of the Sinopec Finance Institutions and have been advised by the Company that to their best knowledge, up to the Latest Practicable Date, there is no record of non-compliance with relevant laws, rules and regulations of the PRC and Hong Kong on the Sinopec Finance Institutions. Sinopec Century Bright has obtained an A2 rating from Moody's and an A rating from Standard & Poor's. Sinopec Century Bright and Sinopec Finance only provide financial services to Sinopec Group (including the Group). CPC has made the Parent Undertaking towards Sinopec Finance as its controlling shareholder that if, in an emergency, Sinopec Finance faces difficulties in meeting its payment obligations, it will increase the capital of Sinopec Finance as required to solve such payment difficulties. In 2023, CPC obtained an A+ long-term issuer credit rating (local and foreign currency) from Standard & Poor's and an A1 long-term issuer credit rating (local and foreign currency) from Moody's. Accordingly, we consider that Sinopec Group's ability to honour its undertaking in favour of the Group is strong and the credit risks of Sinopec Finance Institutions are not less controllable as compared to that to public licensed commercial banks.

Having considered the abovementioned reasons, in particular, (i) the Company has greater flexibility in managing its cash resources and facilitating the settlement process with other members of Sinopec Group; (ii) the Company could benefit from the deposits and entrustment loan services provided by the Sinopec Finance Institutions at interest rates which are no less favorable than the interest rates for deposits or entrustment loans of similar nature and under similar terms offered by other independent commercial banks or financial institutions; (iii) the Company can mitigate the counterparty risk and default risk by providing the entrustment loans to Sinopec Group with sound credit rating and clean repayment history; and (iv) the credit risks of Sinopec Finance Institutions are not less controllable as compared to that to public licensed commercial banks, we concur with the Directors' view that the transactions contemplated under the Financial Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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3.2 Engineering and Construction Services Framework Agreement

As stated in the Letter from the Board, the reasons for and possible benefits of the Engineering and Construction Services Framework Agreement are as follows:

There are specific technology and quality standard requirements implemented in the oil industry. With a leading position in the oil industry, CPC ranked sixth in 2023 in Fortune Global 500 and has steadily growing capital expenditure plan. Benefiting from its scale strength, Sinopec Group can provide the Group with stable supply of equipment and materials, procurement services and technical services and other supporting products and services. Pursuant to the relevant terms under the Engineering and Construction Services Framework Agreement, the Group is able to procure products and services from Sinopec Group at prices no higher than the prices offered by other independent suppliers.

In addition, Sinopec Group mainly adopts external public tendering process for its engineering projects. In consideration of the Group being a leading energy chemical engineering company in the PRC and the long-term relationship maintained with Sinopec Group, it is reasonably expected that Sinopec Group will also likely increase the demand for the Group's products and services in its future capital expenditure plan.

Based on the abovementioned reasons, in particular, (i) the nature of the oil industry which requires specific technology and quality standard requirements; (ii) Sinopec Group's leading position in the oil industry; and (iii) the Group's long-term relationship with Sinopec Group, we concur with the Directors' view that the transactions contemplated under the Engineering and Construction Services Framework Agreement are in line with the interests of the Company and the Shareholders as a whole.

4. Proposed Annual Caps

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the Company about the basis and underlying assumptions used in the determination of the Proposed Annual Caps.

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4.1 Historical Amount, Existing and Proposed Annual Caps

The following table sets forth (i) the historical amounts for the two years ended 31 December 2023 and for the six months ended 30 June 2024; (ii) the existing annual caps for each of the two years ended 31 December 2023 and for the year ending 31 December 2024; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2027.

<i>RMB</i> <i>million</i>		Existing Annual Caps for the years ended/ending 31 December			Proposed Annual Caps for the years ending 31 December		
		2022	2023	2024	2025	2026	2027
Financial Services Framework Agreement							
Maximum daily	Annual caps	8,000	8,000	8,000	8,000	8,000	8,000
balance of deposits	Actual amounts	7,676	7,959	7,257 ¹			
and interest income	Utilisation rates	95.95%	99.49%	90.71% ²			
Maximum daily	Annual caps	20,500	20,500	20,500	20,500	20,500	20,500
balance of entrusted	Actual amounts	20,500	20,500	20,500 ¹			
loans and interest	Utilisation rates	100.00%	100.00%	100.00% ²			
income							
Engineering and Construction Services Framework Agreement							
Revenue generated	Annual Caps	55,000	55,000	55,000	55,000	55,000	55,000
from the provision	Actual amounts	31,246	31,982	12,583 ¹			
of engineering and	Utilisation rates	56.81%	58.15%	22.88% ²			
construction							
services by the							
Group to Sinopec							
Group							
Expenditure incurred	Annual Caps	7,000	7,000	7,000	7,000	7,000	7,000
for the provision of	Actual amounts	5,329	2,481	1,487 ¹			
engineering and	Utilisation rates	76.13%	35.44%	21.24% ²			
construction							
services by Sinopec							
Group to the Group							

1. Historical amount for the six months ended 30 June 2024.
2. The utilisation rates for the year ending 31 December 2024 are computed based on the actual amounts up to 30 June 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Proposed Annual Caps under the Financial Services Framework Agreement

4.2.1 Basis of determining the Proposed Annual Caps

In determining the Proposed Annual Caps under the Financial Services Framework Agreement for each of the three years ending 31 December 2027, the Company has mainly considered:

- (i) the utilisation rates of the existing annual caps for the Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and for the six months ended 30 June 2024;
- (ii) the interest rates and fee rates in connection with deposits, entrustment loans and other financial services;
- (iii) in order to expand social investment channels and diversify the Group's investment portfolio, the Group will remain the scale of deposits and entrustment loans with Sinopec Finance Institutions unchanged in the next three years;
- (iv) the expected business volume of the Group for the years of 2025, 2026 and 2027; and
- (v) the Group's expected net cash inflow generated by its operating activities for the years of 2025, 2026 and 2027.

When determining whether funds are placed as deposits with Sinopec Finance Institutions or loaned to Sinopec Group through the provision of entrustment loans, the Group will take into account the following factors based on principles of maximum return, cost control and risk control: (i) the funding plan which specifies the Group's long term and short term funding needs, operational needs and capital expenditure requirements; (ii) the Group's fund allocation needs with reference to the interest rates offered for deposits and entrustment loans; (iii) the amount of cash inflow from business operations; and (iv) the service fees charged and terms of entrustment loan.

4.2.2 Assessment to the Proposed Annual Caps

Deposits and interest income

In assessing the fairness and reasonableness of the Proposed Annual Caps for the deposits and interest income, we have (i) reviewed the historical amounts of the deposits and interest income for the two years ended 31 December 2023 and for the six months ended 30 June 2024, which represent the utilisation rates of approximately 95.95%, 99.49% and 90.71% for the corresponding periods; and (ii) reviewed and discussed the forecast model for determining the Proposed Annual Caps for the deposits and interest income with the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Besides, we also noted that there is an expansion in the Group's business scale as the revenue of the Group increased by approximately 6.02% from approximately RMB53,028.1 million for FY2022 to approximately RMB56,220.6 million for FY2023.

Based on the above factors, the Company decided to adopt a prudent treasury measurement policy and set the Proposed Annual Caps for the deposit and related interest income accordingly with reference to the actual amounts for the two years ended 31 December 2023 and for the six months ended 30 June 2024. We noted that (i) the utilisation rates of the annual caps for the deposits and interest income remain high for the corresponding periods; (ii) the Proposed Annual Caps for the deposit and related interest income are the same as the existing annual caps for each of the two years ended 31 December 2023 and for the year ending 31 December 2024, which were approved by independent shareholders in 2021; and (iii) the Proposed Annual Caps for the deposit and related interest income are lower than the cash position of the Group as at 30 June 2024, and therefore we concur with the Directors that the Proposed Annual Caps for the maximum daily balance of deposit and related interest income are fair and reasonable.

Entrusted loans

In assessing the fairness and reasonableness of the Proposed Annual Caps for the entrusted loans, we have reviewed the historical amounts of the entrusted loans for each of the two years ended 31 December 2023 and for the six months ended 30 June 2024, which represent the utilisation rates of 100.0%, 100.0% and 100.0% for the corresponding periods.

Moreover, we have also reviewed and discussed the forecast model for determining the Proposed Annual Caps for the entrusted loans with the Company and understood that (i) the actual size of the entrustment loans by the Group was closely related to the net cash flow generated by the operating activities of the Company; and (ii) the Group intends to maintain its advantageous position in the industry amongst the peers by adopting a series of measures such as special clearing on receivables and inventories to improve operating cash flow, which helps to maintain net cash flow generated by operating activities and operating income to be within the normal historical and industrial range, as such the Company expect the Group's cash flow generated by operating activities will remain steady in the years ending 31 December 2025, 2026 and 2027.

Having considered the possible factors that might affect the cash flow generated by operating activities, the Company decided to adopt a prudent treasury measurement policy and adjust the Proposed Annual Caps for the maximum daily balance of entrusted loans in accordance with the current cash flow generated by operating activities. We noted that (i) the annual caps for the entrusted loans were fully utilised for the corresponding periods; and (ii) the Proposed Annual Caps for the entrusted loans are the same as the annual caps for the two years ended 31 December 2023 and for year ending 31 December 2024, which were approved by independent shareholders in 2021, and therefore we concur with the Directors that the Proposed Annual Caps for the maximum daily balance of entrusted loans are fair and reasonable.

4.3 Proposed Annual Caps under the Engineering and Construction Services Framework Agreement

4.3.1 Basis of determining the Proposed Annual Caps

In determining the Proposed Annual Caps for the Group's provision of engineering and construction services to Sinopec Group for each of the years ending 31 December 2025, 2026 and 2027, the Company has mainly considered the following:

- (i) Sinopec Group's investment plan in relation to, among other things, oil refinery, petrochemicals, new coal chemicals, and natural gas during the period from 2025 to 2027;
- (ii) historical operating income generated from the provision of engineering and construction services by the Group to Sinopec Group, as well as such amounts as a percentage of the Group's total operating income for the corresponding year;
- (iii) the total amount of backlog and new contracts value in connection with the provision of engineering and construction services by the Group to Sinopec Group, as well as such amounts as a percentage of the total amount of the Group's backlog and new contracts value as at 30 June 2024; and
- (iv) the Group's business development plan for the years of 2025, 2026 and 2027, and the operating income in connection with the engineering and construction services provided by the Group to Sinopec Group as a percentage of the Group's total operating income.

In determining the Proposed Annual Caps for the provision of services by Sinopec Group to the Group, the Company has mainly considered:

- (i) historical expenditure incurred for the provision of services by Sinopec Group to the Group;
- (ii) the expenditure incurred for the provision of services by Sinopec Group to the Group as a percentage of the revenue generated from the provision of engineering and construction services by the Group to Sinopec Group; and
- (iii) the Group's business development plan for the years 2025, 2026 and 2027.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.3.2 Assessment to the Proposed Annual Caps

Engineering and construction services provided by the Group to Sinopec Group

In assessing the fairness and reasonableness of the Proposed Annual Caps for the engineering and construction services provided by the Group to Sinopec Group, we have reviewed the historical amounts of the relevant engineering and construction services for the two years ended 31 December 2023 and for the six months ended 30 June 2024, which represent the utilisation rates of approximately 56.81%, 58.15% and 22.88% for the corresponding periods.

We have also reviewed and discussed the forecast model for determining the Proposed Annual Caps for the engineering and construction services provided by the Group to Sinopec Group with the Company and understood that (i) the Proposed Annual Caps are related to the scale of development of Sinopec Group and the Group for the next three years; and (ii) the historical percentage of engineering contract amounts obtained by the Group from Sinopec Group to Sinopec Group's annual investment plan remains stable while the expected engineering contract amounts to be obtained by the Group from Sinopec Group for the period from 2025 to 2027 are estimated with reference to such percentage together with the future investment plan of Sinopec Group.

Based on the above factors, the Company determined to remain the Proposed Annual Caps for the engineering and construction services provided by the Group to Sinopec Group in accordance with the total amount of order in hand and expected new contracts value in connection with the provision of engineering and construction services by the Group to Sinopec Group.

We noted that (i) the historical amounts and the historical utilisation rates remained stable for FY2022 and FY2023; (ii) the capital expenditures of the Sinopec Corp. on oil refining and chemicals were RMB53.0 billion, RMB74.1 billion, RMB81.5 billion, and RMB77.9 billion in 2020, 2021, 2022 and 2023, respectively, with a three-year CAGR of approximately 13.7%; and (iii) the Proposed Annual Caps for the engineering and construction services provided by the Group to Sinopec Group are the same as the existing annual caps for the two years ended 31 December 2023 and for year ending 31 December 2024, which were approved by the independent shareholders in 2021.

According to an article published on the website of International Energy Agency (IEA) on 19 December 2023, the global petrochemical industry is currently going through a momentous period of transition. Driving this change is a towering wave of new petrochemical plants, most notably in China. Global oil use in 2023 has decisively surpassed pre-Covid levels, rising to 1 million barrels per day (mb/d) above where it stood in 2019. However, this is largely being driven by petrochemical demand and is especially concentrated in China. In 2023, demand for petrochemical feedstocks such as naphtha, liquefied petroleum gas (LPG) and ethane in the country will average 1.7 mb/d more than in 2019. We have also reviewed a list of potential large scale petrochemical

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

projects of Sinopec Group which are expected to be conducted by the Group potentially during the three years ending 31 December 2026 and noted the aggregated proposed investment amounts of such projects are over RMB110 billion. Therefore, we consider there are sufficient future demand for the engineering and construction services provided by the Group to Sinopec Group and concur with the Directors' view that the Proposed Annual Caps for the engineering and construction services provided by the Group to Sinopec Group are fair and reasonable.

Engineering and construction services provided by Sinopec Group to the Group

In assessing the fairness and reasonableness of the Proposed Annual Caps for the engineering and construction services provided by Sinopec Group to the Group, we have reviewed the historical amounts of the relevant engineering and construction services for the two years ended 31 December 2023 and for the six months ended 30 June 2024, which represent the utilisation rates of approximately 76.13%, 35.44% and 21.24% for the corresponding periods.

We have discussed with the Company and understood that (i) the Proposed Annual Caps are related to future business development status of the Group; (ii) the expenditure incurred for the provision of services by Sinopec Group to the Group as a percentage of the revenue generated from the provision of engineering and construction services by the Group to Sinopec Group will increase to a relatively stable level for the period from 2025 to 2027 as a result of future development of the Group and Sinopec Group; and (iii) the Group will conduct engineering and construction related supporting services such as procurement of equipment and materials through Sinopec Group in 2025, 2026 and 2027 because such arrangement would allow the Group to increase its operational efficiency and lower the overall purchase cost for the Group. We have also reviewed and discussed the forecast model for determining the Proposed Annual Caps for the engineering and construction services provided by Sinopec Group to the Group with the Company, and noted the Proposed Annual Caps for engineering and construction services expenditure incurred for the provision of services by Sinopec Group to the Group represent approximately 12.7% of the Proposed Annual Caps for engineering and construction services by the Group to Sinopec Group, and such percentage used in the forecast model is generally in line with the historical performance of the Group.

Having considered (i) the future business development of the Group; (ii) the historical and expected growth in the revenue generated from the provision of engineering and construction services by the Group to Sinopec Group; and (iii) the Proposed Annual Caps for the engineering and construction services provided by Sinopec Group to the Group are the same as the existing annual caps for the two years ended 31 December 2023 and for year ending 31 December 2024, which were approved by the independent shareholders in 2021, we concur with the view of the Directors that the annual caps for the engineering and construction services provided by Sinopec Group to the Group are fair and reasonable.

5. Internal Control

The Company has adopted certain internal control procedures and corporate governance measures in relation to the Non-exempt Framework Agreements, details of which are included in the section headed “(V). Procedures and Internal Control Measures for Pricing and Terms of the Continuing Connected Transactions” in the Letter from the Board.

For the deposit services, we have obtained and reviewed (i) the Company’s regulations for the Administration of Connected Transactions of the Group; (ii) sample documents for the deposits of the Group in 2024, which were randomly selected by the Company as per our request and are fair and representative samples of the interest rates offered by Sinopec Finance Institutions and other independent banks to the Group; (iii) the interest rates as announced by major independent commercial banks in the PRC and Hong Kong on their official websites for the same types of deposit services for the same period as shown in the sample documents; and (iv) the interest rate as announced by the PBOC for the same types of deposit services for the same period as shown in the sample documents. We have compared such interest rates and noted that the interest rates of the deposit services provided by the Sinopec Finance Institutions to the Group are not less favourable than those provided or announced by independent banks or announced by the PBOC for the same types of deposit services for the same period.

For the entrusted loans, we understood from the management of the Company that the interest rates for the entrustment loans are determined through arm’s length negotiations between the parties based on, among others, relative bargaining power, risk profile and security level. We have obtained samples for the entrusted loans provided by the Group to Sinopec Group through Sinopec Finance Institutions and quotations offered by independent banks to the Group in 2024, which were randomly selected by the Company as per our request and are fair and representative samples of the interest rates provided to the Group for the entrusted loans to Sinopec Group and offered by the independent banks. We noted that the term of all such entrusted loans is not more than one year and the interest rates of the entrusted loans provided by the Group to Sinopec Group through Sinopec Finance Institutions are not less favourable than the interest rates offered by such independent banks. In addition, we have checked the interest rates of ultra-short-term bonds issued by Sinopec Group in May 2024, which are the latest bonds issued by Sinopec Group with terms of not more than one year and we consider comparable to such samples of entrusted loans provided by the Group to Sinopec Group through Sinopec Finance Institutions. We have also obtained and reviewed the interest rates of the ultra-short-term bonds available in the PRC market issued by companies of credit ratings and risk profile similar to those of Sinopec Group in May 2024 and noted that the interest rates of such entrusted loans are not less favourable than the interest rates of such ultra-short-term bonds issued by Sinopec Group and such comparable ultra-short-term bonds available in the PRC market.

For the engineering and construction services, we have obtained and reviewed (i) sample contracts between Sinopec Group and the Group as well as sample contracts between the Group and independent third parties during 2021 to 2024; and (ii) sample documents in relation to the tender and bidding process, which were randomly selected by the Company as per our request and are fair and representative samples. We noted that the terms of the sample contracts between the Group and Sinopec Group are no less favourable to the Company than the terms of the sample contracts between the Group and independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 14A.55 and 14A.56 of the Hong Kong Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. We have reviewed the 2022 AR and 2023 AR and noted that the independent non-executive Directors and the auditor of the Company have reviewed the non-exempt continuing connected transactions during such years and provided the relevant confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Hong Kong Listing Rules on an on-going basis.

Based on the above, we concur with the Directors' view that the Group has effective internal policies in place to continue to monitor the continuing connected transactions under the Non-exempt Framework Agreements and the Proposed Annual Caps, therefore the interests of the Company and its Shareholders would be safeguarded.

6. Recommendation

Having considered the above factors and reasons, we are of the opinion that (i) the Non-exempt Transactions are conducted in the ordinary and usual course of business of the Company and on normal commercial terms; and (ii) the terms of the Non-exempt Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Non-exempt Framework Agreements to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Dian Deng
Managing Director

Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in corporate finance industry.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



中石化炼化工程（集团）股份有限公司 SINOPEC Engineering (Group) Co., Ltd.*

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

(Stock Code: 2386)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING FOR THE YEAR 2024 AND CLOSURE OF REGISTER OF MEMBERS FOR H SHARES

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting (the “**EGM**”) of SINOPEC Engineering (Group) Co., Ltd. (the “**Company**”) for the year 2024 will be held at A67, Ande Road, Xicheng District, Beijing, the PRC at 2:00 p.m. on Friday, 8 November 2024 for the purposes of considering and, if thought fit, approving the following resolutions. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated 11 September 2024.

RESOLUTIONS TO BE CONSIDERED AND APPROVED AT THE EGM

By way of ordinary resolutions:

- (1) to consider and approve the terms under the Financial Services Framework Agreement, the continuing connected transactions thereunder and the Proposed Annual Caps in respect thereof for each of the years ending 31 December 2025, 2026 and 2027, respectively, and to approve to authorise Mr. JIANG Dejun, the Chairman, to sign relevant documents on behalf of the Company, and do such things and take such actions as he deems necessary or desirable in accordance with the resolutions of the Board dated 16 August 2024, so as to effect this resolution and make any changes as he deems necessary, desirable or expedient;

* *For identification purposes only*

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (2) to consider and approve the terms under the Engineering and Construction Services Framework Agreement, the continuing connected transactions thereunder and the Proposed Annual Caps in respect thereof for each of the years ending 31 December 2025, 2026 and 2027, respectively, and to approve to authorise Mr. JIANG Dejun, the Chairman, to sign relevant documents on behalf of the Company, and do such things and take such actions as he deems necessary or desirable in accordance with the resolutions of the Board dated 16 August 2024, so as to effect this resolution and make any changes as he deems necessary, desirable or expedient;
- (3) to consider and approve the proposed appointment of Mr. JIANG Dejun as an executive Director of the Fifth Session of the Board;
- (4) to consider and approve the proposed appointment of Mr. ZHANG Xinming as an executive Director of the Fifth Session of the Board;
- (5) to consider and approve the proposed appointment of Mr. XIANG Wenwu as a non-executive Director of the Fifth Session of the Board;
- (6) to consider and approve the proposed appointment of Mr. LI Chengfeng as a non-executive Director of the Fifth Session of the Board;
- (7) to consider and approve the proposed appointment of Mr. YU Renming as a non-executive Director of the Fifth Session of the Board;
- (8) to consider and approve the proposed appointment of Mr. DUAN Xue as an independent non-executive Director of the Fifth Session of the Board;
- (9) to consider and approve the proposed appointment of Mr. YE Zheng as an independent non-executive Director of the Fifth Session of the Board;
- (10) to consider and approve the proposed appointment of Mr. ZHAO Jinsong as an independent non-executive Director of the Fifth Session of the Board;
- (11) to consider and approve the proposed appointment of Mr. BU Fanyong as a Supervisor of the Fifth Session of the Supervisory Committee;
- (12) to consider and approve the proposed appointment of Mr. WU Defei as a Supervisor of the Fifth Session of the Supervisory Committee;
- (13) to consider and approve the proposed appointment of Mr. HAN Weiguo as a Supervisor of the Fifth Session of the Supervisory Committee;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

(14) to consider and approve the proposed appointment of Mr. SHA Yu as a Supervisor of the Fifth Session of the Supervisory Committee;

(15) to consider and approve the proposed appointment of Mr. ZHOU Yingguan as a Supervisor of the Fifth Session of the Supervisory Committee.

By Order of the Board
SINOPEC ENGINEERING (GROUP) CO., LTD.
YIN Fengbing
Chief Financial Officer & Secretary to the Board

Beijing, the PRC
11 September 2024

As at the date of this announcement, Directors of the Company are: JIANG Dejun[#], ZHANG Xinming[#], XIANG Wenwu^{}, LI Chengfeng^{*}, YU Renming^{*}, HUI Chiu Chung, Stephen⁺, DUAN Xue⁺, YE Zheng⁺, ZHAO Jinsong⁺ and XIE Yanli[#].*

[#] *Executive Directors*

^{*} *Non-executive Directors*

⁺ *Independent non-executive Directors*

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

ATTENDEE OF THE EGM

1. Eligibility and Registration Procedure for attending the EGM

- (a) Closure of Register of Members. For the purpose of ascertaining Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 9 October 2024 to Friday, 8 November 2024 (both days inclusive).
- (b) Domestic Shareholders and H Shareholders whose names appear on the register of members of the Company before the close of business on Wednesday, 9 October 2024 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM.
- (c) H Shareholders who wish to attend the EGM shall lodge their share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Limited before 4:30 p.m. on Tuesday, 8 October 2024 for registration.
- (d) A Shareholder or his/her/its proxy shall produce proof of identity when attending the meeting. If a Shareholder is a legal person, its legal representative or other persons authorised by the board of directors or other governing body of such Shareholder may attend the EGM by producing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such persons to attend the meeting.
- (e) Domestic Shareholders and H Shareholders intending to attend the EGM should return the reply slip for attending the EGM to the Company on or before Friday, 18 October 2024.
- (f) Shareholders may send the above reply slip to the Company by hand, by post or by email.

2. Proxy

- (a) A Shareholder eligible to attend and vote at the EGM is entitled to appoint, in written form, one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a Shareholder.
- (b) A proxy should be appointed by a written instrument signed by the appointer or his/her/its attorney duly authorised in writing. If the proxy form is signed by the attorney of the appointer, the power of attorney authorising that attorney to sign or the authorisation document(s) must be notarised.
- (c) To be valid, the power of attorney or other authorisation document(s) which has been notarised, together with the completed proxy form, must be delivered to the place of business of the Company for Domestic Shareholders and Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for H Shareholders not less than 24 hours before the time designated for holding of the EGM.
- (d) A Shareholder or his/her/its proxy may exercise the right to vote by poll.

3. Miscellaneous

- (a) The EGM will not last for more than one working day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.
- (b) The address of the Company's Share Registrar of H Shares, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The place of business of the Company is at:

A67, Ande Road, Xicheng District, Beijing, the PRC
Post Code: 100011
Telephone No.: (+86) 10 5673 0525
Email: seg.ir@sinopec.com

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2023 is disclosed in the 2023 annual report of the Company published on 17 March 2024 (pages 120 to 208, <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0317/2024031700021.pdf>); (ii) for the year ended 31 December 2022 is disclosed in the 2022 annual report of the Company published on 19 March 2023 (pages 128 to 212, <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0319/2023031900065.pdf>); and (iii) for the year ended 31 December 2021 is disclosed in the 2021 annual report of the Company published on 20 March 2022 (pages 114 to 192, <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0320/2022032000007.pdf>). The above have been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.segroup.cn).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2024, being the latest practicable date for the purpose of preparing this indebtedness statement, except for total lease liabilities of RMB186 million and loans to fellow subsidiaries of RMB155 million, the Group did not have any loan capital issued, any bank overdrafts and liabilities under acceptances (other than general commercial papers) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

Taking into account the internal and other financial resources available to the Group, after diligent and thorough consideration, the Directors are of the opinion that, in the absence of unforeseen circumstances, the Group has sufficient working capital required at present and for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

There has been no significant change in the trend of the business and financial and trading prospects of the Group since the date of the last published interim report.

5. FINANCIAL EFFECT OF THE NON-EXEMPT TRANSACTIONS

The Directors expect that the Non-exempt Transactions will not have any immediate material financial impact on the earnings, assets or liabilities of the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

- (1) As at the Latest Practicable Date, so far as was known to the Board, none of the Directors, Supervisors and senior management members of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they are taken or deemed to have under such provisions of the Securities and Futures Ordinance), or which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As at the Latest Practicable Date, so far as was known to the Board, none of the Directors was a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

- (2) As at the Latest Practicable Date, save as disclosed below, so far as was known to the Board, no persons (not being a Director, Supervisor or senior management member of the Company) had an interest or short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any other member of the Company.

Name of Shareholders	Class of share	Capacity	Number of shares with interests held or regarded as being held (Share)	Percentage in shares of the Company of the same class (%) ⁽⁴⁾	Percentage in the total share capital of the Company (%) ⁽⁵⁾
CPC ⁽¹⁾	Domestic Share	Beneficial owner/Interests of controlled corporation	2,967,200,000 (L)	100.00 (L)	67.44 (L)
FMR LLC ⁽²⁾	H Share	Interests of controlled corporation	146,096,410 (L)	10.20 (L)	3.32 (L)
Fidelity Investment Trust ⁽³⁾	H Share	Interests of controlled corporation	73,184,819 (L)	5.11 (L)	1.66 (L)

Notes: (L): long position; (S): short position; (P): lending pool.

Notes:

- (1) CPC directly and/or indirectly holds 2,967,200,000 Domestic Shares, representing 100% of the Domestic Shares and approximately 67.44% of the total share capital of the Company, respectively. SAMC is a wholly-owned subsidiary of Sinopec Group and directly holds 59,344,000 Domestic Shares, representing 2.00% of the Domestic Shares and approximately 1.35% of the total share capital of the Company, respectively. Pursuant to the SFO, Sinopec Group is also deemed to be interested in the Domestic Shares held by SAMC.
- (2) The information is based on the Corporate Substantial Shareholders Notice filed by FMR LLC with the Hong Kong Stock Exchange on 23 November 2023.
- (3) The information is based on the Corporate Substantial Shareholders Notice filed by Fidelity Investment Trust with the Hong Kong Stock Exchange on 23 November 2023.
- (4) It is calculated on the basis that the Company has issued 2,967,200,000 Domestic Shares and 1,432,399,000 H Shares.
- (5) It is calculated on the basis that the Company has issued 4,399,599,000 Shares in total.

3. PARTICULARS OF DIRECTORS' AND SUPERVISORS' CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had a service contract with any member of the Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

4. COMPETING INTERESTS

As at the Latest Practicable Date, other than management positions held by Director Mr. XIANG Wenwu in Sinopec Group, so far as the Board was aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete directly or indirectly with the business of the Group.

5. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND/OR CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors and the Supervisors had any interests, either directly or indirectly, in any assets which had been, since 30 June 2024 (being the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and the Supervisors was materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 30 June 2024 (being the date to which the latest published audited financial statements of the Group were made up).

7. LITIGATION

Save as disclosed in the section headed “Significant Events — 4. Material Litigation or Arbitration Events” in the Company’s 2024 interim report, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

8. EXPERT

The following is the qualification of Maxa Capital which has given its opinion or advice contained in this circular:

Name	Qualifications
Maxa Capital	a licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which was appointed by the Company as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Non-exempt Transactions and the Proposed Annual Caps

As at the Latest Practicable Date, Maxa Capital had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate others to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Maxa Capital had no direct or indirect interest in any assets which had been, since 30 June 2024 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group.

Maxa Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

9. MATERIAL CONTRACTS

Within two years immediately prior to the publication date of this circular, the following material contracts (not being contracts entered into in the ordinary and usual course of business) were entered into by members of the Group:

On 30 June 2024, Sinopec Shanghai Engineering Co., Ltd. (中石化上海工程有限公司), a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement in relation to Shanghai KSD Bulk Solids Engineering Co., Ltd. with China Petrochemical Technology Co., Ltd. (中國石油化工科技開發有限公司) (“Sinopec Tech”); and on the same day, Sinopec Engineering Incorporation (中國石化工程建設有限公司), Luoyang Petrochemical Engineering Corporation Ltd. (中石化洛陽工程有限公司) and Sinopec Ningbo Engineering Co., Ltd. (中石化寧波工程有限公司), the wholly-owned subsidiaries of the Company, entered into the Equity Transfer Agreement in relation to Sinopec Tech with Sinopec Corporation (please refer to the announcement of the Company dated 1 July 2024 for further details).

10. MISCELLANEOUS

- (a) The Secretary to the Board is Mr. YIN Fengbing. For details of his biographical information, please refer to the Company's 2023 annual report.
- (b) The registered office of the Company is at A67, Ande Road, Xicheng District, Beijing, the PRC.
- (c) H Share registrar of the Company is Computershare Hong Kong Investor Services Ltd. at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) In the event of any inconsistency, the English language version of this circular shall prevail over the Chinese language version.

11. ROUNDING

Certain amounts and percentages figures included in this circular have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange and the Company from the date of this circular up to 14 days (inclusive) thereafter:

- (a) the Supplemental Agreements;
- (b) the letter from the Independent Board Committee to the Independent Shareholders dated 11 September 2024, the full text of which is set out on pages 39 to 40 of this circular;
- (c) the letter from Maxa Capital to the Independent Board Committee and the Independent Shareholders dated 11 September 2024, the full text of which is set out on pages 41 to 63 of this circular;
- (d) the written consent of Maxa Capital referred to in the paragraph headed "Expert" in this Appendix II.

BIOGRAPHICAL DETAILS OF THE DIRECTOR CANDIDATES**Mr. JIANG Dejun**

Mr. JIANG Dejun (蔣德軍), aged 58, is the Chairman of the Board of SINOPEC SEG. Mr. JIANG is a principal senior engineer with a Ph.D degree. From November 2001 to September 2003, he was the deputy head of Lanzhou Design Institute of Sinopec Group (中國石化集團蘭州設計院). From September 2003 to June 2007, he was the director and vice president of Sinopec Ningbo Engineering Co., Ltd. (中國石化寧波工程有限公司). From June 2007 to December 2008, he was the deputy manager of SINOPEC Engineering Co., Ltd. (中國石化集團煉化工程有限公司). From December 2008 to September 2012, he was the Vice President of SINOPEC Engineering Co., Ltd. and deputy Director of Engineering Enterprise Management Department of Sinopec Group. From September 2012 to October 2019, he was the vice president of Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司). He was an employee representative Supervisor of SINOPEC SEG from January 2015 to December 2020, and was the general manager of Sinopec Engineering Incorporation from October 2019 to December 2020. He has been the President of SINOPEC SEG from December 2020 to May 2023, a Director of SINOPEC SEG since February 2021, and Chairman of the Board of SINOPEC SEG since May 2023.

Mr. ZHANG Xinming

Mr. ZHANG Xinming (張新明), aged 57, is an Executive Director and President of SINOPEC SEG. Mr. ZHANG is a principal senior engineer, graduated from university with a master's degree in business administration. Mr. ZHANG served as the Deputy General Manager of Sinopec Luoyang Engineering Co., Ltd. (中國石化洛陽工程有限公司) and the Deputy General Manager of Sinopec Guangzhou Engineering Co., Ltd. (中國石化廣州工程有限公司) from August 2013 to March 2015; served as the Deputy Director of the Development Planning Department of Sinopec Group from March 2015 to December 2019; served as the Deputy General Manager of the Development Planning Department of Sinopec Group from December 2019 to April 2021; served as the Chairman of Sinopec Shanghai Engineering Co., Ltd. from September 2020 to April 2023; served as the Supervisor of SINOPEC SEG from May 2021 to April 2023; was appointed as the President of SINOPEC SEG from April 2023; and has been serving as an executive Director of SINOPEC SEG since May 2023.

Mr. XIANG Wenwu

Mr. XIANG Wenwu (向文武), aged 58, is a Director of SINOPEC SEG and the general manager of the engineering department of Sinopec Group. Mr. XIANG is a principal senior economist and holds a Ph.D. diploma. Mr. XIANG served as deputy manager of Sinopec Group Second Construction Company (中國石化集團第二建設公司) (“Sinopec Group SCC”) from June 1999 to March 2004, the manager of Sinopec Group SCC from March 2004 to December 2008, the general manager of Sinopec Group SCC from December 2008 to July 2010, a director and the general manager of Sinopec Group Nanjing Engineering Co., Ltd. (中國石化集團南京

工程有限公司) from December 2009 to April 2012, an executive director and the general manager of Sinopec Nanjing Engineering Co., Ltd. (中石化南京工程有限公司) from April 2012 to November 2014, and the Vice President of SINOPEC SEG from August 2012 to January 2017. Mr. XIANG has been the President of SINOPEC SEG from January 2017 to December 2020, a Director of SINOPEC SEG since February 2017. He served as the Vice Chairman of the Board of SINOPEC SEG and an executive Director of Sinopec Fourth Construction Co., Ltd. (中石化第四建设有限公司) from December 2020 to April 2024. He has been the general manager of the engineering department of Sinopec Group since April 2024.

Mr. LI Chengfeng

Mr. LI Chengfeng (李成峰), aged 60, is a Director of SINOPEC SEG. Mr. LI is a senior engineer with a master degree. From December 2004 to September 2005, Mr. Li served as the vice president of BASF-YPC Company Limited (BASF-YPC). From September 2005 to March 2008, he served as a director of Sinopec Yangzi Petrochemical Company (Limited) (中國石化揚子石化股份(有限責任)公司). From September 2005 to October 2006, he served as the vice president of Sinopec Yangzi Petrochemical Corporation (中國石化揚子石化股份有限公司). From October 2006 to June 2007, he served as the general manager of Sinopec Yangzi Petrochemical Corporation. From June 2007 to March 2008, he served as the general manager of Sinopec Yangzi Petrochemical Co., Ltd. (中國石化揚子石化有限公司). From October 2006 to March 2008, he served as the chairman of BASF-YPC. From March 2008 to December 2008, he served as the manager of chemical sales branch of Sinopec Corp. From December 2008 to March 2012, he served as the general manager of chemical sales branch of Sinopec Corp. From January 2009 to November 2014, he served as the executive director of Sinopec Chemical Commercial Holding Company Limited. From April 2009 to November 2014, he served as the general manager of Sinopec Chemical Commercial Holding Company Limited. From July 2010 to November 2014, he served as deputy director of chemical business department of Sinopec Corp. From October 2014 to November 2014, he served as the chairman of Sinopec Chemical Commercial Holding (Hong Kong) Co., Ltd. From November 2014 to December 2016, he served as the director of Sinopec Wuhan Petrochemical plant, the general manager of Sinopec Corp. Wuhan Branch and the chairman of Sino-Korean (Wuhan) Petrochemical Co., Ltd (中韓(武漢)石油化工有限公司). From November 2014 to May 2016, he served as the general manager of Sino-Korean (Wuhan) Petrochemical Co., Ltd. From December 2016 to June 2018, he served as the chairman of Sinopec Yangzi Petrochemical Co., Ltd. (中石化揚子石化有限責任公司), Yangzi Petrochemical Co., Ltd. (揚子石化有限公司) and chairman of BASF-YPC. From June 2018 to December 2019, he served as the director of the chemical business department of Sinopec Corp. From September 2018 to October 2022, he has been the vice chairman of ZTHC Energy Co., Ltd. (中天合創能源有限責任公司). From January 2019 to November 2022, he has been the chairman of Shanghai SECCO Petrochemical Co., Ltd. (上海賽科石油化工有限公司). From December 2019 to April 2024, he has served as the general manager of the chemical business department of Sinopec Corp. and the executive director of Sinopec Asset Management Co., Ltd. He served as the deputy chief engineer of Sinopec Corp. from December 2020 to May 2024. He has been a Director of SINOPEC SEG since October 2021.

Mr. YU Renming

Mr. YU Renming (俞仁明), aged 60, is a Director of SINOPEC SEG and a principal senior engineer. Mr. YU served as the Deputy General Manager of Sinopec Zhenhai Refining and Chemical Co., Ltd. (中國石化鎮海煉油化工股份有限公司) from June 2000 to September 2006; served as a Director of Sinopec Zhenhai Refining and Chemical Co., Ltd. from June 2003 to September 2006; served as the Deputy Manager of Zhenhai Refining and Chemical Branch of Sinopec Corp. from September 2006 to September 2007; served as the manager of Zhenhai Refining and Chemical Branch of Sinopec Corp. from September 2007 to March 2008; served as the Director of the Production and Operation Management Department of Sinopec Corp. from January 2008 to December 2017; served as the employee representative supervisor of Sinopec Corp. from December 2010 to January 2021; served as the Director of the Refining Business Department of Sinopec Corp. from December 2017 to December 2019; served as the Vice Chairman and Chairman of the Audit Committee of Yanbu Aramco Sinopec Refining Company Ltd. from December 2017 to December 2019; served as the Chairman of SINOPEC SEG from December 2019 to December 2020; served as the Deputy Chief Engineer and General Manager of the Refining Business Department of Sinopec Corp. from December 2020 to April 2024; and has been serving as a Director of SINOPEC SEG since October 2023.

Mr. DUAN Xue

Mr. DUAN Xue (段雪), aged 67, is an independent Director of SINOPEC SEG. Mr. DUAN is currently an academician of the Chinese Academy of Sciences, a researcher and doctoral supervisor of Beijing University of Chemical Technology, the executive deputy director of the Academic Committee of the State Key Laboratory of Effective Utilization of Chemical Resources, the vice-president of the China Petroleum and Chemical Industry Federation, and a council member of the Chemical Industry and Engineering Society of China. Mr. DUAN worked as a teaching assistant at Beijing Institute of Chemical Technology from September 1985 to January 1990; served as an associate professor at Beijing Institute of Chemical Technology from January 1990 to January 1993; and he has been a researcher at Beijing University of Chemical Technology since January 1993, and was elected in 2007 as an academician of the Chinese Academy of Sciences. Mr. DUAN has been an independent Director of SINOPEC SEG since May 2023.

Mr. YE Zheng

Mr. YE Zheng (葉政), aged 59, is an independent Director of SINOPEC SEG. Mr. YE is a director of Ace Sustainability & Risk Advisors Limited, and an independent non-executive director of Hainan Meilan International Airport Company Limited (海南美蘭國際空港股份有限公司) (Stock Code: 357) whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He worked in Shanghai Municipal Finance Bureau (上海市財政局) from October 1982 to January 1989. Mr. YE has over 25 years of experience in audit, internal control and consultancy. He served as an auditor in Ernst & Young (安永會計師事務所) from October 1995 to April 2000; an audit manager in KPMG (畢馬威會計師事務所) from May

2000 to December 2001; a senior audit manager in Grant Thornton (香港均富會計師事務所) from January 2002 to July 2005; a director in Ernst & Young from August 2005 to October 2006, and a practicing director of Mazars CPA Limited from November 2006 to April 2021. Mr. YE obtained a bachelor's degree in accounting and finance in May 1993, and a master's degree in business administration in December 1994, both from California State University, Long Beach. Mr. YE became a member of the American Institute of Certified Public Accountants in September 1998 and a member of the Hong Kong Institute of Certified Public Accountants in May 2003. He has been a director of Ace Sustainability & Risk Advisors Limited since April 2021, an independent Director of SINOPEC SEG since April 2013, and an independent non-executive director of Hainan Meilan International Airport Company Limited (海南美蘭國際空港股份有限公司) (Stock Code: 357) since October 2021. Mr. YE was a consulting expert for the third session of the committee for enterprise internal control standards appointed by the Ministry of Finance of the People's Republic of China from 1 November 2014 to 31 October 2016.

Mr. ZHAO Jinsong

Mr. ZHAO Jinsong (趙勁松), aged 55, is an independent Director of SINOPEC SEG. Mr. ZHAO is currently the director and professor of the Institute of Process System Engineering, Department of Chemical Engineering, Tsinghua University, deputy director of the Beijing Key Laboratory of Industrial Big Data System and Application, and also the executive vice-chairman of the Culture and Ethics Committee of the Chinese Society of Engineers, the chairman of the Engineering and Ethics Education Committee of the Chemical Industry and Engineering Society of China, the vice-chairman of the Process System Engineering Special Committee of the Systems Engineering Society of China, vice chief editor of the "Chinese Journal of Chemical Engineering (English Edition)", member of the editorial board of the international journal "Computers & Chemical Engineering, Process Safety and Environmental Protection", member of the expert group of Hazardous Chemical Safety Special Committee of the Safety Commission of the State Council, member of the first Expert Group on Ecological and Environmental Emergency Response of the Ministry of Ecology and Environment, and leader in the field of safety production in Beijing. Mr. ZHAO worked as a postdoctoral associate researcher at Purdue University of USA from August 1997 to March 2001; worked as a senior engineer at Day & Zimmermann, Inc. and AET, Inc. of USA from March 2001 to March 2005; worked as a professor and doctoral supervisor at the School of Information Technology, Beijing University of Chemical Technology from March 2005 to March 2008; served as a professor and doctoral supervisor in the Department of Chemical Engineering of Tsinghua University from April 2008, and served as the director of the Department of Chemical Engineering at Tsinghua University from June 2013 to December 2020. Mr. ZHAO has been an independent Director of SINOPEC SEG since October 2023.

Ms. XIE Yanli

Ms. XIE Yanli (謝艷麗), aged 48, is an employee representative Director of SINOPEC SEG, and served as the executive director and general manager of Sinopec Energy Management Co., Ltd. (director of Sinopec Energy Management Center). Ms. XIE is a principal senior engineer with a master's degree. Ms. XIE held various positions in Sinopec Research Institute of Economics and Technology, Sinopec Energy Management Company (中石化節能技術服務公司) and Sinopec Energy Management Center from July 2002 to June 2020; and has been the executive director and general manager of Sinopec Energy Management Co., Ltd. (director of Sinopec Energy Management Center) since June 2020. Ms. XIE has been an employee representative Director of SINOPEC SEG since May 2023.

BIOGRAPHICAL DETAILS OF THE SUPERVISOR CANDIDATES**Mr. BU Fanyong**

Mr. BU Fanyong (卜凡勇), aged 47, is the Chairman of the Supervisory Committee and the Chairman of the Trade Union of SINOPEC SEG, is a senior economist with a master degree in engineering. From July 1996 to April 2024, Mr. BU held several positions consecutively in Sinopec Shengli Oilfield (中國石化勝利油田) and Sinopec Discipline Inspection and Supervision Group (中國石化紀檢監察組). Mr. BU has been the Chairman of the Supervisory Committee and the Chairman of the Trade Union of SINOPEC SEG from May 2024.

Mr. WU Defei

Mr. WU Defei (吳德飛), aged 48, is a Supervisor of SINOPEC SEG, and serves as the executive director of Sinopec Engineering Incorporation (中國石化工程建設有限公司). Mr. WU is a principal senior engineer with a doctoral degree in engineering. Mr. WU served as the Deputy Director of the Refining Business Department of Sinopec Corp. from January 2018 to March 2019; served as a director of Fujian Petrochemical Company Limited from October 2018 to June 2020; served as the Deputy General Manager of Sinopec Nanjing Engineering Co., Ltd. (中石化南京工程有限公司) from March 2019 to August 2020; served as the Executive Vice General Manager of Sinopec Engineering Incorporation from August 2020 to December 2020; served as the General Manager of Sinopec Engineering Incorporation from December 2020 to April 2023; was appointed as the Executive Director of Sinopec Engineering Incorporation from April 2023; and was appointed as the Supervisor of SINOPEC SEG from May 2023.

Mr. HAN Weiguo

Mr. HAN Weiguo (韓衛國), aged 53, is a Supervisor of SINOPEC SEG, as well as an executive director of Sinopec Luoyang Engineering Co., Ltd. (中石化洛陽工程有限公司) and Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司). Mr. HAN is a senior engineer with a master's degree in business administration. From May 2016 to May 2020, Mr.

HAN served as vice president of Sinopec Luoyang Engineering Co., Ltd. and Sinopec Guangzhou Engineering Co., Ltd., and served as general manager of Sinopec Luoyang Engineering Co., Ltd. and Sinopec Guangzhou Engineering Co., Ltd. from May 2020 to February 2023. He was the executive director of Sinopec Luoyang Engineering Co., Ltd. and Sinopec Guangzhou Engineering Co., Ltd. since February 2023, and has been a Supervisor of SINOPEC SEG since May 2023.

Mr. SHA Yu

Mr. SHA Yu (沙裕), aged 54, is a Supervisor of SINOPEC SEG, and serves as the executive director of Sinopec Shanghai Engineering Co., Ltd. (中石化上海工程有限公司). Mr. SHA is a principal senior engineer with a master's degree in business administration. Mr. SHA served as the Deputy General Manager of Sinopec Shanghai Engineering Co., Ltd. from August 2016 to September 2020; served as a director and general manager of Sinopec Shanghai Engineering Co., Ltd. from September 2020 to September 2023; was appointed as the Executive Director of Sinopec Shanghai Engineering Co., Ltd. from September 2023; and has been a Supervisor of SINOPEC SEG since October 2023.

Mr. ZHOU Yingguan

Mr. ZHOU Yingguan (周赢冠), aged 55, is a Supervisor of SINOPEC SEG, as well as an executive director of Sinopec Nanjing Engineering Co., Ltd. (中石化南京工程有限公司). Mr. ZHOU is a principal senior economist with a university diploma. From March 2004 to July 2010, Mr. ZHOU served as the vice president of the Sinopec Group Second Construction Company (中國石化集團第二建設公司); from July 2010 to April 2012, he served as the vice president of Sinopec Group Nanjing Engineering Co., Ltd. (中國石化集團南京工程有限公司); from April 2012 to April 2017, he has been the vice president of Sinopec Nanjing Engineering Co., Ltd. He was the Supervisor of SINOPEC SEG from January 2015 to October 2018. He was an executive director and president of Sinopec Fourth Construction Co., Ltd. from April 2017 to December 2020. He has been a Director of SINOPEC SEG from October 2018 to December 2020. Since December 2020, he has been an executive director of Sinopec Nanjing Engineering Co., Ltd. Since February 2021, he has been a Supervisor of SINOPEC SEG.

Mr. ZHENG Lijun

Mr. ZHENG Lijun (鄭立軍), aged 56, is an employee representative Supervisor of SINOPEC SEG, who is also an executive director of Sinopec Ningbo Engineering Co., Ltd. (中石化寧波工程有限公司). Mr. ZHENG is a principal senior engineer with a university diploma. From March 2017 to November 2019, Mr. ZHENG served as the deputy general manager of Sinopec Engineering Incorporation (中國石化工程建設有限公司). From November 2019 to December 2022, he served as the Vice President of SINOPEC SEG. He was the president of Sinopec Ningbo Engineering Co., Ltd. from December 2022 to December 2023. He has been an executive director of Sinopec Ningbo Engineering Co. Ltd. since December 2023. He has been an employee representative Supervisor of SINOPEC SEG since February 2024.

Mr. DONG Kexue

Mr. DONG Kexue (董克學), aged 58. Mr. DONG is a principal senior engineer with a master's degree in business administration. From September 2009 to April 2012, Mr. DONG was the deputy general manager of Sinopec Tenth Construction Company (中石化第十建設公司); from April 2012 to November 2020, he served as the deputy general manager of Sinopec Tenth Construction Company Limited; from November 2020 to July 2024, he was the general manager of Fourth Construction Co., Ltd. (第四建設有限公司); since July 2024, he has been an executive director of Fourth Construction Co., Ltd.

Mr. YI Hao

Mr. YI Hao (衣浩), aged 56, is an employee representative Supervisor of SINOPEC SEG, as well as an executive director of Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司). Mr. YI is a principal senior economist with a university diploma. Mr. YI served as the vice president of the Fifth Construction Company of Sinopec Group (中國石化集團第五建設公司) from July 2000 to April 2012. From April 2012 to April 2015, he served as the vice president of Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司). From April 2015 to April 2017, he served as the chairman of the trade union and supervisor of Sinopec Fifth Construction Co., Ltd. From April 2017 to December 2018, he served as the vice president of Sinopec Fifth Construction Co., Ltd. From December 2018 to December 2019, he served as the president of Sinopec Fifth Construction Co., Ltd. Since December 2019, he has been the executive director of Sinopec Fifth Construction Co., Ltd. Since October 2021, he has been an employee representative Supervisor of SINOPEC SEG.

Mr. WANG Yi

Mr. WANG Yi (王毅), aged 53, is an employee representative Supervisor of SINOPEC SEG and also serves as an executive director of Sinopec Tenth Construction Company Limited (中石化第十建設有限公司). Mr. WANG is a principal senior engineer with a master degree. From November 2014 to July 2019, Mr. WANG was the vice president of Sinopec Tenth Construction Company Limited; from July 2019 to August 2020, he served as the Vice President of SINOPEC SEG; from August 2020 to December 2022, he was the president of Sinopec Tenth Construction Company Limited; since December 2022, he has been the executive director of Sinopec Tenth Construction Company Limited; he has been an employee representative Supervisor of SINOPEC SEG since January 2023.