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SSC

Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS WITH SINOPEC GROUP

Independent Financial Adviser to Independent Board Committee and Independent Shareholders



The letter from the Board and the letter from the Independent Board Committee are set out respectively on pages 7 to 63 and pages 64 to 65 of the circular. The letter from the Independent Financial Adviser is set out on pages 66 to 86 of the circular, which contains its advice to the Independent Board Committee and Independent Shareholders.

The Company proposes to convene the EGM at Beijing Shengli Hotel, No. 3 Beishatan, Deshengmen Wai, Chaoyang District, Beijing on Friday, 6 December 2024 at 9:00 a.m. The notice of EGM, proxy form and reply slip have been provided with this circular.

Whether or not you are able to attend the EGM in person, please complete the proxy form of the Company in accordance with the instructions thereon and return it to the business address of the Company or to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 24 hours before the time for holding the EGM (i.e. 9:00 am on 5 December 2024, Hong Kong time). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) as you wish.

Beijing, the PRC

18 October 2024

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DEFINITIONS

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

“2021 Connected Transactions Framework Agreements”	the 2021 Mutual Products Supply Framework Agreement, 2021 General Services Framework Agreement, 2021 Engineering and Construction Services Framework Agreement, 2021 Financial Services Framework Agreement, 2021 Technology R&D Framework Agreement, 2021 Land Use Rights and Property Leasing Framework Agreement, 2021 Trademark License Agreement and 2021 Equipment Leasing Framework Agreement entered between SSC and China Petrochemical Corporation on 16 September 2021
“2021 EGM”	the second extraordinary general meeting for 2021 convened on 2 November 2021, on which the original major continuing connected transactions and the non-major continuing connected transactions and the relevant annual caps for the three years ended 31 December 2024 were being considered and approved
“2021 Engineering and Construction Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of engineering services by the Group to Sinopec Group
“2021 Equipment Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the mutual leasing of equipment between the Group and Sinopec Group
“2021 Financial Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of certain financial services by the Financial Services Providers to the Group
“2021 General Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of certain general services mutually between the Group and Sinopec Group
“2021 Land Use Rights and Property Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of certain land use rights by Sinopec Group to the Group and mutual provision of property leasing services by both parties

DEFINITIONS

“2021 Mutual Products Supply Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the supply of certain products mutually between the Group and Sinopec Group
“2021 Technology R&D Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to the provision of technology research and development services mutually between the Group and Sinopec Group
“2021 Trademark License Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 16 September 2021, in relation to Sinopec Group granting the Group permission to use certain trademarks
“2024 Connected Transactions Framework Agreements”	the 2024 Mutual Products Supply Framework Agreement, 2024 General Services Framework Agreement, 2024 Engineering and Construction Services Framework Agreement, 2024 Financial Services Agreement, 2024 Technology R&D Framework Agreement, 2024 Land Use Rights and Property Leasing Framework Agreement, 2024 Equipment Leasing Framework Agreement and 2024 Trademark License Agreement
“2024 Engineering and Construction Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 26 September 2024, in relation to the provision of engineering services by the Group to Sinopec Group
“2024 Equipment Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 26 September 2024, in relation to the mutual leasing of equipment between the Group and Sinopec Group
“2024 Financial Services Agreement”	the agreement entered into between SSC and Financial Services Providers on 26 September 2024, in relation to the provision of certain financial services to the Group
“2024 General Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 26 September 2024, in relation to the provision of certain general services mutually between the Group and Sinopec Group

DEFINITIONS

“2024 Land Use Rights and Property Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 26 September 2024, in relation to Sinopec Group leasing certain land use rights to the Group and relevant properties leases between the Group and Sinopec Group
“2024 Mutual Products Supply Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 26 September 2024, in relation to the supply of certain products mutually between the Group and Sinopec Group
“2024 Technology R&D Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 26 September 2024, in relation to the provision of technology research and development services mutually between the Group and Sinopec Group
“2024 Trademark License Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 26 September 2024, in relation to Sinopec Group granting the Group permission to use certain trademarks
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“China Petrochemical Corporation”	China Petrochemical Corporation (中國石油化工集團有限公司), a wholly state-owned enterprise incorporated in the PRC and the Controlling Shareholder of the Company
“Company” or “SSC”	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company established in the PRC and its A shares are listed on the SSE and its H shares are listed on the Main Board of the Hong Kong Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the 2024 Connected Transactions Framework Agreements and the SPI Fund Document

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	Directors of the Company
“EGM”	the first extraordinary general meeting for 2024 of the Company to be convened on 6 December 2024
“Exempted Continuing Connected Transactions”	Continuing Connected Transactions between the Group and Sinopec Group under items 4(3), 5(2), 6(2), 7(2), 8 and 9 of “HONG KONG LISTING RULES IMPLICATIONS” in this circular, which are exempted from Independent Shareholders’ approval
“Financial Services Providers”	Sinopec Finance and Sinopec Century Bright
“Group”	SSC and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprised of all Independent Non-executive Directors of the Company, formed to advise the Independent Shareholders on Major Continuing Connected Transactions and annual caps for the three years ending 31 December 2027
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 regulated activities (dealing in securities) and Type 6 regulated activities (advising on corporate finance), and as the Independent Financial Adviser appointed to advise the Independent Board Committee and Independent Shareholders in relation to the Major Continuing Connected Transactions and the proposed annual caps
“Independent Non-executive Director(s)”	independent non-executive director(s) of the Company

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) of the Company other than China Petrochemical Corporation and its associates
“Latest Practicable Date”	16 October 2024
“Major Continuing Connected Transactions”	the continuing connected transactions subject to reporting, announcement and approval of Independent Shareholders under the requirements of Chapter 14A of the Hong Kong Listing Rules, in particular, refer to the Continuing Connected Transactions between the Group and Sinopec Group under items 1(1), 2(1), 3 and 4(1) of “HONG KONG LISTING RULES IMPLICATIONS” in this circular
“NDRC”	the National Development and Reform Commission
“Non-Major Continuing Connected Transactions”	the continuing connected transactions subject to the approval of Independent Shareholders under the requirement of SSE listing rules, in particular, refer to the Continuing Connected Transactions between the Group and Sinopec Group under items 1(2), 2(2), 4(2), 5(1), 6(1) and 7(1) of “HONG KONG LISTING RULES IMPLICATIONS” in this circular
“PBOC”	the People’s Bank of China
“PRC”	People’s Republic of China
“RMB”	the lawful currency of the PRC
“SAFE”	The State Administration of Foreign Exchange of the PRC
“SFO”	the Securities and Futures Ordinance
“Shareholder(s)”	shareholder(s) of the Company
“Sinopec Century Bright”	Sinopec Century Bright Capital Investment Limited (中國石化盛駿國際投資有限公司), a company incorporated in Hong Kong with limited liability. It is licensed under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). It is a subsidiary of China Petrochemical Corporation

DEFINITIONS

“Sinopec Finance”	Sinopec Finance Co., Ltd. (中國石化財務有限責任公司), a non-bank financial institute engaging in bank and financial services under the approval and supervision of PBOC and Beijing Bureau of National Financial Regulatory Administration. It is a subsidiary of China Petrochemical Corporation
“Sinopec Group”	China Petrochemical Corporation (中國石化集團公司), its subsidiaries and associates (excluding the Group)
“SPI Fund Document”	Safety Production Insurance Fund Document, a document jointly issued in 1997 by the Ministry of Finance of the PRC and the ministerial level enterprise of China Petrochemical Corporation and its associated companies before the industry reorganisation in 1998 (Cai Gong Zi 1997 No. 268) relating to the payment of insurance premium by SSC to the China Petrochemical Corporation. Under the SPI Fund Document, SSC is required to pay twice a year an insurance premium. Each time SSC shall pay a maximum of 0.2% of the historical value of the fixed assets and the average month-end inventory value of the Group of the previous six months; the China Petrochemical Corporation will refund 20% of the paid premium to SSC if SSC pays the semi-annual premium on time according to the SPI Fund Document (“ Refund ”). The Refund would be 17% of the paid premium if SSC failed to pay the semi-annual premium on time. The Refund will be used by SSC in dealing with accidents and potential risks and safety measures, in safety education and training, in preventing major accidents and potential risks, and as rewards to units and individuals who have made a contribution to safety production
“SSE”	The Shanghai Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“%”	per cent

LETTER FROM THE BOARD



Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

Directors:

Wu Baizhi
Zhang Jiankuo
Zhao Jinhai
Zhang Lili
Du Kun
Xu Keyu

Independent Non-executive Directors:

Zheng Weijun
Wang Pengcheng
Liu Jiangning

Registered address:

22 Chaoyangmen North Street
Chaoyang District
Beijing, the PRC

*Principal place of business
in Hong Kong:*

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

18 October 2024

To the Shareholders

Dear Sir or Madam:

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS WITH SINOPEC GROUP

Reference is made to the announcement in relation to the Continuing Connected Transactions and discloseable transactions with Sinopec Group dated 26 September 2024 of the Company.

The purpose of this circular is to provide you with, inter alia, further information on the Continuing Connected Transactions with Sinopec Group and the proposed annual caps, so that you can make informed decisions on whether or not to vote for relevant resolutions to be proposed at the EGM.

I. CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS WITH SINOPEC GROUP

INTRODUCTION

On 26 September 2024, the Company entered into the 2024 Connected Transactions Framework Agreements with China Petrochemical Corporation and Financial Services Providers, and proposed to continue to conduct the continuing connected transactions with Sinopec Group. The Company is listed on both the Hong Kong Stock Exchange and the SSE.

LETTER FROM THE BOARD

According to the SSE listing rules, the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions and their annual caps are subject to the approvals of Independent Shareholders as well as relevant information disclosure. Therefore, for the purpose of compliance of both the SSE listing rules and Hong Kong Listing Rules, the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions and their annual caps for the three years ending 31 December 2027 shall be submitted to the EGM for the approvals by the Independent Shareholders. According to the SSE listing rules and Hong Kong Listing Rules, the Exempted Continuing Transactions shall comply with the announcement requirement, but are exempted from the Independent Shareholders' approval.

BACKGROUND

References are made to the circular in relation to the continuing connected transactions and discloseable transactions dated 30 September 2021 published by the Company. On the 2021 EGM, Shareholders have approved the relevant continuing connected transactions and the annual caps for the three years ended 31 December 2024.

The Company expected to continue to conduct the relevant continuing connected transactions with Sinopec Group after 31 December 2024. For the Continuing Connected Transactions commencing from 1 January 2025, the Company entered into the 2024 Connected Transactions Framework Agreements with China Petrochemical Corporation and Financial Services Providers on 26 September 2024. The 2024 Connected Transactions Framework Agreements will become effective on 1 January 2025 for a period of three years. Those agreements will replace the 2021 Connected Transactions Framework Agreements.

LETTER FROM THE BOARD

2024 CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT AND SPI FUND

1. *2024 Mutual Products Supply Framework Agreement*

Date: 26 September 2024

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

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

Transactions: (a) provision of products by Sinopec Group to the Group

Sinopec Group will provide the following types of products to the Group: crude oil, crude oil processing and oil products (including gasoline, diesel, kerosene, fuel oil, lubricants, etc.); natural gas (including pipeline gas, CNG, LNG, etc.); steel; chemicals, oilfield chemicals and chemical reagents; petroleum-specific equipment; oil drilling and exploitation equipment accessories; special tools; instrumentation and accessories; engineering machinery; timber, cement and construction materials; electric material (including marine cable); pipeline fittings; paint coating; valve; rubber, rubber products and plastic products; petrochemical-specific equipment and accessories; electrical equipment and accessories; power equipment; general equipment (including compressors, pumps, air separation equipment, etc.); electronic industrial products and components (including computer software, safety control systems, etc.); fire control equipment and devices (including fire trucks and accessories, fire-fighting robots, etc.); coal; chemical fiber processing and textile products (including anti-static coveralls and accessories, safety work shoes, etc.); and other products.

LETTER FROM THE BOARD

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

The Group will provide the following types of products to Sinopec Group: petrochemical-specific equipment and accessories, petro oil-specific equipment and accessories, portable tent and accessories; steel; valve; mobile power plant; transport machinery; electrical equipment and accessories; pipeline; drill pipe, heavy weight drill pipe, kelly bar, drill collars; steelwork; API oil casing commissioned processing; casing accessories, tubing attachment; oil drilling equipment accessories; special tools; instruments and accessories; tower equipment; chemical raw materials, oilfield chemicals and chemical reagents; oil drilling equipment accessories; chemical fiber processing and textile products (including anti-static work clothes and accessories, safety work shoes, etc.); and other products.

Effectiveness and termination: 2024 Mutual Products Supply Framework Agreement is valid for a term of three years commencing on 1 January 2025. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2024 Mutual Products Supply Framework Agreement. Before the expiration of 2024 Mutual Products Supply Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2024 Mutual Products Supply Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2024 Mutual Products Supply Framework Agreement.

Pricing policy:

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

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

LETTER FROM THE BOARD

- (2) Market price: the price will be determined on normal commercial terms based on the price of the same or similar products or services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable transactions with independent third party for the same period when determining whether the price for any product provided under this agreement is market price.

In particular:

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

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

Types of products

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

Primary basis for price determination

According to the Circular on Further Improving the Pricing Mechanism of Refined Oil (Fa Gai Jia Ge [2016] No. 64) 《(關於進一步完善成品油價格形成機制的通知》(發改價格[2016]64號)) issued by the NDRC on 13 January 2016, the retail price and wholesale price of gasoline and diesel, as well as the supply price of gasoline and diesel to special users such as social wholesale enterprises, railway and transportation, etc., shall be government-guided price; the supply price of gasoline and diesel to the national reserve and Xinjiang Production and Construction Corps, and the producer price of aviation gasoline and jet fuel, shall be government-prescribed price. The price of gasoline and diesel may be adjusted every ten working days with reference to the changes in the international market price of crude oil. The NDRC prescribes the maximum retail price of gasoline and diesel for all provinces (autonomous regions, municipalities) or central cities, and the supply price of gasoline and diesel to the national reserve and Xinjiang Production and Construction Corps, as well as the producer price of aviation gasoline. The price adjustment for refined oil products is subject to the documents issued by the relevant national competent authorities of pricing.

LETTER FROM THE BOARD

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

In recent years, the state has continued to promote natural gas market reform. According to the Circular on the Adjustment Reducing of the Gate Station Prices of Non-residential Natural Gas Stations and Further Promoting Price Marketization Reform Prices (Fa Gai Jia Ge [2015] No. 2688) (《關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知》(發改價格[2015]2688號)) issued by the NDRC in November 2015, the price for natural gas used by non-residents was converted from the highest gate station price management to the benchmark gate station price management. The supplier and the customer can negotiate and determine the exact price within the range of up to 20%, down to unlimited range based on the benchmark gas station price. In 2016, the NDRC loosened its hold on the price of fertiliser-used gas and the price associated with gas storage facilities. In September 2017, considering the downward adjustment of natural gas pipeline price, the gas station price of natural gas used by non-residents was reduced by RMB0.1 per square. At the end of May 2018, the NDRC released the Circular on Adjustment Rationalizing of the Gas Station Price of Natural Gas used by Residents (《關於理順居民用氣門站價格的通知》) to rationalize the gate station price of natural gas used by domestic residents by increasing the price, thus realizing the integration of gas prices used by residents and non-residents. The price for gas used by residents after the integration will rise starting from 10 June 2019.

LETTER FROM THE BOARD

(2) *Market price*

Applicable to crude oil, oil products (including lubricants, etc.); steel; chemicals, oilfield chemicals and chemical reagents; petroleum-specific equipment; oil drilling and exploitation equipment and accessories; instrumentation and accessories; special tools; engineering machinery; timber, cement and construction materials; electric material; pipeline fittings; paint coating; valve; natural rubber, rubber products and plastic products; petrochemical-specific equipment and accessories; electrical equipment and accessories; power equipment; general equipment (including compressors, pumps, air separation equipment, etc.); electronic industrial products and components (including computer software, safety control systems, etc.); fire control equipment and devices (including fire trucks and accessories, fire-fighting robots, etc.); coal; chemical fiber processing and textile products (including anti-static coveralls and accessories, safety work shoes, etc.) provided by Sinopec Group to the Group and all the products provided by the Group to Sinopec Group.

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

Crude oil: the relevant market price of crude oil is determined with reference to crude oil quoted prices on international markets, such as Brent, Dubai and/or Oman.

Oil products (lubricant): the relevant market price of lubricant is determined by referring to the quotations on the relevant domestic price websites for lubricant, such as www.cngold.org/runhuayou/ and other websites. Such product prices are publicly available.

Chemicals, oilfield chemicals and chemical reagents: the relevant market price is determined in accordance with the order price or contract price of external sales, taking into account of factors such as freight rate and quality and with reference to quotations on Easy-Pec E-commerce Platform (<http://mall.easy-pec.com/ecmall/>).

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

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

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

LETTER FROM THE BOARD

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

The Company has established procedures and internal control system for pricing and terms of the Continuing Connected Transactions. Please refer to pages 34 to 35 of this circular.

Certain types of products such as petrochemical-specific equipment and oil drilling equipment are mutually provided between the Sinopec Group and the Group under the 2024 Mutual Products Supply Framework Agreement, this is because such products were mainly used in exploration and construction business of the Group and depending on the identities of the clients, such products may need be provided by the Sinopec Group or by the Group.

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

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

LETTER FROM THE BOARD

2. 2024 General Services Framework Agreement

- Date: 26 September 2024
- Parties: (a) China Petrochemical Corporation (who shall procure its subsidiaries and/or associates to act in the same manner)
- (b) SSC (who shall procure its subsidiaries to act in the same manner)
- Transactions: (a) Provision of general services by Sinopec Group to the Group

Sinopec Group will provide the following types of services to the Group: employee training, culture and sports, newspapers and magazines, radio and television broadcasting and other related or similar services; office and factory property management, canteens, dormitories, commuting, re-employment service centers and other related or similar services; collection and payment of administrative service fees, labor, insurance, insurance brokers, shared services (finance, human resources, business travel, and information technology sharing, etc.) and other related or similar services; software applications and information systems with related support and services; product procurement services; other services.

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

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

- Effectiveness and termination: 2024 General Services Framework Agreement is valid for a term of three years commencing on 1 January 2025. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2024 General Services Framework Agreement. Before the expiration of 2024 General Services Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2024 General Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2024 General Services Framework Agreement.

LETTER FROM THE BOARD

Pricing policy:

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

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

Agreed price is applicable to employee training, culture and sports, radio and television broadcasting and other related or similar services; office and factory property management, canteens, dormitories, commuting, re-employment service centers and other related or similar services; product procurement services and other services. The agreed price is determined by adding a reasonable profit (6% or less of a cost) over a reasonable cost. The supplier of the service will provide a cost list which is based on the actual costs incurred in providing the service by Sinopec Group, the purchaser will conduct comparison with the comparable average cost of similar enterprises in the neighbouring areas to negotiate and determine the reasonable cost for the price. The management shall consider at least two comparable transactions with the independent third party for the same period when determining the reasonable profit of a general service under the agreement. The price of connected transaction once determined and signed, shall not be changed by one party voluntarily.

Agreed price is applicable to shared services (finance, human resources, business travel, and information technology sharing, etc.). The reasonable cost is determined on the basis of FTE (full-time labor equivalent). At this stage, the cost and tax are used as the cost benchmark, and the profit rate is controlled within 6% to determine the price of the sharing services. The price of connected transaction once determined and signed, shall not be changed by one party voluntarily.

Market price is applicable to newspapers and magazines; collection and payment of administrative service fees, labor, insurance, insurance brokers and other related or similar services; software applications and information systems with related support and services. In determining the market prices, the Group will determine the prices through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system. The e-commerce system is a bidding system for sale and purchase of products or services established by Sinopec Group. Sinopec Group and the Group can publish bidding requests or participate in the tender through such e-commerce system.

LETTER FROM THE BOARD

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

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

The above services priced at reasonable cost plus reasonable profit are necessary for the daily production and operation of the Group and Sinopec Group. In order to ensure a stable supply of these services in the long term, the Group entered into a framework agreement on general services with Sinopec Group at the time of the reorganization and listing and established such pricing principles. Most of the Company's subsidiaries are located in the same independent industrial and mining area as the Sinopec Group and are in remote locations, making it difficult to obtain the same type and level of services from independent third parties on the same terms. In comparable jurisdictions, the management of the Company should make reference to at least two comparable transactions with independent third parties over the same period of time in determining the reasonable profitability of the services. None of the transactions between Sinopec Group and the Group had a profit margin of more than 6% and none of them were less favorable than the price level offered to the independent third party. Accordingly, the Company is of the view that a profit not exceeding 6% is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

3. *2024 Engineering and Construction Services Framework Agreement*

- Date: 26 September 2024
- Parties: (a) China Petrochemical Corporation (who shall procure its subsidiaries and/or associates to act in the same manner)
- (b) SSC (who shall procure its subsidiaries to act in the same manner)
- Transactions: The Group will provide to Sinopec Group the following types of engineering services including but without limitation to geophysical and geochemical drilling and completion, logging, downhole operation, construction, machinery involved in the exploitation, gathering and transportation, ground construction, plumbing, construction, and marine engineering of oil, natural gas and other mineral resources:
- engineering consulting (solution research, project proposal, feasibility study and early stage project consulting); project management; project supervision; contracting; engineering design; construction; machinery equipment processing and manufacturing services; procurement services; technology licensing, technology transfer and engineering technology services; labour supply service; testing service; special transportation service; and other engineering supporting services.
- Effectiveness and termination: 2024 Engineering and Construction Services Framework Agreement is valid for a term of three years commencing on 1 January 2025. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2024 Engineering and Construction Services Framework Agreement. Before the expiration of 2024 Engineering and Construction Services Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2024 Engineering and Construction Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2024 Engineering and Construction Services Framework Agreement.

LETTER FROM THE BOARD

Pricing policy:

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

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

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

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

LETTER FROM THE BOARD

In particular:

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

Types of services

project management

Primary basis for price determination

Pursuant to the Trial Measures for Construction Engineering Projects Management (《建設工程項目管理試行辦法》) issued by the former Ministry of Construction in December 2004, the engineering project management service fees shall be determined by the project owners and the project management companies in the entrusted project management contracts based on, among other things, the scale, scope, content, difficulty and complexity of the entrusted projects and shall be credited to the overall construction expenses.

(2) Tender and bidding price

Applicable to geophysical and geochemical drilling and completion, logging, downhole operation, construction, machinery involved in the exploitation, gathering and transportation, ground construction, plumbing, construction, and marine engineering of oil, natural gas and other mineral resources; project contracting; project construction engineering consulting (solution research, project proposal, feasibility study and early stage project consulting); project supervision; engineering design.

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

LETTER FROM THE BOARD

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

For engineering consulting (solution research, project proposal, feasibility study and early stage project consulting): engineering consulting fees are determined with reference to the former Interim Regulations on Consulting Fees for Early Stage Projects (Ji Jia Ge [1999] No. 1283) (《建設項目前期工作諮詢收費暫行規定》(計價格[1999]1283號)) issued by the State Development Planning Commission of the PRC. Specific fee standard shall be determined between the engineering consultants and entrusting party with reference to the above guiding price standards by way of tender and bidding.

For project supervision: with reference to the 20% increase or decrease based on the benchmark prices determined by the regulations on the Management of Construction Project Supervision and Related Service Fees (Fa Gai Jia Ge [2007] No. 670) (《建設工程監理與相關服務收費管理規定》(發改價格[2007]670號)) issued by the National Development and Reform Commission and the Ministry of Construction. The specific fee shall be determined through negotiation between the contractor and the supervisor. The specific benchmark price is divided into 16 grades, which will gradually increase as the project scale increases from small to large.

For engineering design: with reference to the benchmark fee rate in the former Engineering Investigation and Design Fee Standards (《工程勘察設計收費標準》) issued by the Ministry of Construction, the transaction price shall be determined by way of tender and bidding. The benchmark fee rate is prescribed in the Engineering Investigation Fee Standards (《工程勘察收費標準》) and the Engineering Design Fee standards (《工程設計收費標準》). The range of adjustment is generally $\pm 20\%$. The range of adjustment is determined by the factors such as service quality, adoption of new technology; materials or equipment, economic efficiency, environmental impact and social benefit, etc. The engineering design service fee is calculated based on the formulas below:

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

LETTER FROM THE BOARD

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

(3) Market price

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

Types of services

Primary basis for price determination

machinery equipment processing and manufacturing services; and testing service

With reference to the average prices of similar enterprises in neighbouring areas.

labour supply service and special transportation service

In accordance with the average market prices in regions where relevant subsidiaries of the Company are located.

LETTER FROM THE BOARD

(4) Agreed price

Applicable to procurement services; technology licensing; technology transfer and engineering technology services. The historical amount involved with agreed price in 2022-2023 was minimal.

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

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

LETTER FROM THE BOARD

4. 2024 Financial Services Agreement

- Date: 26 September 2024
- Parties: (a) Sinopec Finance and Sinopec Century Bright
(b) SSC (who shall procure its subsidiaries to act in the same manner)
- Transactions: Sinopec Finance and Sinopec Century Bright, subsidiaries of China Petrochemical Corporation, will provide financial services to the Group. Such financial services primarily include deposits and loans, bill discounting and acceptance, letters of credit, entrusted loans, non-financial guarantees, settlement, foreign exchange and other financial services.
- Effectiveness and termination: 2024 Financial Services Agreement is valid for a term of three years commencing on 1 January 2025. The Group will enter into separate contracts with Sinopec Finance and Sinopec Century Bright, which will set out the specific terms and conditions according to the principles provided in 2024 Financial Services Agreement.

Pricing policy:

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

Types of services

Primary basis for price determination

deposits

The interest rate of the deposit services provided by Sinopec Finance shall be determined in accordance with the relevant interest rate as promulgated by the PBOC and shall not be lower than the interest rates for deposits of the same type and maturity offered by major domestic commercial banks. For deposit services provided by Sinopec Century Bright, the interest rates of the relevant deposit shall not be lower than the interest rates for deposits of the same type and maturity offered by major overseas commercial banks.

LETTER FROM THE BOARD

loans

The interest rate for loans provided by Sinopec Finance shall be determined by reference to the quoted interest rates in the lending market and shall not be higher than the interest rates for loans of the same type and maturity offered by major domestic commercial banks. The interest rate for loans provided by Sinopec Century Bright shall not be higher than the interest rate for loans of the same type and maturity provided by major overseas commercial banks.

bill discounting and acceptance, letters of credit, entrusted loans, non-financial guarantees, settlement, foreign exchange and other financial services

Three parties shall negotiate in accordance with the principles of fairness and voluntariness, and the fee or interest rate shall be implemented in accordance with the relevant national rules. If there is no such national rule, the fee or interest rate shall be decided with reference to the market price. The fee standard or interest rate charged by Sinopec Finance shall not be higher than the fee standard or interest rate for services of the same type offered by major domestic commercial banks in the same period. The fee standard or interest rate charged by Sinopec Century Bright shall not be higher than the fee standard or interest rate for services of the same type provided by major overseas commercial banks in the same period.

LETTER FROM THE BOARD

5. *2024 Technology R&D Framework Agreement*

Date: 26 September 2024

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

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

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

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

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

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

Effectiveness and termination: 2024 Technology R&D Framework Agreement is valid for a term of three years commencing on 1 January 2025. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2024 Technology R&D Framework Agreement. Before the expiration of 2024 Technology R&D Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2024 Technology R&D Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2024 Technology R&D Framework Agreement.

LETTER FROM THE BOARD

Pricing policy:

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

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

In particular:

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

Agreed price to be determined by adding a reasonable profit over a reasonable cost is applicable to other services under 2024 Technology R&D Framework Agreement. For the services provided by Sinopec Group to the Group, the reasonable profit shall not be higher than 50% of the cost; while with respect to the services provided by the Group to Sinopec Group, this reasonable profit shall not be less than 30% of the cost. The management shall consider at least two comparable transactions with the independent third party for the same period when determining the reasonable profit of any service under the agreement.

LETTER FROM THE BOARD

6. *2024 Land Use Rights and Property Leasing Framework Agreement*

- Date: 26 September 2024
- Parties: (a) Sinopec Group (who shall procure its subsidiaries and/or associates to act in the same manner)
- (b) SSC (who shall procure its subsidiaries to act in the same manner)
- Transactions: (a) The Group will lease land use rights and property from Sinopec Group.
- (b) Sinopec Group will lease property from the Group.
- Effectiveness and termination: 2024 Land Use Rights and Property Leasing Framework Agreement is valid for a term of three years commencing on 1 January 2025. Both parties will enter into separate leases which will set out the specific terms and conditions according to the principles provided in 2024 Land Use Rights and Property Leasing Framework Agreement. Before the expiration of 2024 Land Use Right and Property Leasing Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2024 Land Use Rights and Property Leasing Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of the 2024 Land Use Right and Property Leasing Framework Agreement.

Pricing policy:

Land Leasing:

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

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

LETTER FROM THE BOARD

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

The rent for land use rights and property may be adjusted every three years and any such revised rent shall not be higher than the prevailing market rent as confirmed by an independent valuer.

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

The Group may request the renewal of the lease by issuing a written notice to China Petrochemical Corporation at least one month prior to the expiry date of the lease. China Petrochemical Corporation shall, upon receipt of the aforementioned notice, agree to renew the lease and renew such lease with the Group before its expiry date.

Property leasing:

Under 2024 Land Use Rights and Property Leasing Framework Agreement, Sinopec Group and the Group mutually lease certain properties. The rent of leased properties shall be agreed by both parties by reference to local market rates (evaluated by the professional evaluation agencies). Properties leased are mainly used for ancillary production facilities and offices premise. The rent payable is determined based on factors including the floor spaces, locations and purpose of use of the properties. The rent may be adjusted once a year and any revised rent shall not be higher than the prevailing market rent as confirmed by an independent valuer. Property taxes, land use fees and other statutory taxes or fees in relation to the properties shall be borne by the lessor. For those without any comparable market prices, the rent shall be determined considering property depreciation, relevant taxes and reasonable profit, where the reasonable profit shall be 6% of the cost.

LETTER FROM THE BOARD

7. *2024 Equipment Leasing Framework Agreement*

- Date: 26 September 2024
- Parties: (a) China Petrochemical Corporation (who shall procure its subsidiaries and/or associates to act in the same manner)
- (b) SSC (who shall procure its subsidiaries to act in the same manner)
- Transactions: Sinopec Group and the Group agreed to lease the equipment owned by them to each other for the purpose of production and operation:
- (a) The equipments leased by the Group from Sinopec Group consists of:
- drilling rigs and their main equipment, imaging loggers, conventional loggers, integrated loggers, gas loggers, wireless drilling and other logging equipment and tools, downhole work rigs, fracturing trucks (skids), continuous tubular work trucks and other special operating equipment, seismic collection, processing equipment, controllable seismic sources, air gun seismic sources and other seismic geophysical equipment, pipe hoists, directional drilling, automatic welding equipment, excavation machinery, pipeline construction machinery and other engineering machinery and equipment, marine transport vessels, marine geological survey vessels, geophysical exploration vessels, other marine engineering equipment and semi-submersible drilling platform (including but not limited to “Exploration IV Drill Rig”), etc.
- (b) The equipment leased to Sinopec Group from the Group consists of:
- vehicles, ships and general equipment for machinery construction, power, electricity, etc.

LETTER FROM THE BOARD

Effectiveness and termination: 2024 Equipment Leasing Framework Agreement is valid for a term of three years commencing on 1 January 2025. Both parties will enter into separate leases which will set out the specific terms and conditions according to the principles provided in 2024 Equipment Leasing Framework Agreement. Before the expiration of 2024 Equipment Leasing Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2024 Equipment Leasing Framework Agreement to ensure the normal running of production operations of the relevant parties after expiration of the term of the 2024 Equipment Leasing Framework Agreement.

Pricing policy:

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

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

LETTER FROM THE BOARD

8. *2024 Trademark License Agreement*

- Date: 26 September 2024
- Parties: (a) Sinopec Group (who shall procure its subsidiaries and/or associates to act in the same manner)
- (b) SSC (who shall procure its subsidiaries to act in the same manner)
- Transactions: China Petrochemical Corporation grants a general license on a non-exclusive basis in respect of certain trademarks of Sinopec Group to the Group for its use free of charge. Unless with the prior written consent of China Petrochemical Corporation, the Group may not transfer or license such trademarks to any third parties.
- Effectiveness and termination: The 2024 Trademark License Agreement is valid for a term of three years commencing on 1 January 2025. 2024 Trademark License Agreement may be renewed by parties' mutual agreement, subject to the restrictions and regulations of the places where the Company is listed. Before the expiration of 2024 Trademark License Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2024 Trademark License Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2024 Trademark License Agreement.
- Pricing policy: The consideration is nil. While trademarks under 2024 Trademark License Agreements are granted to the Company at no cost, during the term of this agreement, the Group shall make payment to the competent governmental authorities in a timely manner for the maintenance of such trademarks.

LETTER FROM THE BOARD

9. *SPI Fund Document*

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

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

Under the SPI Fund Document, after the receipt by China Petrochemical Corporation of the premium from SSC, China Petrochemical Corporation will refund 20% of the paid premium to SSC if SSC pays the semi-annual premium on time according to the SPI Fund Document (the “**Refund**”). The Refund would equal to 17% of the paid premium if SSC fails to pay the semi-annual premium on time. The Refund shall be used by SSC in dealing with accidents and potential risks and safety measures, in safety education and training, in preventing major accidents and potential risks, and as rewards to units and individuals who have made a special contribution to safety production.

As mentioned above, the establishment of the SPI Fund was approved by the State Council and the SPI Fund Document was issued by Ministry of Finance. The SPI Fund document is continued to be effective unless otherwise indicated by the State Council or Ministry of Finance. Any amendment or execution of supplemental agreement to the SPI Fund Document must be approved by the Ministry of Finance. It is impracticable to request the Ministry of Finance to renew the SPI Fund Document every three years in accordance with the requirement of the Hong Kong Listing Rules.

Pricing policy: Under the SPI Fund Document, SSC is required to pay twice a year an insurance premium amounting to a maximum of 0.2% (a statutory requirement by the PRC Government) of the historical value of the fixed assets and the average month-end inventory value for the previous six months of the Group.

LETTER FROM THE BOARD

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

The Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable than the terms provided by any independent third party, so as to ensure that they serve the interest of the Company and the Shareholders as a whole. Such procedures and internal control measures mainly include:

- (1) Transactions contemplated under 2024 Connected Transactions Framework Agreements are conducted on a non-exclusive basis.
- (2) As for the procurement and/or provision of products or services with connected person, according to the Company's internal rules and regulations, if there is no applicable government-prescribed price or government-guided price, the procurement departments of the members of the Group will seek to obtain information about market price through various channels, for examples, considering at least two comparable transactions with the independent third party for the same period, keeping regular contacts with and from time to time obtaining price quotations through enquiries from established suppliers of scale (including China Petrochemical Corporation and its related suppliers), conducting market price research through various independent industry information vendors (e.g. industry websites), and participating in activities and meetings organized by industry organizations. Market price information obtained through those channels will also be provided to other companies within the Group to assist in pricing of relevant continuing connected transactions.
- (3) For the continuing connected transactions involving provision of products or services by Sinopec Group to Group, the procurement departments of the members of the Group will request suppliers or service providers, including Sinopec Group and other independent suppliers or service providers, to provide price quotations in respect of the requested services or products. Following the receipt of quotations from Sinopec Group and other independent suppliers or service providers, the procurement department will compare and negotiate the terms of quotations with these suppliers or service providers, and select the service providers by taking into account factors such as price quotations, quality of the products and services, particular needs and technical advantages of the parties to the transactions, needs of the Group's suppliers and customers, ability of the suppliers and service providers in meeting technical specifications and delivery schedules, and qualification and relevant experiences of the suppliers and service providers. The contract will be awarded to the supplier and service provider who offers the best commercial terms and technical terms to the Group upon obtained the approvals from the manager of the procurement department and/or the senior management committee of relevant members of the Group, depending on the size of the transaction.

LETTER FROM THE BOARD

- (4) The external auditor of the Company will conduct an interim review and year- end audit for each financial year, and will issue its opinion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Hong Kong Listing Rules. In addition, according to the Hong Kong Listing Rules, the Independent Non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company.
- (5) The Company's internal control and risk management departments, the Audit Committee of the Board and the supervisory committee of the Company shall each conduct random internal assessments on the internal control measures and the financial information of the Company, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Furthermore, they convene meetings at least twice a year to discuss and assess the implementation of continuing connected transactions. Meanwhile, the legal and contract management departments shall conduct prudent contract review and appraisal, the departments implementing the relevant contracts shall monitor the transactional amounts in a timely manner and the business departments shall monitor and manage the compliance during the process of business operations.
- (6) The Company has formulated a series of internal rules and regulations on connected transaction management, internal control management handbook and internal control assessment management methods, to ensure that connected transactions are conducted in accordance with the principles and spirits of 2024 Connected Transactions Framework Agreements.

By implementing the above procedures and internal control measures, the Directors are of the view that the Company has established sufficient internal control measures to ensure the pricing basis of 2024 Connected Transactions Framework Agreements will be on market terms and on normal commercial terms and will be fair and reasonable to the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

HISTORICAL FIGURES AND EXISTING ANNUAL CAPS

The table below summarized the historical transaction data of the continuing connected transactions with Sinopec Group for the two years ended 31 December 2023 and six months ended 30 June 2024, as well as the existing annual caps:

	Historical Figures and Existing Annual Caps (RMB/million)					
	Annual Caps for 2022	For the year ended 31 December 2022 <i>(audited)</i>	Annual Caps for 2023	For the year ended 31 December 2023 <i>(audited)</i>	Annual Caps for 2024	For the six months ended 30 June 2024 <i>(unaudited)</i>
Continuing Connected Transactions						
1. 2021 Mutual Products Supply Framework Agreement						
(a) Provision of products by Sinopec Group to the Group	12,200	12,181	12,500	10,384	13,200	4,386
(b) Provision of products by the Group to Sinopec Group	450	69	600	59	650	32
2. 2021 General Services Framework Agreement						
(a) Provision of general services by Sinopec Group to the Group	900	793	1,050	978	1,150	500
(b) Provision of general services by the Group to Sinopec Group	200	107	200	71	200	40
3. 2021 Engineering and Construction Services Framework Agreement						
Provision of engineering services by the Group to Sinopec Group	52,000	46,776	54,000	49,124	55,000	21,181
4. 2021 Financial Services Framework Agreement						
(a) Provision of deposit services by the Financial Services Providers to the Group (maximum daily (balance))	3,500	3,094	3,500	1,183	3,500	1,044
(b) Provision of other financial services (such as payment settlement) by the Financial Services Providers to the Group	50	20	50	25	50	10
5. 2021 Technology R&D Framework Agreement						
(a) Provision of technology R&D services by the Group to Sinopec Group	400	278	450	237	500	55
(b) Provision of technology R&D services by Sinopec Group to the Group	200	0	200	0	200	0
6. 2021 Land Use Rights and Property Leasing Framework Agreement						
(a) Provision of land and properties by Sinopec Group to the Group by way of lease (total right-of-use assets)	1,300	608	300	283	300	61
(b) Provision of properties by the Group to Sinopec Group by way of lease (rental collected)	5	1	5	2	5	1

LETTER FROM THE BOARD

	Historical Figures and Existing Annual Caps (RMB/million)					
	Annual Caps for 2022	For the year ended 31 December 2022 <i>(audited)</i>	Annual Caps for 2023	For the year ended 31 December 2023 <i>(audited)</i>	Annual Caps for 2024	For the six months ended 30 June 2024 <i>(unaudited)</i>
Continuing Connected Transactions						
7. 2021 Equipment Leasing Framework Agreement						
(a) Lease of equipment by the Group from Sinopec Group (total right-of-use assets)	600	423	500	175	550	121
(b) Lease of equipment by the Group to Sinopec Group (rental collected)	70	3	70	1	70	1
8. SPI Fund Document						
Premium payments from the Company to China Petrochemical Corporation	100	80	100	84	100	43

As at the Latest Practicable Date, none of the above annual caps has been exceeded.

PROPOSED ANNUAL CAPS

The table below lists the proposed annual caps of each type of the Continuing Connected Transactions for the three years ending 31 December 2027:

Continuing Connected Transactions	Proposed annual caps for the years ending 31 December (RMB/million)		
	2025	2026	2027
1. 2024 Mutual Products Supply Framework Agreement			
(a) Provision of products by Sinopec Group to the Group	13,400	13,800	14,200
(b) Provision of products by the Group to Sinopec Group	650	650	650
2. 2024 General Services Framework Agreement			
(a) Provision of general services by Sinopec Group to the Group	1,350	1,350	1,350
(b) Provision of general services by the Group to Sinopec Group	200	200	200
3. 2024 Engineering and Construction Services Framework Agreement			
Provision of engineering services by the Group to Sinopec Group	56,000	58,000	59,000

LETTER FROM THE BOARD

Continuing Connected Transactions	Proposed annual caps for the years ending 31 December (RMB/million)		
	2025	2026	2027
4. 2024 Financial Services Agreement			
(a) Provision of deposit services by the Financial Services Providers to the Group (maximum daily balance)	3,500	3,500	3,500
(b) Provision of comprehensive credit services by the Financial Services Providers to the Group (maximum daily balance)	38,500	38,500	38,500
(c) Provision of other financial services (such as payment settlement) by the Financial Services Providers to the Group	60	60	60
5. 2024 Technology R&D Framework Agreement			
(a) Provision of technology R&D services by the Group to Sinopec Group	400	400	400
(b) Provision of technology R&D services by Sinopec Group to the Group	100	100	100
6. 2024 Land Use Rights and Property Leasing Framework Agreement			
(a) Provision of land and properties by Sinopec Group to the Group by way of lease (total right-of-use assets)	1,200	400	400
(b) Provision of properties by the Group to Sinopec Group by way of lease (rental collected)	5	5	5
7. 2024 Equipment Leasing Framework Agreement			
(a) Lease of equipment by the Group from Sinopec Group (total right-of-use assets)	550	600	650
(b) Lease of equipment by the Group to Sinopec Group (rental collected)	20	20	20
8. SPI Fund Document			
Premium payments from the Company to China Petrochemical Corporation	100	105	110

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

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BASIS FOR CALCULATING ANNUAL CAPS

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

Continuing Connected Transactions	Basis for annual caps
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1. 2024 Mutual Products Supply Framework Agreement	
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| (a) Provision of products by Sinopec Group to the Group | In determining the above annual caps, the Company has considered the following: (i) the value of products provided by Sinopec Group during 2022, 2023 and first six months of 2024; (ii) the estimated crude oil prices from 2025 to 2027 will be USD85/barrel, USD85/barrel and USD85/barrel, respectively; (iii) expected business development of the Group and expected business development of Sinopec Group; and (iv) the possible fluctuation in the price and exchange rates of products to be supplied by Sinopec Group in the next three years, fluctuation in the market price of bulk commodity, upgrade of quality of oil products and other unforeseeable factors. The Company also considered the products to be supplied by Sinopec Group to the Company under Mutual Products Supply Framework Agreement is crucial to the Company's continuous operation; as such, annual caps for the transactions should be flexible to cover various possibilities to the largest extent. Directors are of the view that, the proposed annual caps for 2025 to 2027 represent the transaction volume under an ordinary market condition as estimated by the Company and allow for a certain percentage buffer. |
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LETTER FROM THE BOARD

Continuing Connected Transactions

Basis for annual caps

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

In determining the above annual caps, the Company has considered the following: (i) the historical figures of products provided by the Group to Sinopec Group during 2022, 2023 and first six months of 2024; (ii) expected business development of the Group and Sinopec Group. In recent years, the Group has significantly enhanced its manufacturing capacity of advantageous products such as machinery and equipment, tools and instruments, chemical auxiliaries, etc. Currently, approximately 40 new products have been included in the internal catalog of advantageous products of Sinopec Group and can be sold online in Easy-Pec E-commerce Platform; (iii) based on the international oil price forecast for the next three years, the Group expected Sinopec Group to increase its upstream exploration and development capital expenditure and clean energy development capital expenditure. Meanwhile, as the Group has strengthened its production capacity and brand promotion, it is expected to continue to expand the sales scale of its advantageous products through the provision of engineering services to Sinopec Group, so future demand of the products supplied to Sinopec Group will increase accordingly; and (iv) caps for the transactions should be flexible to cover various possibilities to the largest extent. Directors are of the view that, the proposed annual caps for 2025 to 2027 represent the transaction volume under an ordinary market condition as estimated by the Company and allow for a certain percentage buffer.

LETTER FROM THE BOARD

Continuing Connected Transactions Basis for annual caps

2. 2024 General Services Framework Agreement

- (a) Provision of general services by Sinopec Group to the Group
- The proposed annual cap for each of 2025-2027 is approximately 17.39% higher than the annual caps for 2024, respectively. In determining the above annual caps, the Company has considered the following: (i) the annual fee to be paid for the training services and conference facilities provided by Sinopec Group which is estimated to be approximately RMB200 million, including estimated training services fee RMB160 million to train about 55,000 employees; and estimated conference service fee RMB40 million upon considered the factors such as conference length, size and locations of the conference rooms, catering and accommodation services; (ii) the annual fee to be paid for the office and factory area properties management and other relevant services or similar auxiliary services provided by Sinopec Group which is estimated to be approximately RMB300 million. Such annual fee is determined based on the audited cost actually incurred by Sinopec Group in providing cultural, educational, training and auxiliary services in 2020; (iii) the annual fee to be paid for the miscellaneous services (including information technology system services, etc.) provided by Sinopec Group, including ERP system maintenance fee; OA office system fee; contract management system fee; archives and website service fee; and IT infrastructure (including servers) maintenance fee, which are based on the market rates charged for those services; (iv) the annual fee regarding to finance, human resources, business travel and information technology sharing services at present is approximately RMB220 million, meanwhile, under the plan, Sinopec Group will promote overseas financial, human resources, business travel and information technology sharing services, thus expenses in connection with such services will further increase; (v) the provision by Sinopec Group of such services as publicity and news report to the Group at a cost of approximately RMB100 million; and (vi) the estimated amount of the provision by Sinopec Group to the Group of other general services (i.e. re-employment service centers, insurance, canteen and others) which is approximately RMB200 million.
- (b) Provision of general services by the Group to Sinopec Group
- In determining the above annual caps, the Company has considered: the annual fee to be paid for the training services, labor contracting and non-working personnel management service to be provided by the Group.

LETTER FROM THE BOARD

Continuing Connected Transactions Basis for annual caps

3. 2024 Engineering and Construction Services Framework Agreement

Provision of engineering services by the Group to Sinopec Group

In determining the above annual caps, the Company has considered the following: (i) the amount of engineering services provided to Sinopec Group during 2022, 2023 and first six months of 2024; (ii) considering that Sinopec Group will increase its investment in exploration and development of crude oil, natural gas, shale oil, shale gas, as well as development of new energy such as geothermal resources and hydrogen energy. It is expected that the estimated transaction volume of the Group for 2025 to 2027 will increase as compared to the historical transaction volume.

Based on the international oil price forecast for the next three years, the proposed annual caps for 2025 to 2027 is proposed to satisfy the future business growth of the Group. In addition, after taken into consideration of the specific nature and concentration of the oil engineering and construction market in China, Directors are of view that provision of engineering services by the Group to Sinopec Group is necessary in terms of the Company's continuous operation. Flexibility should be built into the proposed annual caps for such transactions and the proposed annual caps represent the transaction volume under an ordinary market conditions as estimated by the Company.

The Directors are of the view that, notwithstanding the substantial size of the Company's proposed annual caps for provision of engineering services by the Group to Sinopec Group for the coming three years under the 2024 Engineering and Construction Services Framework Agreement which represents approximately 73.8% of the Company's revenue for the year ended 31 December 2023, there is no undue concern of reliance by the Group to Sinopec Group. This is mainly because:

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

LETTER FROM THE BOARD

Continuing Connected Transactions Basis for annual caps

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

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

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

LETTER FROM THE BOARD

Continuing Connected Transactions Basis for annual caps

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

Based on the historical transaction value under the 2021 Engineering and Construction Services Framework Agreement, the revenue generated from Sinopec Group represented approximately 63.41% and 61.42% of the operating income of the Company for 2022 and 2023, respectively and 57.04% for the six months ended 30 June 2024. The Group expected that both Sinopec Group and the independent clients will increase their investments in exploration and development of crude oil, natural gas, shale oil, shale gas, as well as development of new energy such as geothermal resources and hydrogen energy. Therefore, the Group's revenue with Sinopec Group will increase as compared with the historical figures in 2022 and 2023 and the proposed annual caps represent the transaction volume under an ordinary market conditions for the three years ending 31 December 2027 based on the Company's international oil price forecast for the next three years.

The Group's business volumes with the independent third parties are also expected to grow along with the increasing business volumes between the Sinopec Group and the Group considering the Company's international oil price forecast. In this regard, the proportions of the revenues to be generated from independent third parties are expected to remain at the similar level or increase to a level comparable to those from Sinopec Group in 2025, 2026 and 2027.

LETTER FROM THE BOARD

Continuing Connected Transactions Basis for annual caps

4. 2024 Financial Services Agreement

- (a) Provision of deposit services by the Financial Services Providers to the Group (maximum daily balance)

In determining the maximum daily balance of deposits and interest income, the Company has mainly considered: (i) cash and cash equivalent of the Group as at 30 June 2024 together with interest income; (ii) part of net cash inflow which will be deposited into Financial Services Providers; and (iii) the accrued interests thereof.

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

The actual amount of deposit services in 2023 accounted for only 33.8% of the relevant cap for 2023, mainly due to (i) the year-on-year increase in inventories and contract assets of the Group, resulting in a decrease in net cash inflows, and (ii) the timely payment of payables in 2023. However, based on the historical data from the past three years, for example, the actual amount incurred in 2022 accounted for 88.4% of the cap for that year, the actual amount incurred in 2021 accounted for 99% of the cap for that year, the Company believes that the maximum possibility should be considered based on historical transactions. Taking into account that (i) there will be centralized settlement and centralized crediting between the Group and Sinopec Group usually in the fourth quarter of each year, and (ii) the expected reasonable growth of the Group's business in the future, the Company believes that the proposed annual deposit cap of RMB3,500 million is fair and reasonable.

LETTER FROM THE BOARD

Continuing Connected Transactions

Basis for annual caps

- (b) Provision of comprehensive credit services by the Financial Services Providers to the Group (maximum daily balance)
- In accordance with Rule 14A.90 of the Hong Kong Listing Rules, as the unsecured comprehensive credit services are conducted on normal commercial terms, they are exempt from reporting, announcement and Independent Shareholders' approval requirements.
- (c) Provision of other financial services (such as payment and settlement) by the Financial Services Providers to the Group
- In determining the above annual caps for the service fees in relation to settlement and other financial services, the Company has mainly considered: (i) the historical amount of other financial services such as payment and settlement provided by Sinopec Group during 2022, 2023 and the first six months of 2024; (ii) the Group's future business development, cash flow and scale of capital settlement.

5. 2024 Technology R&D Framework Agreement

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

LETTER FROM THE BOARD

Continuing Connected Transactions

Basis for annual caps

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

In determining the above annual caps, the Company has considered the following: (i) although there was no historical transaction amount for the provision of technology R&D services by Sinopec Group to the Group for the two years ended 31 December 2023 and the six months ended 30 June 2024, it is due to that the relevant technology R&D projects are contingent in nature and it is determined in accordance with the needs of the projects specifically undertaken by the Group and the corresponding technology R&D service capability of Sinopec Group; (ii) research institutes under Sinopec Group and the Group have jointly formulated a strategic plan for scientific research in 2024, proposed to create a collaborative innovation consortium to tackle key technologies for oil and gas exploration and development, such as deep, extra-deep, high-temperature, high-pressure exploration and intelligent drilling and completion, etc. and to comprehensively promote the transformation from the R&D results to productivity, thereby enhancing the Group's engineering and technical service capabilities; (iii) it is expected that Sinopec Group will undertake no more than 15 technology R&D projects every year during 2025-2027 from the Group. The expected average contract value of each project is around RMB1 million to RMB3 million; (iv) based on the types of projects undertaken and expected to be undertaken by the Group, the future estimated business volume of R&D services to be provided by Sinopec Group to the Group, including geophysical data processing and interpretation, cementing, reservoir reconstruction, etc; and (v) the Board is of the view that, relevant caps shall cover various possibilities to the largest extent and allow for a certain percentage buffer.

6. 2024 Land Use Rights and Property Leasing Framework Agreement

- (a) Lease of land and properties by Sinopec Group to the Group

The proposed annual caps of 2025-2027 for land and properties lease are mainly based on: (i) the total value of right-of-use assets relating to land and properties lease in the period of 2025-2027; (ii) the annual leasing fee to be paid in respect of the land and properties lease in the period of 2025-2027 and relevant situation of the market price of land and properties lease; (iii) potential new properties lease between the Group and Sinopec Group; and (iv) discount rate determined by the Company's incremental borrowing rates.

LETTER FROM THE BOARD

Continuing Connected Transactions

Basis for annual caps

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

In determining the above annual caps, the Group has considered (i) the rents of the properties leased from the Group to Sinopec Group during the first six months ended 30 June 2024, (ii) the possible increases in the rents of properties in the PRC in the future, and (iii) potential new properties lease between the Group and Sinopec Group.

7. 2024 Equipment Leasing Framework Agreement

- (a) Lease of equipment by the Group from Sinopec Group

The Company expects that the proposed annual caps of the total right-of-use assets involved in the equipment leased by the Group from Sinopec Group takes into account the following factors: (i) although the historical transaction amounts for the lease of equipment by the Group from Sinopec Group were on a decreasing trend, it is due to that the Group's leased equipment from Sinopec Group during 2022-2024 is mainly on three-year or long-term leases, and based on the accounting method for calculating the right-of-use assets of leased equipment, the value of right-of-use assets of the relevant leased equipment would decrease year by year; (ii) in accordance with the Group's bid-winning contracts and newly signed contracts as of 30 June 2024, the Group's future business sees a favorable development trend. The types and scale of external leased equipment needed to meet construction requirements are expected to increase accordingly; (iii) in order to further reduce the Group's leasing costs, increase the utilization rate of equipment and achieve effective cost control, the Group expects that the scale of the short-term equipment leasing of two years or less will increase significantly; (iv) the current market price of the relevant equipment; (v) the Group's estimates of related transactions, which have been added a certain margin to the estimated amount, leaving room for further growth of such transactions in the future and increasing flexibility.

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

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

LETTER FROM THE BOARD

Continuing Connected Transactions Basis for annual caps

8. SPI Fund Document

Premium payments from the Company to China Petrochemical Corporation

In determining the above annual caps, the Company has considered the following: (i) the amount of fixed assets as at 30 June 2024, and (ii) the average historical growth of the scale of fixed assets and inventory caused by expansion of the business scale.

REASONS AND BENEFITS FOR CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions Reasons for Continuing Connected Transactions

1. 2024 Mutual Products Supply Framework Agreement

- (a) Provision of products by Sinopec Group to the Group
- (1) Prior to the establishment of SSC, it was Sinopec Group that provided products to SSC and its subsidiaries. After its establishment, SSC is conducting procurement activities through its developing and independent procurement system. Also, in order to ensure the stable supply, SSC needs Sinopec Group to continue to provide products.
- (2) As the owner of projects of SSC, Sinopec Group itself or its designated suppliers are required to provide products to SSC.
- (b) Provision of products by the Group to Sinopec Group
- Prior to the establishment of SSC, SSC and its subsidiaries provided Sinopec Group with its required products. After the completion of the reorganisation in 2014, the products from SSC and its subsidiaries provided effective support to the production and operation of Sinopec Group and Sinopec Group will need the Group to continue to provide its products.

LETTER FROM THE BOARD

Continuing Connected Transactions Reasons for Continuing Connected Transactions

2. 2024 General Services Framework Agreement

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

LETTER FROM THE BOARD

Continuing Connected Transactions Reasons for Continuing Connected Transactions

3. 2024 Engineering and Construction Services Framework Agreement

Provision of engineering services by the Group to Sinopec Group

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

LETTER FROM THE BOARD

4. 2024 Financial Services Agreement

Deposits services provided by the Financial Services Providers to the Group

- (a) Centralized cash management. It is the Group's policy to centralize its cash management function. As the terms offered by Financial Services Providers are no less favourable than the deposit interest rates published by domestic major commercial banks (in the case of Sinopec Finance) or overseas major commercial banks (in the case of Sinopec Century Bright) for deposits of a similar type for the same period, the terms of placing deposits with Financial Services Providers are no less favourable to the Group than placing deposits with independent commercial banks. In addition, the centralized deposit of funds with Financial Services Provider will enable the Group to use Financial Services Providers as a primary clearing and settlement platform, provide the Group with access to a centralized cash pool (both onshore and offshore), give it the flexibility to make timely withdrawals from time to time to meet its funding needs and reduce the need for the Group to obtain third party financing, which will in turn help the Group to achieve a lower cost of funding and maximize cost and operational efficiencies.
- (b) Clearing and settlement platform. In its ordinary course of business, as Sinopec Group is the Group's largest client, the Group transacts with Sinopec Group. In line with Sinopec Group's internal group policy, Sinopec Group generally maintain settlement accounts with Financial Services Providers. The centralized maintenance of deposits by the Group with Financial Services Providers will facilitate clearing with other members of Sinopec Group (some of whom are clients the Group), reduce the time required for transit and turnaround of funds and is generally more administratively efficient than settlement through independent banks. It would not be efficient for Sinopec Group and the Group to separately maintain bank accounts with independent banks for clearing and settlement.
- (c) Familiarity with the Group's business. As Financial Services Providers only provide financial services to members of Sinopec Group and the Group, they have over the years acquired extensive knowledge of the industry. In the context of the Group, Financial Services Providers are familiar with its capital structure, business operations, funding needs and cash flow pattern, which enables them to better anticipate the Group's business needs. As a result, Financial Services Providers are well-positioned to provide the Group with specialized and cost efficient services which would not be easy for independent commercial banks to replicate.
- (d) Flexibility. The Group has the sole discretion to deposit and withdraw its deposits with Financial Services Providers from time to time. There is no restriction on its ability to deposit its cash with independent commercial banks in or outside the PRC now or in the future should the Group so wish. Currently, the Group maintains deposits with independent commercial banks in and outside the PRC and expect to continue to do so depending on the contractual and other requirements. The Group chooses to deposit its cash with Financial Services Providers as it helps the Group centralize its treasury management function.

LETTER FROM THE BOARD

- (e) Implementing internal control and risk management measures, guarantee the security of capital. The Company and the Financial Services Providers have taken various internal control and risk control measures for financial services so as to guarantee the security of capital and to ensure the Company's interests. The Financial Services Providers have implemented the strict internal control and risk management system established by Sinopec Group. Such regulations, internal control and risk control measures include but not limited to the followings:
1. The Group can manage the funds deposited with the Financial Services Providers at its own discretion and may withdraw the deposits at any time, in a timely manner and without limitation. The Company has the right to choose to terminate the deposits with the Financial Services Providers in advance. At the same time, the Company may, at its sole discretion, deposit its funds with the Financial Services Providers or independent commercial banks in or outside of PRC without any restriction.
 2. China Petrochemical Corporation undertakes that in case of an emergency where Sinopec Finance has difficulties making payments, China Petrochemical Corporation will increase the capital of Sinopec Finance based on actual needs in order to solve payment difficulties. At the same time, as the sole shareholder of Sinopec Century Bright, China Petrochemical Corporation entered into a keep-well agreement with Sinopec Century Bright, under which China Petrochemical Corporation undertakes that it will ensure that the repayment obligations of Sinopec Century Bright can be fulfilled through various channels if Sinopec Century Bright encounters any repayment difficulties. China Petrochemical Corporation is in line with China's sovereign credit rating level and has received a credit rating of A1 from Moody's and A+ from Standard & Poor's, with credit ratings higher than many enterprises, and even banks.
 3. Sinopec Finance is a major domestic non-banking financial institution under the supervision of the National Financial Regulatory Administration. The Beijing Bureau, being the dispatched agency of the National Financial Regulatory Administration, 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.

LETTER FROM THE BOARD

4. The Board of the Company has formulated the Risk Disposal Plan for financial business with the Financial Services Providers and issued a Risk Assessment Report in respect of the financial business; in addition, the Board of the Company regularly evaluates the risks of the financial business of Financial Services Providers and issues the Continuous Risk Assessment Report, to provide assurance against capital risks for the Company.
5. The Financial Services Providers have established complete corporate governance structures with board of directors and board of supervisors, which can facilitate the stable operation and effective supervision of the Financial Services Providers; have established relatively completed risk management organization structures and strictly implemented risk control measures with all regulatory indicators in line with regulatory requirements; have established internal control systems which cover all business areas, dynamically updated according to business needs annually, and through measures such as audit inspections to ensure an effective internal control and a strict implementation of rules and regulations. China Petrochemical Corporation has formulated the Internal Control System, the Implementation Rules for Overseas Fund Management Measures (《境外資金管理辦法實施細則》), and the Interim Measures for Supervision and Management of Overseas Fund Platforms (《境外資金平台監督管理暫行辦法》), which impose strict constraints on the domestic and foreign financial services provided by Sinopec Finance and Sinopec Century Bright to various enterprises of China Petrochemical Corporation.
6. The Financial Services Providers shall provide sufficient information, including various financial indicators (as well as annual and interim financial reports), quarterly so that the Company can monitor the financial conditions of the Financial Services Providers and the utilisation of the Group's deposits with the Financial Services Providers continuously. Sinopec Finance's publicly released annual reports and financial information are available on its corporate website (cwgs.sinopec.com).
7. The Financial Services Providers shall monitor the maximum daily amount of deposits of the Company and the total interest receivable on such deposits to ensure that relevant amount do not exceed the applicable annual caps.
8. In the course of annual audit for the Company, the auditor will review and express opinions on the connected transactions between the Company and the Financial Services Providers, while the Company will timely perform the information disclosure obligations according to the requirements of Hong Kong Listing Rules.

Based on the abovementioned benefits, the Financial Services Providers are more familiar with the Group's business than other independent commercial banks and are able to offer better commercial terms, and the abovementioned internal control and risk management measures can reasonably and effectively assist the Group in monitoring the relevant financial services, minimize the potential financial risks of the Group. The Company is of the view that the risks faced by the Group in depositing funds with the Financial Services Providers will not be higher than depositing funds with independent commercial banks. Meanwhile, it will be more efficient for the Group in terms of fund management and enable the Group to enjoy high-quality financial services, which is in line with the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

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

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

5. 2024 Technology R&D Framework Agreement

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

6. 2024 Land Use Rights and Property Leasing Framework Agreement

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

LETTER FROM THE BOARD

7. 2024 Equipment Leasing Framework Agreement

In order to effectively deal with the impact of low oil prices on the Group, the Group has coordinated market layout, optimised resource allocation, further controlled and optimised the scale of investment, and strived to maintain a lean and efficient scale of its own equipment to adapt to the changing external market environment and enhance the ability to resist risks. Due to the unbalanced exploration and exploitation workload released by the owners and seasonal factors, there are often structural gaps in their own construction equipment, which is usually adjusted through the external equipment leasing market. However, with the increasing domestic development of deep and ultra-deep oil and gas reservoirs and deep shale gas, the owner's requirements for construction equipment and technology continue to increase, and the original external equipment leasing market cannot fully satisfy the equipment leasing needs of the Group. Sinopec Group owns related equipment manufacturing enterprises, as well as Taiping & Sinopec Financial Leasing Co., Ltd. and PEC International Leasing Co., Ltd. that can carry out financial leasing business. The Company and China Petrochemical Corporation have entered into 2024 Equipment Leasing Framework Agreement, which can enable the Group to stably obtain the leasing source of related equipment and effectively solve the Group's equipment structural gap issues. In the meantime, in addition to adjustments within the Group, for the equipment that is under downtime and idle due to insufficient workload, the active pursuit of external leasing market can effectively vitalise the equipment that is under downtime or idle. Taiping & Sinopec Financial Leasing Co., Ltd. and PEC International Leasing Co., Ltd. have extensive experience in the development of external equipment leasing business, and can also quickly find lessees for the Group's related equipment that is under downtime or idle.

8. 2024 Trademark License Agreement

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

9. SPI Fund Document

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

HONG KONG LISTING RULES IMPLICATIONS

China Petrochemical Corporation and its associates holds approximately 70.20% of the Company's issued share capital and is therefore the Company's substantial shareholder. Sinopec Finance and Sinopec Century Bright are subsidiaries of China Petrochemical Corporation and its associates. Under Rules 14A.07(1) and 14A.07(4) of the Hong Kong Listing Rules, China Petrochemical Corporation and its associates are connected persons of the Company. Accordingly, the transactions between the Group and Sinopec Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company shall comply with the reporting, announcement and Independent Shareholders' approval (if necessary) requirements in respect of certain Continuing Connected Transactions. In addition, the deposit services to be provided by the Financial Services Providers to the Group will also constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

The Company is listed on both the Hong Kong Stock Exchange and the SSE. According to the SSE listing rules, the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions and their annual caps are subject to the approvals of Independent Shareholders as well as relevant information disclosure requirements. Therefore, for the purpose of compliance of both the Hong Kong Listing Rules and the SSE listing Rules, the Major Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and their annual caps for the three years ending 31 December 2027 shall be submitted to the EGM for the approvals by the Independent Shareholders. According to the SSE listing rules and the Hong Kong Listing Rules, the Exempted Continuing Transactions shall comply with the announcement requirement, but are exempted from the Independent Shareholders' approval.

1. 2024 Mutual Products Supply Framework Agreement

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

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

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

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

2. 2024 General Services Framework Agreement

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

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

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

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

3. 2024 Engineering and Construction Services Framework Agreement

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

LETTER FROM THE BOARD

4. 2024 Financial Services Agreement

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

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

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

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

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

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

5. 2024 Technology R&D Framework Agreement

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

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

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

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

6. 2024 Land Use Rights and Property Leasing Framework Agreement

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

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

LETTER FROM THE BOARD

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

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

7. 2024 Equipment Leasing Framework Agreement

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

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

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

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

8. 2024 Trademark License Agreement

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

9. SPI Fund Document

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

APPROVAL BY THE BOARD AND INDEPENDENT SHAREHOLDERS

Prior to submitting to the Board for consideration, the Company had convened the second special meeting of Independent Directors of the eleventh session of the Board on 26 September 2024, at which all Independent Non-executive Directors unanimously agreed and approved the resolution on the Continuing Connected Transactions (including the relevant proposed caps). On 26 September 2024, the fifth meeting of the eleventh session of the Board was held. The Board considered and approved the 2024 Connected Transactions Framework Agreements, the SPI Fund Document and the proposed relevant annual caps for the three years ending 31 December 2027, and that the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions (including the relevant proposed annual caps) be submitted to the EGM for approval. Mr. Zhao Jinhai, Ms. Zhang Lili and Mr. Du Kun were deemed having interest in the resolutions in relation to the Continuing Connected Transactions due to their positions in the connected person of the Company and therefore abstained from voting.

LETTER FROM THE BOARD

According to the Hong Kong Listing Rules, the Independent Board Committee was formed to advise Independent Shareholders on the Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2027. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Continuing Connected Transactions.

The Company has appointed Maxa Capital as the Independent Financial Adviser to advise Independent Board Committee and Independent Shareholders on the Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2027.

The Company will seek for the approval from the Independent Shareholders on the Major Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2027 at the EGM. Since China Petrochemical Corporation is the controlling shareholder of the Company, China Petrochemical Corporation and its associates (as at the Latest Practicable Date, holding a total of approximately 70.20% equity interest in the Company's issued share capital, including approximately 56.52% shares the Company held by China Petrochemical Corporation, and 13.68% shares held by Sinopec Century Bright, a wholly-owned overseas subsidiary of China Petrochemical Corporation, through HKSCC Nominee Limited) will abstain from voting on the ordinary resolutions in relation to Continuing Connected Transactions at the EGM.

II. GENERAL INFORMATION

SSC

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

China Petrochemical Corporation

China Petrochemical Corporation was established in July 1998, and it is a state owned and authorized investment organization. The principal operations of China Petrochemical Corporation include: exploration, production, storage and transportation (including pipeline transportation), sales and comprehensive utilisation of oil and natural gas; oil refining; wholesale and retail of oil products; production, sales, storage, transportation of petrochemical, natural gas chemical, coal chemical and other chemical products; industrial investment and investment management; production, sales, storage, transportation of energy products such as new energy and geothermal energy; exploration, consultation, design and installation of

LETTER FROM THE BOARD

petroleum and petrochemical engineering; repairing and maintenance of petroleum and petrochemical equipment; development, manufacture and sales of mechanical and electrical equipment; manufacture and sales of electricity, steam, water supplies and industrial gas; technology, electronic commerce and information, research and development, application and consultation services of alternative energy products; self-operating and acting as agent for import and export of relevant products and technology; project contracting procurement tendering, labour export; international storage and logistics business etc.

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 China Petrochemical Corporation and 49% owned by China Petroleum & Chemical Corporation.

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 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.” China Petrochemical Corporation has provided undertaking in relation to the aforementioned obligations to supplement capital: Sinopec Group will supplement capital to Sinopec Finance if necessary and to report annually on its capital supplemental capacity to NFRA or its delegated organisations through Sinopec Finance; Sinopec Group will not withdraw capital from Sinopec Finance in the event that Sinopec Finance has liquidity problems and will provide liquidity support as far as possible.

Sinopec Century Bright

Sinopec Century Bright is a company incorporated in Hong Kong with limited liability. It is a licensed lender under the Money Lenders Ordinance (Cap. 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.

LETTER FROM THE BOARD

III. EGM

The Company proposes to convene the EGM at the Beijing Shengli Hotel, No. 3 Beishatan, Deshengmen Wai, Chaoyang District, Beijing, PRC on Friday, 6 December 2024 at 9:00 a.m. The EGM notice, proxy form and reply slip have been provided with this circular.

Whether or not you are able to attend the EGM in person, please complete the proxy form of the Company in accordance with the instructions thereon and return it to the office address of the Company or to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 24 hours before the time for holding the EGM (i.e. 9:00 am on 5 December 2024, Hong Kong time). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) as you wish.

China Petrochemical Corporation and its associates (as at the Latest Practical Date, holding a total of 13,323,683,351 shares of the Company, representing approximately 70.20% equity interest in the issued share capital, including approximately 56.52% shares held by China Petrochemical Corporation, and 13.68% shares held by Sinopec Century Bright, a wholly-owned overseas subsidiary of China Petrochemical Corporation, through HKSCC Nominee Limited) will abstain from voting on the ordinary resolutions in relation to the Continuing Connected Transactions with Sinopec Group at the EGM.

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

IV. RECOMMENDATION

Your attention is drawn to (I) the letter from the Independent Board Committee dated 18 October 2024 on pages 64 to 65 of the circular, which set out the recommendation from the Independent Board Committee to Independent Shareholders on the Major Continuing Connected Transactions and their relevant annual caps, and (II) the letter from the Independent Financial Adviser dated 18 October 2024 on pages 66 to 86 of the circular, being the recommendation from Maxa Capital, the Independent Financial Adviser, to the Independent Board Committee and Independent Shareholders on the Major Continuing Connected Transactions and their relevant annual caps and the key factors and reasons considered when making the recommendation.

LETTER FROM THE BOARD

The Directors (including the members of the Independent Board Committee) have reviewed the factors and reasons considered and the recommendations made as set out in the letter from the Independent Financial Adviser and opine the Continuing Connected Transactions with Sinopec Group and their relevant annual caps are fair and reasonable on normal commercial terms and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors advise the Shareholders (including the Independent Shareholders) to vote in favor of the relevant resolutions proposed at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

Independent Non-executive Directors

Mr. Zheng Weijun

Mr. Wang Pengcheng

Ms. Liu Jiangning

18 October 2024

To the Independent Shareholders

Dear Sir or Madam:

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS WITH SINOPEC GROUP

INTRODUCTION

We refer to the circular (the “**Circular**”) dated 18 October 2024 provided by SSC to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We are writing to you to set out our recommendation whether or not the Major Continuing Connected Transactions (including the relevant proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned. The terms, annual caps and the reasons for the Major Continuing Connected Transactions are summarised in the letter from the Board in the Circular. In considering the fairness and reasonableness, the Independent Board Committee has been advised by Maxa Capital. You are strongly urged to read Maxa Capital’s letter to the Independent Board Committee which is set out on pages 66 to 86 of the Circular.

RECOMMENDATION

We have discussed with the management of SSC, the reasons for the Major Continuing Connected Transactions (including the relevant proposed annual caps), the mechanism for the determination of the price for the Major Continuing Connected Transactions, the terms of thereof, and the basis upon which their terms have been determined. We have also considered

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the key factors taken into account by Maxa Capital in arriving at its opinion regarding the Major Continuing Connected Transactions (including the relevant proposed annual caps) as set out in the letter from Maxa Capital on pages 66 to 86 of the Circular, which we urge you to read carefully.

The Independent Board Committee concurs with the views of Maxa Capital and consider that the Major Continuing Connected Transactions (including the relevant proposed annual caps) to be in the best interest of the Company and its Shareholders and are fair and reasonable so far as the Independent Shareholders are concerned. The Major Continuing Connected Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Company. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the Major Continuing Connected Transactions set out in the Circular which is contained in the notice of the EGM provided with the Circular.

Yours faithfully,

Mr. Zheng Weijun, Mr. Wang Pengcheng, Ms. Liu Jiangning

Independent Non-executive Directors

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

18 October 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Mesdames,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS WITH SINOPEC GROUP

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 Major Continuing Connected Transactions and their proposed annual caps for each of the three years ending 31 December 2027 (the “**Proposed Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 18 October 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.

On 26 September 2024, the Company entered into (i) the 2024 Mutual Products Supply Framework Agreement, the 2024 General Services Framework Agreement and the 2024 Engineering and Construction Services Framework Agreement with China Petrochemical Corporation; and (ii) the 2024 Financial Services Agreement with the Financial Services Providers (collectively known as the “**Non-exempt Framework Agreements**”). Such framework agreements will become effective on 1 January 2025 for a period of three years and they will, upon effective, replace the 2021 Mutual Products Supply Framework Agreement, the 2021 General Services Framework Agreement, the 2021 Engineering and Construction Services Framework Agreement and the 2021 Financial Services Framework Agreement.

As at the Latest Practicable Date, China Petrochemical Corporation together with its associates held approximately 70.20% of the Company’s issued share capital and is therefore the Company’s substantial Shareholder. Sinopec Finance and Sinopec Century Bright are subsidiaries of China Petrochemical Corporation and its associates. Under Rules 14A.07(1) and 14A.07(4) of the Hong Kong Listing Rules, China Petrochemical Corporation and its associates are connected persons of the Company. Accordingly, the transactions contemplated under the

Non-exempt Framework Agreements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios for each of the annual caps under the Major Continuing Connected Transactions exceed 5%, the Major Continuing Connected Transactions and the Proposed Annual Caps are subject to, among other things, the approval by the Independent Shareholders. The deposit services provided by the Financial Services Providers to the Group will also constitute discloseable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules.

According to the Hong Kong Listing Rules, the Independent Board Committee has been formed to advise Independent Shareholders on the Major Continuing Connected Transactions and the Proposed Annual Caps. We, Maxa Capital, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

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 Major Continuing Connected 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 advices and recommendations, we have reviewed, among others, (i) the Non-exempt Framework Agreements; (ii) the annual reports of the Company for the year ended 31 December 2022 (the “**2022 AR**”) and for the year ended 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 basis of calculation of the Proposed Annual Caps; and (iv) the Company’s internal control procedures and records in relation to continuing connected transactions.

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 currently available 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 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 and the Company, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, China Petrochemical Corporation and each of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Information of the Group

The Company is a large-scale, integrated, and professional oil and gas engineering and technical service company in China and a leader in providing integrated and full industrial-chain oilfield services. The Company has five major business sectors – geophysics, drilling, logging & mud logging, downhole operation service and engineering construction, covering the full industrial-chain from exploration, drilling, completion, oil and gas production, collection and transportation. As at 30 June 2024, the Company provided oilfield services with more than 70 basins and more than 550 blocks in more than 20 provinces in China, while its overseas business scale keeps growing with execution in more than 30 countries and regions.

Set out below is the summarised financial information of the Group for the two years ended 31 December 2022 and 2023 (“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 2023 AR and the 2024 IR:

	For the year ended		For the six months	
	31 December		ended 30 June	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
	(restated)	(audited)	(unaudited)	(unaudited)
Revenue	73,772,688	79,980,939	37,133,528	36,821,444
Profit before income tax	837,162	915,207	864,790	1,082,707
Profit for the year/period	583,699	576,083	649,120	752,950

The revenue of the Group was approximately RMB79,980.9 million for FY2023, representing an increase of approximately RMB6,208.3 million or approximately 8.4% as compared to approximately RMB73,772.7 million for FY2022, whereas the profit for the year was approximately RMB576.1 million for FY2023, representing a decrease of approximately RMB7.6 million or approximately 1.3% as compared to approximately RMB583.7 million for FY2022. Such significant increase in the revenue for the year was primarily attributable to increases in exploration and development workload. Such decrease in profit for the year was primarily attributable to the increase in selling, general and administrative, research, and finance expenses.

The revenue of the Group was approximately RMB36,821.4 million for 1H2024, representing a decrease of approximately RMB312.1 million or approximately 0.8% as compared to approximately RMB37,133.5 million for 1H2023, whereas the profit for the period was approximately RMB753.0 million for 1H2024, representing an increase of approximately RMB103.8 million or approximately 16.0% as compared to approximately RMB649.1 million for 1H2023. Such decrease in the revenue for the period was primarily attributable to the decrease in cross-year workload of oil engineering construction business. Such increase in the profit for the period was primarily attributable to (i) the decrease in selling, general and administrative, and finance expenses; (ii) the increase in reversal of provision for expected credit loss; and (iii) the increase in other income.

	As at 31 December		As at
	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(restated)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Cash and cash equivalents	1,801,150	2,788,798	2,978,118
Total assets	71,208,061	75,162,974	75,900,751
Total liabilities	63,778,327	67,139,772	67,176,619
Total equity	7,429,734	8,023,202	8,724,132

The Group's cash and cash equivalents increased substantially from approximately RMB1.8 billion as at 31 December 2022 to approximately RMB3.0 billion as at 30 June 2024. The Group's total assets increased gradually from approximately RMB71.2 billion as at 31 December 2022 to approximately RMB75.9 billion as at 30 June 2024. The Group's total liabilities increased gradually from approximately RMB63.8 billion as at 31 December 2022 to approximately RMB67.2 billion as at 30 June 2024. The Group's total equity has been increasing stably from approximately RMB7.4 billion as at 31 December 2022 to approximately 8.7 billion as at 30 June 2024.

1.2 Information of China Petrochemical Corporation

China Petrochemical Corporation was established in July 1998, and it is a state owned and authorised investment organization. The principal operations of China Petrochemical Corporation include: exploration, production, storage and transportation (including pipeline transportation), sales and comprehensive utilisation of oil and natural gas; oil refining; wholesale and retail of oil products; production, sales, storage, transportation of petrochemical, natural gas chemical, coal chemical and other chemical products; industrial investment and investment management; production, sales, storage, transportation of energy products such as new energy and geothermal energy; exploration, consultation, design and installation of petroleum and petrochemical engineering; repairing and maintenance of petroleum and petrochemical equipment; development, manufacture and sales of mechanical and electrical equipment; manufacture and sales of electricity, steam, water supplies and industrial gas; technology, electronic commerce and information, research and development, application and consultation services of alternative energy products; self-operating and acting as agent for import and export of relevant products and technology; project contracting procurement tendering, labour export; international storage and logistics business etc.

1.3 Information of Sinopec Century Bright

Sinopec Century Bright is a company incorporated in Hong Kong with limited liability. It is a licensed lender under the Money Lenders Ordinance (Cap. 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.

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 China Petrochemical Corporation and 49% owned by China Petroleum & Chemical Corporation.

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 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.” China Petrochemical Corporation has provided undertaking in relation to the aforementioned obligations to supplement capital (the “**Parent Undertaking**”): Sinopec Group will supplement capital to Sinopec Finance if necessary and to report annually on its capital supplemental capacity to NFRA or its delegated organisations through Sinopec Finance; Sinopec Group will not withdraw capital from Sinopec Finance in the event that Sinopec Finance has liquidity problems and will provide liquidity support as far as possible.

2. Terms of the Major Continuing Connected Transactions

On 26 September 2024, the Company, China Petrochemical Corporation and Financial Services Providers entered into the Non-exempt Framework Agreements, which will be valid for a term of three years commencing on 1 January 2025. Save for the valid terms and Proposed Annual Caps, other key terms of the Non-exempt Framework Agreements are generally the same as those of the 2021 Mutual Products Supply Framework Agreement, the 2021 General Services Framework Agreement, the 2021 Engineering and Construction Services Framework Agreement and the 2021 Financial Services Framework Agreement, respectively.

2.1 Transactions

Pursuant to the 2024 Mutual Products Supply Framework Agreement, amongst other things, Sinopec Group will provide the following types of products to the Group: crude oil, crude oil processing and oil products (including gasoline, diesel, kerosene, fuel oil, lubricants, etc.); natural gas (including pipeline gas, CNG, LNG, etc.); steel; chemicals, oilfield chemicals and chemical reagents; petroleum-specific equipment; oil drilling and exploitation equipment accessories; special tools; instrumentation and accessories; engineering machinery; timber, cement and construction materials; electric material (including marine cable); pipeline fittings; paint coating; valve; rubber, rubber products and plastic products; petrochemical-specific equipment and accessories; electrical equipment and accessories; power equipment; general equipment (including compressors, pumps, air separation equipment, etc.); electronic industrial products and components (including computer software, safety control systems, etc.); fire control equipment and devices (including fire trucks and accessories, fire-fighting robots, etc.); coal; chemical fiber processing and textile products (including anti-static coveralls and accessories, safety work shoes, etc.); and other products.

Pursuant to the 2024 General Services Framework Agreement, amongst other things, Sinopec Group will provide the following types of services to the Group: employee training, culture and sports, newspapers and magazines, radio and television broadcasting and other related or similar services; office and factory property management, canteens, dormitories, commuting, reemployment service centers and other related or similar services; collection and payment of administrative service fees, labour, insurance, insurance brokers, shared services (finance, human resources, business travel, and information technology sharing, etc.) and other related or similar services; software applications and information systems with related support and services; product procurement services; other services.

Pursuant to the 2024 Engineering and Construction Services Framework Agreement, the Group will provide to Sinopec Group the following types of engineering services including but without limitation to geophysical and geochemical drilling and completion, logging, downhole operation, construction, machinery involved in the exploitation, gathering and transportation, ground construction, plumbing, construction, and marine engineering of oil, natural gas and other mineral resources: engineering consulting (solution research, project proposal, feasibility study and early stage project consulting); project management; project supervision; contracting; engineering design; construction; machinery equipment processing and manufacturing services; procurement services and equipment leasing; technology licensing, technology transfer and engineering technology services; labour supply service; testing service; special transportation service; and other engineering supporting services.

Pursuant to the 2024 Financial Services Agreement, the Financial Service Providers, subsidiaries of China Petrochemical Corporation, will provide financial services to the Group. Such financial services primarily include deposits and loans, bill discounting and acceptance, letters of credit, entrusted loans, non-financial guarantees, settlement, foreign exchange and other financial services.

2.2 Pricing policy

2.2.1 2024 Mutual Products Supply Framework Agreement

The pricing of the products provided under the 2024 Mutual Products Supply Framework Agreement shall be determined in accordance with the general principles and order as follows:

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

Please refer to pages 11 to 14 of the Circular for further details in relation to pricing mechanism to particular products under the 2024 Mutual Products Supply Framework Agreement.

2.2.2 2024 General Services Framework Agreement

The pricing of the general services provided by Sinopec Group to the Group under the 2024 General Services Framework Agreement shall be determined in accordance with the following pricing policies:

Agreed price is applicable to employee training, culture and sports, radio and television broadcasting and other related or similar services; office and factory property management, canteens, dormitories, commuting, re-employment service centers and other related or similar services; product procurement services and other services. The agreed price is determined by adding a reasonable profit (6% or less of a cost) over a reasonable cost. The supplier of the service will provide a cost list which is based on the actual costs incurred in providing the service by Sinopec Group, the purchaser will conduct comparison with the comparable average cost of similar enterprises in the neighbouring areas to negotiate and determine the reasonable cost for the price. The management shall consider at least two comparable transactions with the independent third party for the same period when determining the reasonable profit of a general service under the agreement. The price of connected transaction once determined and signed, shall not be changed by one party voluntarily.

Agreed price is applicable to shared services (finance, human resources, business travel, and information technology sharing, etc.). The reasonable cost is determined on the basis of FTE (full-time labour equivalent). At this stage, the cost and tax are used as the cost benchmark, and the profit rate is controlled within 6% to determine the price of the sharing services. The price of connected transaction once determined and signed, shall not be changed by one party voluntarily.

Market price is applicable to newspapers and magazines; collection and payment of administrative service fees, labor, insurance, insurance brokers and other related or similar services; software applications and information systems with related support and services. In determining the market prices, the Group will determine the prices through price enquiry and comparison on the relevant price websites or by referring to the prices of similar transactions in surrounding markets or by tender through the e-commerce system. The e-commerce system is a bidding system for sale and purchase of products or services established by Sinopec Group. Sinopec Group and the Group can publish bidding requests or participate in the tender through such e-commerce system.

2.2.3 2024 Engineering and Construction Services Framework Agreement

The pricing of the services provided under the 2024 Engineering and Construction Services Framework Agreement shall be determined in accordance with the principles and order as follows:

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

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

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

Please refer to pages 20 to 23 of the Circular for further details in relation to pricing mechanism to particular services under the 2024 Engineering and Construction Services Framework Agreement.

Through discussion with the management of the Company, we understand that majority of the services provided under the 2024 Engineering and Construction Services Framework Agreement shall be determined in accordance with (1) government-prescribed price and government-guided price or (2) tender and bidding price.

2.2.4 2024 Financial Services Agreement

Under the 2024 Financial Services Agreement, the interest rate of the deposit services provided by Sinopec Finance shall be determined in accordance with the relevant interest rate as promulgated by the PBOC and shall not be lower than the interest rates for deposits of the same type and maturity offered by major domestic commercial banks. For deposit services provided by Sinopec Century Bright, the interest rates of the relevant deposit shall not be lower than the interest rates for deposits of the same type and maturity offered by major overseas commercial banks.

2.2.5 Assessment on the pricing policy

In relation to products and services applicable to the government-prescribed price and government-guided price, including crude oil processing and oil products (including gasoline, diesel, kerosene, fuel oil, etc.), natural gas (including pipeline gas, CNG, LNG, etc.), and project management, we have reviewed the relevant regulations issued by regulatory authorities in the PRC and noted the pricing policies for the aforementioned products and services under the relevant framework agreements are in line with the relevant regulations. As such, we consider the pricing policy for products and services which adopted the government-prescribed price and government-guided price to be fair and reasonable.

In relation to services applicable to the tender and bidding price, including geophysical and geochemical drilling and completion, logging, downhole operation, construction, machinery involved in the exploitation, gathering and transportation, ground construction, plumbing, construction, marine engineering of oil, gas and other mineral resources, project contracting, project construction, project construction engineering consulting (solution research, project proposal, feasibility study and early stage project consulting), project supervision, and engineering design, we have reviewed the relevant regulations issued by regulatory authorities in the PRC, the sample documents in relation to the tender and bidding process and the internal bidding regulation of the Company which set out the detailed requirements for the bidding process and the responsibility of departments involved. Based on our review and discussion with the management of the Company, we noted that (i) after passing through several rounds of review by the relevant responsible departments and officers of the Group, each bidding project will then be reviewed by a group of experts, which are selected from a database depends on the nature of the bidding project, before submitting to the senior management committee of the Group for final approval; (ii) the bidding price is determined with reference to the pricing standards set by relevant government department or Sinopec Group and the fixed unit price of engineering project budget list, which is negotiated and formulated by the Group and Sinopec Group together having considered factors including estimated expense, technical requirements, geological conditions etc.; (iii) 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; and (iv) the tender and bidding process is an open and transparent process based on market participation. In view of the above, we consider the pricing policy for services which adopted tender and bidding price, including the formation of tendering committee and the tendering process, to be fair and reasonable.

In relation to products and services applicable to market price, including crude oil, oil products (lubricants), chemicals, oilfield chemicals and chemical reagents, coal, steel, petroleum-specific equipment, oil drilling and exploitation equipment accessories, instrumentation and accessories, special tools, and engineering machinery, we have visited the relevant websites mentioned on page 13 of the Circular. Based on our discussion with the management of the Company, we understood that the pricing terms entered into with the Sinopec Group were no less favourable to the Group than those with independent third parties involving comparable type of transaction, and the Group's pricing determination was in accordance with its internal control measures in principle, which will be further analysed in the section below headed "5. Internal Control". For our due diligence, we have, on a randomly sampling basis, obtained and reviewed samples of (i) contracts between Sinopec Group and the Group; and (ii) price quotations/contracts between the Group and independent third parties in respect of products and services provided under the 2021 Mutual Products Supply Framework Agreement and the 2021 Engineering and Construction Services Framework Agreement from 2021 to 2024 which were similar in nature to the extent where possible. Based our review of the aforesaid documents which we consider to be fair and representative, we noted that the pricing terms entered into with the Sinopec Group were no less favourable to the Group than those with independent third parties. As such, we consider the pricing policy for products and services which adopted market price to be fair and reasonable.

In relation to agreed price, we noted the 6% profit margin applies to both products and services provided by the Group to Sinopec Group and products and services provided by Sinopec Group to the Group and consider such pricing principle is not in favour of any party. In addition, the 6% profit margin is not materially deviated from the gross profit margin of approximately 8.4%, 6.8% and 7.6% of the Company for 1H2024, FY2023 and FY2022, respectively, and we consider such profit margin is fair and reasonable.

3. Reasons for and benefits of entering into the Major Continuing Connected Transactions

Sinopec Group is the largest client and supplier of the Group. Revenues from Sinopec Group contributed 61.7% of the total operating revenue of the Company for FY2023, while purchase from Sinopec Group represented approximately 23.7% of the total purchases of the Group for FY2023. Due to historical relationship between Sinopec Group and the Group, they have better understanding of each other's business and can better ensure the standards of technology, quality, delivery and technical support of the products and services to meet each other's requirements. In general, the entering into the Non-exempt Framework Agreements would provide flexibility for the Group to continue its existing arrangements with Sinopec Group of providing products and services to each other, and facilitate the overall operations and growth of the Group's business by leveraging the resources and advantages of Sinopec Group. The specific reasons for and benefits of entering into the Non-exempt Framework Agreements are elaborated below.

3.1 2024 Mutual Products Supply Framework Agreement

Provision of products by Sinopec Group to the Group

Prior to the establishment of the Company, it was Sinopec Group that provided products to the Company and its subsidiaries. After its establishment, the Company conducts procurement activities through its developing and independent procurement system. Also, in order to ensure the stable supply, Sinopec Group is required to continue to provide products. As the owner of the Group's projects, Sinopec Group itself or its designated suppliers are required to provide products to the Group.

3.2 2024 General Services Framework Agreement

Provision of general services by the Sinopec Group to the Group

Some offices of the Company and its subsidiaries are located in a building in which Sinopec Group has been providing ancillary administrative and logistical services, including conference facilities, property management services and information technology services, to those of its subsidiaries which occupy the building for a number of years. Given the quality, cost efficiency and convenience of using such ancillary services, it will be beneficial to the Group to continue purchasing such services from Sinopec Group. In addition, the Group has been receiving cultural and educational trainings provided by Sinopec Group since the

Company's establishment, including foreign language and cultural training courses, international project management courses, occupational skills training courses and management skills training seminars, which the Company believes to be beneficial to the professional development of the Group's staff. Sinopec Group has a massive network of global suppliers and an advanced IT platform, which are of great significance to the Group to find premium vendors and reduce acquisition costs. In addition, the Group will receive professional supportive services in relation to finance, human resources, business travel and information technology sharing services from Sinopec Group Sharing Company Limited (中國石化集團共享服務有限公司), which is expected to further optimise the refined management and improve the operation efficiency of the Group.

3.3 2024 Engineering and Construction Services Framework Agreement

Provision of engineering services by the Group to Sinopec Group

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

3.4 2024 Financial Services Agreement

Deposits services provided by the Financial Services Providers to the Group

(a) Centralised cash management

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

(b) Clearing and settlement platform

In its ordinary course of business, as Sinopec Group is the Group's largest client, the Group transacts with Sinopec Group. In line with Sinopec Group's internal group policy, Sinopec Group generally maintain settlement accounts with the Financial Service Providers. The centralised maintenance of deposits by the Group with the Financial Service Providers will facilitate clearing with other members of the Sinopec Group (some of whom are the Group's clients), reduce the time required for transit and turnaround of funds and is generally more administratively efficient than settlement through independent banks. It would not be efficient for Sinopec Group and the Group to separately maintain bank accounts with independent banks for clearing and settlement.

(c) Familiarity with the Group's business

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

(d) Flexibility

The Group has the sole discretion to deposit and withdraw its deposits with the Financial Service Providers from time to time. There is no restriction on its ability to deposit its cash with independent commercial banks in or outside the PRC now or in the future should the Group so wish. Currently, the Group maintains deposits with independent commercial banks in and outside the PRC and expects to continue to do so depending on the contractual and other requirements. The Group chooses to deposit its cash with the Financial Service Providers as it helps the Group centralise its treasury management function.

We have reviewed the licenses of the Financial Services Providers 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 Financial Services Providers. Sinopec Century Bright obtained an A2 rating from Moody's and an A rating from Standard & Poor's. The Financial Services Providers only provide financial services to China Petrochemical Corporation and its subsidiaries (including the Group). As mentioned above in the section headed "1.4 Information of Sinopec Finance", China Petrochemical Corporation has made the Parent Undertaking towards Sinopec Finance. Meanwhile, Sinopec Century Bright signed a "Keep-well Deed" (《維好協議》) with China Petrochemical Corporation, according to which, China Petrochemical Corporation made an undertaking to Sinopec Century Bright that in case of payment difficulties of Sinopec Century Bright, China Petrochemical Corporation would ensure Sinopec Century Bright to meet the payment needs through various means. In 2023, China Petrochemical Corporation 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 Financial Services Providers are not less controllable as compared to that of public licensed commercial banks. Taking into account the above and the no less favourable interest rates and other commercial benefits to the Group, we concur with the Company that the maintenance of deposits with the Financial Service Providers as an alternative option in addition to commercial banks is beneficial to the Company's 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. The Proposed Annual Caps represent the maximum amounts of transactions the Group would enter into with Sinopec Group, rather than the obligation of the Group to accept or provide products and services from or to Sinopec Group at that amount. We have discussed and concur with the management of the Company that the Proposed Annual Caps will provide more flexibility to the Group and the Proposed Annual Caps are at the appropriate level after taking into account the historical transaction amounts and expected future growth.

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 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
2024 Mutual Products Supply Framework Agreement							
Provision of products by Sinopec Group to the Group	Annual Caps	12,200	12,500	13,200	13,400	13,800	14,200
	Actual amounts	12,181	10,384	4,386 ¹			
	Utilisation rates	99.8%	83.1%	33.2% ²			
2024 General Services Framework Agreement							
Provision of general services by Sinopec Group to the Group	Annual Caps	900	1,050	1,150	1,350	1,350	1,350
	Actual amounts	793	978	500 ¹			
	Utilisation rates	88.1%	93.1%	43.5% ²			

<i>RMB 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

2024 Engineering and Construction Services Framework Agreement

Provision of engineering services by the Group to Sinopec Group	Annual Caps	52,000	54,000	55,000	56,000	58,000	59,000
	Actual amounts	46,776	49,124	22,181 ¹			
	Utilisation rates	90.0%	91.0%	40.3% ²			

2024 Financial Services Agreement

Provision of deposit services by the Financial Service Providers to the Group (maximum daily balance)	Annual Caps	3,500	3,500	3,500	3,500	3,500	3,500
	Actual amounts	3,094	1,183	1,044 ¹			
	Utilisation rates	88.4%	33.8%	29.8% ²			

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.

4.2 Basis of determination of the Proposed Annual Caps

4.2.1 2024 Mutual Products Supply Framework Agreement

In determining the proposed annual caps in respect of provision of products by Sinopec Group to the Group under the 2024 Mutual Products Supply Framework Agreement, the Company has mainly considered:

- the value of products provided by Sinopec Group during 2022, 2023 and first six months of 2024;
- the estimated crude oil prices from 2025 to 2027 will be USD85/barrel, USD85/barrel and USD85/barrel, respectively;
- the expected business development of the Group and expected business development of Sinopec Group; and
- the possible fluctuation in the price and exchange rates of products to be supplied by Sinopec Group in the next three years, fluctuation in the market price of bulk commodity, upgrade of quality of oil products and other unforeseeable factors.

According to our research conducted on Wind, we noted that key oil price indicators such as Brent crude oil prices were mainly within the range of approximately US\$70 to US\$90 (the “**Historical Oil Price Range**”) during the period from 1 January 2023 and up to the Latest Practicable Date (the “**Recent Period**”). Despite the Brent crude oil prices in September 2024 were at the lower end of the Historical Oil Price Range, we noted that the Organization of the Petroleum Exporting Countries (“**OPEC**”) has agreed recently to extend their additional voluntary production cuts of 2.2 million barrels per day until the end of November 2024, which is expected to significantly reduce the global oil inventories and have a positive influence on the crude oil prices. In view of the above, and the fact that the estimated crude oil prices predicted by the Company, being US\$85/barrel, US\$85/barrel and US\$85/barrel in 2025, 2026 and 2027 respectively, fall within the Historical Oil Price Range, we consider the estimated crude oil prices adopted by the Company in determining the proposed annual caps to be with reasonable basis.

We have reviewed the historical amounts for the two years ended 31 December 2023 and for the six months ended 30 June 2024 and noted (i) the historical utilisation rates are high in FY2022 and FY2023; (ii) the proposed annual cap for 2025 represents a buffer of approximately 10.0% to the highest historical transaction amount for FY2022; and (iii) the proposed annual caps for 2026 and 2027 represent annual growth rates of approximately 3.0% and 2.9% respectively. Based on the above, we consider the proposed annual caps in respect of provision of products by Sinopec Group to the Group under the 2024 Mutual Products Supply Framework Agreement are fair and reasonable.

4.2.2 2024 General Services Framework Agreement

In determining the proposed annual caps in respect of provision of general services by Sinopec Group to the Group under the 2024 General Services Framework Agreement, the Company has mainly considered:

- (i) the annual fee to be paid for the training services and conference facilities provided by Sinopec Group which is estimated to be approximately RMB200 million, including estimated training services fee RMB160 million to train about 55,000 employees; and estimated conference service fee RMB40 million upon considered the factors such as conference length, size and locations of the conference rooms, catering and accommodation services;
- (ii) the annual fee to be paid for the office and factory area properties management and other relevant services or similar auxiliary services provided by Sinopec Group which is estimated to be approximately RMB300 million. Such annual fee is determined based on the audited cost actually incurred by Sinopec Group in providing cultural, educational, training and auxiliary services in 2020;

- (iii) the annual fee to be paid for the miscellaneous services (including information technology system services, etc.) provided by Sinopec Group, including ERP system maintenance fee; OA office system fee; contract management system fee; archives and website service fee; and IT infrastructure (including servers) maintenance fee, which are based on the market rates charged for those services;
- (iv) the annual fee regarding to finance, human resources, business travel and information technology sharing services at present is approximately RMB220 million, meanwhile, under the plan, Sinopec Group will promote overseas financial, human resources, business travel and information technology sharing services, thus expenses in connection with such services will further increase;
- (v) the provision by Sinopec Group of such services as publicity and news report to the Group at a cost of approximately RMB100 million; and
- (vi) the estimated amount of the provision by Sinopec Group to the Group of other general services (i.e. re-employment service centers, insurance, canteen and others) which is approximately RMB200 million.

In assessing the fairness and reasonableness of the proposed annual caps for the general services provided by Sinopec Group to the Group, we have reviewed the historical amounts of the relevant general services for FY2022 and FY2023 and for 1H2024, which represent the utilisation rates of approximately 88.1%, 93.1% and 43.5% for the corresponding periods. Furthermore, we noted that the proposed annual cap for 2025 represents a compound annual growth rate (“CAGR”) of approximately 17.5% to the historical transaction amount for FY2023, which is lower than the annual growth rate of approximately 23.3% of the historical transaction amount for FY2023 as compared with that for FY2022. As advised by the Company, the increase of proposed annual cap is expected to accommodate the potential increase in demand of general services resulting from the gradual launch of sharing services with the overseas connected entities, the promotion of the Sinopec business travel platform, and the upgrading and maintenance of information technology systems of the Group in the future.

Having considered (i) the high utilisation rates for FY2022 and FY2023; (ii) the expected increasing general services to be provided by Sinopec Group to the Group resulting from the potential increase of demand as mentioned above; and (iii) the annual growth rate of historical transaction amount for FY2023 is higher than the CAGR implied by the proposed annual cap for 2025 and the historical transaction amount for FY2023, we concur with the Company that the proposed annual caps for the general services provided by Sinopec Group to the Group are fair and reasonable.

4.2.3 2024 Engineering and Construction Services Framework Agreement

In determining the proposed annual caps for the provision of engineering services by the Group to Sinopec Group under the 2024 Engineering and Construction Services Framework Agreement, the Company has mainly considered:

- (i) the amount of engineering services provided to Sinopec Group during 2022, 2023 and first six months of 2024; and
- (ii) considering that Sinopec Group will increase its investment in exploration and development of crude oil, natural gas, shale oil, shale gas, as well as development of new energy such as geothermal resources and hydrogen energy. It is expected that the estimated transaction volume of the Group for 2025 to 2027 will increase as compared to the historical transaction volume.

In assessing the fairness and reasonableness of the proposed annual caps for the engineering services provided by the Group to Sinopec Group and/or its associates, we have reviewed the historical amounts of the relevant engineering services for FY2022 and FY2023 and for 1H2024, which represent the utilisation rates of approximately 90.0%, 91.0% and 40.3% for the corresponding periods. The proposed annual cap for 2025 represents a buffer of approximately 14.0% to the highest historical transaction amount for FY2023; and the proposed annual caps for 2026 and 2027 represent annual growth rates of approximately 3.6% and 1.7% respectively.

As mentioned above, as the Brent crude oil price was mostly within the Historical Oil Price Range in the Recent Period and it is expected to further increase following the voluntary production cuts by OPEC, the management of the Company predicts that the oil prices will be at US\$85/barrel in 2025, 2026 and 2027, and thus the engineering services provided by the Group to Sinopec Group are expected to increase along with such oil price increase for the coming three years.

Therefore, the proposed annual caps for 2025 to 2027 are set to satisfy the future business growth of the Group. In addition, after taken into consideration of the specific nature and concentration of the oil engineering and construction market in China, the management of the Company is of the view that provision of engineering services by the Group to Sinopec Group is necessary in terms of the Company's continuous operation. Flexibility should be built into the proposed annual caps for such revenue transactions of the Group and the proposed annual caps represent the transaction volume under an ordinary market condition as estimated by the Company.

Having considered (i) the high utilisation rates for FY2022 and FY2023; (ii) the expected increasing engineering services to be provided by the Group to Sinopec Group resulting from the expected increase of the oil prices for the next three years; and (iii) the specific nature and concentration of the oil engineering and construction market in China, we concur with the Company that the proposed annual caps for the engineering services provided by the Group to Sinopec Group are fair and reasonable.

4.2.3 2024 Financial Services Agreement

In determining the maximum daily balance of deposits and interest income under the 2024 Financial Services Agreement, the Company has mainly considered:

- (i) cash and cash equivalent of the Group as at 30 June 2024 together with interest income;
- (ii) part of net cash inflow which will be deposited into Financial Services Providers; and
- (iii) the accrued interests thereof.

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

In assessing the fairness and reasonableness of the proposed annual caps for the deposits and interest income, we have 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 and noted that the utilisation rates are approximately 88.4%, 33.8% and 29.8% for the corresponding periods. We have also reviewed and discussed the forecast model for determining the proposed annual caps with the Company, and noted that the proposed annual caps represent a buffer of approximately 13.1% to the historical maximum daily balance in FY2022. Furthermore, we noted that although the utilisation rates for FY2023 and 1H2024 are relatively low, (i) there is an expansion in the Group's business scale as the revenue of the Group increased by approximately 8.4% from approximately RMB73,772.7 million for FY2022 to approximately RMB79,980.9 million for FY2023; and (ii) the Group's cash and cash equivalents increased substantially by approximately 65.3% from approximately RMB1.8 billion as at 31 December 2022 to approximately RMB3.0 billion as at 30 June 2024.

In view of the above, and having considered that (i) the proposed annual caps for the deposits and interest income are not substantially deviated from the historical maximum daily balance; (ii) the proposed annual caps for the deposits and 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; (iii) the proposed annual caps for the deposits and interest income are lower than the cash position of the Group as at 30 June 2024; and (iv) the reasons for and benefits of entering 2024 Financial Services Agreement as mentioned under the section headed "3. Reasons for and benefits of entering into the Major Continuing Connected Transactions" of this letter, we concur with the Company that the maximum possibility should be considered based on historical transactions to give sufficient flexibility to the Group and the proposed annual caps for the maximum daily balance of deposits and interest income are fair and reasonable.

5. Internal Control

The Company has formulated a series of internal control measures and procedures in order to ensure the pricing mechanism and the terms of the Major Continuing Connected Transactions are fair and reasonable and no less favourable to the Company than the terms available to or from independent third parties, and in the interest of the Company and its Shareholders as a whole, details of which are included in the section headed “PROCEDURES AND INTERNAL CONTROL SYSTEM FOR PRICING AND TERMS OF CONTINUING CONNECTED TRANSACTIONS” in the Letter from the Board. We have reviewed such internal control measures and procedures of the Company, and we are of the view that such internal control measures and procedures could ensure the terms of individual transactions for the Major Continuing Connected Transactions are in line with market practice.

In assessing the sufficiency and effectiveness of the internal control measures adopted by the Group, we have also obtained and reviewed the Group’s internal control assessment records, the contract review and appraisal records and the internal reports regarding the compliance of continuing connected transactions. From our review, we noted that (i) no material deficiency was discovered throughout the review of the internal control; (ii) the utilisation of annual caps were properly monitored and reported to the Board at least twice a year; and (iii) each contract was reviewed and approved by relevant departments, including but not limited to the operating management department, the finance department and the legal department, to ensure the actual amount will not exceed the approved annual caps and the transactions were entered in accordance to the pricing mechanism as stated in the internal control measures and procedures of the Company.

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 relevant continuing connected transactions 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 Company that the Group has effective internal policies in place to continue to monitor the Major Continuing Connected Transactions 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 Major Continuing Connected 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 Major Continuing Connected 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 Major Continuing Connected Transactions and the Proposed Annual Caps 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.

1. RESPONSIBILITY STATEMENT

This document, for which the directors of the issuer 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 issuer. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

(a) Directors, supervisors and chief executives of the Company

As at the Latest Practicable Date, Mr. Sun Bingxiang, a deputy general manager of the Company and a beneficial owner, held 50,300 A shares of the Company, representing 0.00037% of the issued A shares of the Company and 0.00027% of issued shares of the Company. Except for the above mention and Qi Xin Gong Ying Scheme disclosed below, so far as was known to the Directors, none of the Directors, supervisors and chief executive of the Company or, their respective associates or any persons acting in concert which the Directors 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 SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange.

Directors, Supervisors and Senior Management Participated in Qi Xin Gong Ying Scheme

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to China Petrochemical Corporation and Qi Xin Gong Ying Scheme respectively. Qi Xin Gong Ying Scheme is managed by Changjiang Pension Insurance Co., Ltd., and its shares shall be subscribed by the certain directors, supervisors, senior management and other core management personnel of the Company. The number of subscribers is 198, and the subscription amount is RMB60.65 million in total. The subscription price for each scheme unit under Qi Xin Gong Ying Scheme is RMB1.00. The duration of Qi Xin Gong Ying Scheme is 48 months commencing from 25 January 2018. The first 36 months shall be the lock-up period and the last 12 months shall be the unlocking period. On 25 January 2021, the lock-up period of 23,148,854 A shares with selling restrictions held by Qi Xin Gong Ying Scheme have ended and were listed for trading. In 2021, Qi Xin Gong Ying Scheme reduced holding of 11,574,427 shares of A share through centralized bidding. As at the Latest Practicable Date, Qi Xin Gong Ying Scheme still holds 11,574,427 shares of A share.

In Qi Xin Gong Ying Scheme, current and former directors, supervisors and senior management of the Company have subscribed 5.75 million scheme units in total, accounting for approximately 9.5% of the total scheme units of Qi Xin Gong Ying Scheme. There are 17 directors, supervisors and senior management of the Company in total who have subscribed for Qi Xin Gong Ying Scheme. The subscriptions by the current and former directors, supervisors and senior management of the Company under Qi Xin Gong Ying Scheme are as follows:

Name	Position	Subscription amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme units under Qi Xin Gong Ying Scheme (unit)	Subscription Price (RMB/A share)	Subscription of A share (share)
Zhang Jiankuo	Director, General Manager	300,000	300,000	2.62	114,503
Wang Jun	Chairman of Supervisory Committee	300,000	300,000	2.62	114,503
Zhang Bailing	Employee representative supervisor	350,000	350,000	2.62	133,587
Wang Zhonghong	Employee representative supervisor	300,000	300,000	2.62	114,503
Zhang Congbang	Deputy General Manager	300,000	300,000	2.62	114,503
Chen Xikun	Former Chairman, Secretary of the Party Committee	400,000	400,000	2.62	152,671
Sun Yongzhuang	Former Employee representative supervisor	300,000	300,000	2.62	114,503
Du Guangyi	Former Employee representative supervisor	350,000	350,000	2.62	133,587
Zhang Yongjie	Former Deputy General Manager	350,000	350,000	2.62	133,587
Sun Qingde	Former Vice Chairman, General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of Supervisory Committee	350,000	350,000	2.62	133,587
Huang Songwei	Former Supervisor	350,000	350,000	2.62	133,587
Zhang Hongshan	Former Supervisor	350,000	350,000	2.62	133,587
Zuo Yaojiu	Former Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jinhong	Former Deputy General Manager	350,000	350,000	2.62	133,587
Li Tian	Former Chief Financial Officer	350,000	350,000	2.62	133,587
Li Honghai	Former Secretary to the Board	300,000	300,000	2.62	114,503
Total	/	5,750,000	5,750,000	-	2,194,643

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no director is 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 to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

- (i) Mr. Zhao Jinhai is Executive Director and General Manager of Petroleum Engineering Technology Research Institute Co., Ltd. of China Petrochemical Corporation, and President of Petroleum Engineering Technology Research Institute of China Petroleum & Chemical Corporation;
- (ii) Mr. Du Kun is Deputy General Manager of Exploration & Production Department of China Petroleum & Chemical Corporation; and
- (iii) Ms. Zhang Lili is Deputy General Manager of the Finance Department of China Petrochemical Corporation.

(b) Substantial Shareholders and other parties

As at the Latest Practicable Date, according to the Shareholders' register and related application documents received by the Company, so far as the Directors, supervisors and senior management of the Company were aware, each of the following persons, not being a Director, supervisor or senior management of the Company, had an interest in the shares which was required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 general meetings of the Company:

Names of Shareholder	Type of Interests	Number of Shares held (Shares)	Approximate percentage of shareholding in the Company's total issued share capital (%)	Percentage of total number of such class of shares (%)
China Petrochemical Corporation	Beneficial owner	10,727,896,364(L) (A Shares)	56.52(L)	79.06(L)
		2,595,786,987(L) (H Shares) ¹	13.68(L)	47.98(L)
China State-owned Enterprise Structural Adjustment Fund Co., Ltd.	Beneficial owner	719,174,495(L) (H share) ²	3.79(L)	13.29(L)

Notes:

1. China Petrochemical Corporation holds 2,595,786,987 H Shares of the Company through its offshore wholly-owned subsidiary Sinopec Century Bright. China Petrochemical Corporation is deemed to be interested in the H Shares held by Sinopec Century Bright.
2. China State-owned Enterprise Structural Adjustment Fund Co., Ltd. held 401,807,632 H shares of the Company through Yifangda Fund Management Co., Ltd., accounting for 7.43% of the total issued H shares of the Company, and 317,366,863 H shares of the Company through Huaxia Fund Management Co., Ltd., accounting for 5.87% of the total issued H shares of the Company.
3. (L) – long position; (S) – short position

Save as disclosed above and so far as the Directors, supervisors and senior management of the Company were aware, as at the Latest Practicable Date, no other person (other than director, supervisor or senior management of the Company) held any interest or short position in the shares or underlying shares (as the case may be) which was required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or was directly or indirectly interested in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors, or their respective associates had any interest in a business which competed or was likely to compete with the business of the Company.

5. INTEREST IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors or proposed director had any direct or indirect interest in any asset which had been, since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, the any member of the Group.

None of the Directors are materially interested in any contract or arrangement entered between the Group, which are effective as at the Latest Practicable Date and are significant in relation to the business of the Group.

6. PROCEDURES FOR VOTING

Votes on the resolutions to be proposed at the EGM shall be taken by way of poll.

7. MATERIAL ADVERSE CHANGE

Save as disclosed below, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date of the latest published audited financial statements of the Company.

8. CONSENTS

Maxa Capital has given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their reports and letters (if any), as the case may be, and references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, Maxa Capital did not have any shareholding in any member of the Group, whether directly or indirectly, and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of 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 31 December 2023 (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.

9. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the professional adviser who has given opinions or advice contained in this circular:

Name	Qualifications
Maxa Capital	a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 regulated activities (dealing in securities) and Type 6 regulated activities (advising on corporate finance), the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Major Continuing Connected Transactions and the relevant annual caps

10. LITIGATION

As at the Latest Practicable Date, except for the litigations disclosed by the Company on Hong Kong Stock Exchange, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

11. GENERAL

- (1) The Company Secretary of the Company is Mr. Shen Zehong.
- (2) The registered office and head office of the Company is No. 22, Chaoyangmen North Street, Chaoyang District, Beijing, PRC, 100728.
- (3) The register of members of H Shares of the Company is Hong Kong Registrars Limited, located at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (4) Unless otherwise specified, the English version of this circular shall prevail over the Chinese version in case of inconsistency.

12. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange within 14 days from (and including) the date of the circular (<http://www.hkexnews.hk>) and the Company's website (<http://ssc.sinopec.com>):

- (a) Agreements in relation to the Major Continuing Connected Transactions;
- (b) The letter from Maxa Capital to the Independent Board Committee and the Independent Shareholders dated 18 October 2024; and
- (c) The letter from the Independent Board Committee to the Independent Shareholders dated 18 October 2024.

By the order of the Board
Shen Zehong
Company Secretary

Beijing, 18 October 2024

As at the date of this circular, the Board of Directors comprises Mr. Wu Baizhi[#], Mr. Zhang Jiankuo[#], Mr. Zhao Jinhai⁺, Ms. Zhang Lili⁺, Mr. Du Kun⁺, Mr. Xu Keyu⁺, Mr. Zheng Wei Jun^{}, Mr. Wang Pengcheng^{*} and Ms. Liu Jiangning^{*}.*

[#] Executive Director

⁺ Non-Executive Director

^{*} Independent Non-Executive Director

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Sinopec Oilfield Service Corporation

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

(Stock code: 1033)

Notice of the First Extraordinary General Meeting for 2024

Notice Is Hereby Given that the first extraordinary general meeting for 2024 (the “**EGM**”) of Sinopec Oilfield Service Corporation (the “**Company**”) will be held at Beijing Shengli Hotel, No. 3 Beishatan, Deshengmen Wai, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”) on Friday, 6 December 2024 at 9:00 a.m. in the form of on-site meeting. The EGM will be convened by the board of the directors of the Company (the “**Board**”). The following resolutions will be considered and approved at the EGM:

By way of ordinary resolutions:

1. The Mutual Products Supply Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027
2. The General Services Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027
3. The Engineering and Construction Services Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027
4. The Financial Services Agreement and annual caps for the major continuing connected transactions and non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027
5. The Technology R&D Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027
6. The Land Use Rights and Property Leasing Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027
7. The Equipment Leasing Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027

By way of special resolution:

8. Proposal on the plan to repurchase A shares through centralized price bidding

8.01 Purpose, method and price range of the share repurchase

8.02 Types, purposes, number and proportion of shares to be repurchased to the total share capital of the Company

8.03 Total amount of funds for the repurchase and source of funds

8.04 Implementation period of the share repurchase

The details regarding the abovementioned resolutions 1 to 7 are set out in the EGM circular dated 18 October 2024 issued by the Company to H Shareholders. The details of the abovementioned resolution 8 is set out in the Company's "Voluntary Announcement – Resolution on Repurchase of Shares of the Company" dated 20 August 2024. The Board is of the view that the resolutions hereto are in the interests of the Company and its shareholders as a whole. Accordingly, the Board recommends the shareholders (with China Petroleum & Chemical Corporation and its associates abstaining from voting on resolutions 1 to 7 under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and/or the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange) to vote in favour of all the resolutions to be proposed at the EGM as set out in this notice.

By order of the Board
Shen Zehong
Company Secretary

Beijing, 18 October 2024

Notes:

I. ATTENDEE OF THE EGM

1. Eligibility for attending the EGM

Holders of A shares of the Company whose names appear on the domestic shares register maintained by China Securities Depository & Clearing Corporation Limited, Shanghai Branch and holders of H shares of the Company whose names appear on the register of members maintained by Hong Kong Registrars Limited at the close of business on Wednesday, 27 November 2024 (Hong Kong time) are eligible to attend the EGM. The H share register of members of the Company will be closed from Wednesday, 6 November 2024 to Friday, 6 December 2024 (both days inclusive), during which period no transfer of H shares will be effected. Holders of H shares who wish to attend the EGM shall lodge their share certificates accompanied by the transfer documents with Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 5 November 2024 (Hong Kong time).

2. Proxy

- (1) A shareholder of the Company eligible to attend and vote at the EGM is entitled to appoint, in written form, one or more proxies to attend and vote on its behalf. A proxy need not be a Shareholder.
- (2) A proxy should be appointed by a written instrument signed by the Shareholder or its attorney duly authorised in writing. If the form of proxy is signed by the attorney duly authorised by the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document(s) must be notarised.

- (3) To be valid, the power of attorney or other authorisation document(s) which have been notarised together with the completed form of proxy must be delivered to the business address of the Company or the Share Registrar of H shares of the Company, Hong Kong Registrars Limited, not less than 24 hours before the designated time for holding the EGM (no later than Hong Kong time 9:00 a.m. on 5 December 2024) or any adjournment. Business address of the Company is No. 9 Jishikou Road, Chaoyang District, Beijing, the PRC, the address of Hong Kong Registrars Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment if he or she so desires and in such event, the form of proxy shall be deemed to be revoked.
- (4) Shareholders or their proxies may exercise the right to vote by poll.

3. The directors, supervisors and senior management of the Company

4. Legal advisors of the Company

II. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

1. A Shareholder or his/her/its proxy shall produce proof of identity when attending the EGM. 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 EGM.
2. Shareholders intending to attend the EGM should return the reply slip for attending the EGM to the Company on or before Saturday, 16 November 2024.
3. Shareholders may send the reply slip to the Company in person, by post or by fax.

III. MISCELLANEOUS

1. The Board considers that the EGM is an important opportunity for Shareholders to participate and express their views by raising questions and voting. As such, the Board wishes to emphasize that the Shareholders can raise questions during the EGM. The questions raised by Shareholders at the EGM and those submitted beforehand will be addressed by the Company as far as possible.
2. The EGM will not last for more than one working day. Shareholder and proxies attending the EGM shall be responsible for their own traveling, food and accommodation expenses.
3. The address of the Share Registrar for A shares of the Company, China Securities Registration and Clearing Company Limited, Shanghai Branch Company is at No.188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone.
4. The address of the Share Registrar of H shares of the Company, Hong Kong Registrars Limited is at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
5. Business Address of the Company:
No. 9 Jishikou Road, Chaoyang District, Beijing, the PRC
Postal Code: 100728
Telephone: 86-10-59965998
Facsimile: 86-10-59965997

As at the date of this notice, the Board of Directors comprises Mr. Wu Baizhi[#], Mr. Zhang Jiankuo[#], Mr. Zhao Jinhai⁺, Ms. Zhang Lili⁺, Mr. Du Kun⁺, Mr. Xu Keyu⁺, Mr. Zheng Weijun^{}, Mr. Wang Pengcheng^{*} and Ms. Liu Jianning^{*}.*

- [#] Executive Director
- ⁺ Non-Executive Director
- ^{*} Independent Non-Executive Director