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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 TRANSACTION

References are made to the circular “(I) CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION (II) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION (III) PROPOSED APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR” dated 30 November 2015 and the announcement in relation to the amendment to the annual caps of the Continuing Connected Transactions dated 27 April 2017 published by the Company. At the 2015 EGM, Shareholders have approved resolutions in relation to annual caps of the major continuing connected transactions for the three years ended 31 December 2018.

The Company expected to continue to conduct the relevant continuing connected transactions with Sinopec Group after 31 December 2018. For the Continuing Connected Transactions commencing from 1 January 2019, the Company entered into the 2018 Connected Transactions Framework Agreements with China Petrochemical Corporation on 18 October 2018. The 2018 Connected Transactions Framework Agreements will become effective on 1 January 2019 for a period of three years. Those agreements will replace the 2015 Connected Transactions Framework Agreements. Terms and conditions of the 2018 Connected Transactions Framework Agreements are basically identical to those of the 2015 Connected Transactions Framework Agreements.

China Petrochemical Corporation and its associates hold approximately 70.18% of the Company's issued share capital and is therefore the Company's substantial shareholder. 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. Under SSE listing rules, the transactions between the Group and Sinopec Group also constitute continuing connected transactions of the Company.

The Company is listed on both 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 the proposed 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 the proposed annual caps for the three years ending 31 December 2021 shall be submitted to the EGM for the approvals by the Independent Shareholders.

The Company will seek for the approval from the Independent Shareholders on the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2021 at the EGM. Since China Petrochemical Corporation is the controlling shareholder of the Company, China Petrochemical Corporation and its associates (holding a total of approximately 70.18% equity interest in the Company's issued share capital) will abstain from voting on the ordinary resolutions in relation to continuing connected transactions at the EGM.

The Independent Board Committee will be formed to advise Independent Shareholders on the Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2021.

The Company has appointed Anglo Chinese 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 2021.

A circular containing, among other things, (i) further details of the Continuing Connected Transactions, (ii) a letter from the Independent Board Committee and (iii) a letter from the Independent Financial Adviser, Anglo Chinese, will be dispatched and/or notified to the Shareholders on or before 8 November 2018.

INTRODUCTION

On 18 October 2018, the Company entered into the 2018 Connected Transactions Framework Agreements with China Petrochemical Corporation, and proposed to continue to conduct the Continuing Connected Transactions with Sinopec Group. The Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions (including relevant proposed annual caps) are subject to Independent Shareholders' approval.

BACKGROUND

References are made to the circular “(I) CONTINUING CONNECTED TRANSACTIONS AND DISCLOSABLE TRANSACTION (II) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION (III) PROPOSED APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR” dated 30 November 2015 and the announcement in relation to the amendment to the annual caps of the Continuing Connected Transactions dated 27 April 2017 published by the Company. On the 2015 EGM, Shareholders have approved resolutions in relation to annual caps of the major continuing connected transactions for the three years ended 31 December 2018.

The Company expected to continue to conduct the relevant continuing connected transactions with Sinopec Group after 31 December 2018. For the Continuing Connected Transactions commencing from 1 January 2019, the Company entered into the 2018 Connected Transactions Framework Agreements with China Petrochemical Corporation on 18 October 2018. The 2018 Connected Transactions Framework Agreements will become effective on 1 January 2019 for a period of three years. Those agreements will replace the 2015 Connected Transactions Framework Agreements. Terms and conditions of the 2018 Connected Transactions Framework Agreements are basically identical to those of the 2015 Connected Transactions Framework Agreements.

2018 CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS AND SPI FUND

1. 2018 Mutual Products Supply Framework Agreement

Date: 18 October 2018

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 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; and other products.

(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, petro oil-specific equipment, 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; steel; API oil casing commissioned processing; casing accessories, tubing attachment; oil drilling equipment accessories; special tools; instruments and accessories; tower equipment; oilfield chemicals and reagents; and other products.

Effectiveness and termination: 2018 Mutual Products Supply Framework Agreement is valid for a term of three years commencing on 1 January 2019. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2018 Mutual Products Supply Framework Agreement. Before the expiration of 2018 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 2018 Mutual Products Supply Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2018 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 of this section:

- (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.
- (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

Primary basis for price determination

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

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-prescribed price; the supply price of gasoline and diesel to the national reserve and Xinjiang Production and Construction Corps, and the factory 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 factory price of aviation gasoline. The price adjustment for refined oil products is subject to the documents issued by the relevant national competent authorities of for pricing.

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) (國家發展改革委《關於調整天然關於調整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氣價格的通知》(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 supplying party and requisitioning party 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 RMB 0.1 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 residents by increasing it, 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.

(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 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 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 Qing 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, instrument, accessories and 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/>).

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 and used by Sinopec Group and the 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 28 to 29 of this announcement.

2. 2018 General Services Framework Agreement

Date: 18 October 2018

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: cultural, educational, training services and other related or similar services; information system like infrastructure and application softwares and relevant necessary support and services; finance, human resources and information technology sharing services; office and logistics 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.

Effectiveness and termination:

2018 General Services Framework Agreement is valid for a term of three years commencing on 1 January 2019. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2018 General Services Framework Agreement. Before the expiration of 2018 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 2018 General Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2018 General Services Framework Agreement.

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

Charges of cultural, educational, training services and other related or similar services are determined in accordance with the audited costs actually incurred in cultural, educational, training and ancillary services provided by Sinopec Group in 2017, and shared between the Group and Sinopec Group in accordance with factors such as the number of employees of the Group.

Agreed price is applicable to information system such as IT infrastructure and application softwares and relevant necessary support and services; office and logistics 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 ascertaining 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 finance, human resources and information technology sharing services. 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.

(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. 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.

3. 2018 Engineering and Construction Services Framework Agreement

Date: 18 October 2018

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, 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.

Effectiveness and termination: 2018 Engineering and Construction Services Framework Agreement is valid for a term of three years commencing on 1 January 2019. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2018 Engineering and Construction Services Framework Agreement. Before the expiration of 2018 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 2018 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 2018 Engineering and Construction Services Framework Agreement.

Pricing policy: The pricing of the service transactions under the agreement shall be determined in accordance with the principles and order of this section:

- (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 service transactions 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 specific service transactions 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.

In particular:

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

Applicable to engineering consulting (solution research, project proposal, feasibility study and early stage project consulting); project management; project supervision and engineering design.

Types of services Primary basis for price determination

engineering consulting (solution research, project proposal, feasibility study and early stage project consulting)	Pursuant to the Interim Regulations on Consulting Fees for Early Stage Projects (Yi Ji Jia Ge [1999] No.1283) (《建設項目 前期工作諮詢收費暫行規定》(以計價格[1999] 1283號)) issued by the State Development Planning Commission of the PRC, the government-guided price shall be applicable to engineering consulting fees. Specific fee standard shall be determined after negotiations between the engineering consultants and entrusting party according to the guiding price standards under such regulations.
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project
management

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.

project
supervision

Pursuant to the Regulations on Engineering Construction Supervision (《工程建設監理規定》) issued by the State Development Planning Commission of the PRC and the Ministry of Construction, the calculation method of the supervision fees shall generally be determined by the project owners and the engineering supervisory companies after negotiations.

The calculation methods of the supervision fees mainly include: (i) based on the construction engineering investment percentage; (ii) salaries plus certain percentage of other expenses; (iii) on time basis; and (iv) fixed-prices.

engineering
design

Pursuant to the Engineering Investigation and Design Fee Standards (《工程勘察設計收費標準》) issued by the Ministry of Construction, the price shall mainly be determined based on the government-guided price supplemented by the market-guided price, which is the “benchmark fee rate” as adjusted within the prescribed “range of adjustment”. Specific fee rates shall be determined through negotiations. 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》). With respect to the range of adjustment, it is generally $\pm 20\%$. The market-guided price shall be applicable to the engineering investigations and the engineering design for construction projects with estimated total investment of less than RMB5 million; the government-guided price shall be applicable to the engineering investigations and the engineering design for construction projects with estimated total investment of more than RMB5 million, and an adjustment of 40% is allowed. 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 x (1 ± range of fluctuation)
- (2) Benchmark fee rate = basic design fee + other design fee
- (3) Basic design fee = engineering design benchmark fee x professional adjustment coefficient x engineering complexity coefficient x supplemental adjustment coefficient.

(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, gas and other mineral resources; contracting; and construction.

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, gas and other mineral resources; and other petroleum engineering services: the prices are determined, via public tendering with reference to design budget and commissioned construction work content, 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.

For contracting and 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.

The tender process adopted by the Company: upon receipt of the bidding invitation letter issued by the bidders, the relevant subsidiaries of the Company make active response in light of its own condition (including their teams, equipment and performance). The relevant subsidiary will form a bidding team for the target project that consist of project and technical experts. Subsequently, 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, it will prepare the bidding documents and organize the project bidding work, and submit the bidding documents to the bidders before the deadline for submission of tenders 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 bidder 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
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machinery equipment processing and manufacturing services; and testing service	With reference to the average prices of similar enterprises in neighbouring areas.
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labour supply service and special transportation service	In accordance with the average market prices in regions where relevant subsidiaries of the Company are located.
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(4) *Agreed price*

Applicable to procurement services and equipment leasing; technology licensing; technology transfer and engineering technology services.

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.

4. 2018 Financial Services Framework Agreement

Date: 18 October 2018

Parties: (a) China Petrochemical Corporation (representing 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, loans, deposit, settlement, entrustment loans and other financial services provided by the Financial Services Providers as approved by applicable laws and regulations.

Effectiveness and termination: 2018 Financial Services Framework Agreement is valid for a term of three years commencing on 1 January 2019. 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 2018 Financial Services Framework Agreement. Before the expiration of 2018 Financial 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 2018 Financial Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2018 Financial Services Framework 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. For deposit services provided by Financial Services Providers, the interest rates of the relevant deposit will be not lower than those provided by independent third parties for the deposits of the same nature and the same maturity.
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loans	The interest rate applicable to the loans provided by Financial Services Providers to the Group is determined based on the benchmark interest rate published by PBOC and shall be lower than the benchmark interest rate within 10% (in terms of Sinopec Finance) or not higher than independent commercial banks interest rate for loans of a similar type for the same period (in terms of Sinopec Century Bright).
entrustment loans and deposit	For entrustment loans and deposit services provided by the Financial Services Providers to the Group, the service fees shall not be higher than (i) fees charged by independent commercial banks or financial institutions; and (ii) fees charged to other members of Sinopec Group for similar services. The management of the Financial Services Providers and the Group shall consider at least two comparable transactions with the independent third party for the same period when determining the agreed price for any financial service under the agreement.
settlement services	For settlement services provided by the Financial Services Providers to the Group, the service fees shall not be higher than (i) fees charged by independent commercial banks or financial institutions; and (ii) fees charged to other members of Sinopec Group for similar services. The management of the Financial Services Providers and the Group shall consider at least two comparable transactions with the independent third party for the same period when determining the agreed price for any financial service under the agreement.

5. 2018 Technology R&D Framework Agreement

Date: 18 October 2018

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: 2018 Technology R&D Framework Agreement is valid for a term of three years commencing on 1 January 2019. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in 2018 Technology R&D Framework Agreement. Before the expiration of 2018 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 2018 Technology R&D Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2018 Technology R&D Framework Agreement.

Pricing policy: The pricing of the services provided under the agreement shall be determined in accordance with the principles and order of this section:

- (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. (http://www.sipo.gov.cn/zlsqzn/sqq/zlfy/200804/t20080422_390241.html)

Agreed price to be determined by adding a reasonable profit over a reasonable cost is applicable to other services under 2018 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.

6. 2018 Land Use Rights and Property Leasing Framework Agreement

- Date: 18 October 2018
- 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: The Group will lease land use rights and property from Sinopec Group.
- Effectiveness and termination: 2018 Land Use Rights and Property Leasing Framework Agreement is valid for a term of three years commencing on 1 January 2019. Both parties will enter into separate leases which will set out the specific terms and conditions according to the principles provided in 2018 Land Use Rights and Property Leasing Framework Agreement. Before the expiration of 2018 Land Use Right and Property Lease Framework Agreement, the relevant parties may, according to the Hong Kong Listing Rules, negotiate and sign a new framework agreement or extend or renew 2018 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 2018 Land Use Right and Property Lease Framework Agreement.
- Pricing policy: The rent of leased lands: the parcels of land leased can be categorized into the following two types
- (i) Authorised land for operation; and
- (ii) Assigned land
- 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 Chinese Petrochemical Corporation and the Company in the same/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.

According to 2018 Land Use Rights and Property Leasing Framework Agreement, the rent may be reviewed 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 are 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 Company may request to renew the term of the lease by issuing a written notice to China Petrochemical Corporation at least one month before expiry of the lease. China Petrochemical Corporation shall, upon receipt of the said notice, consent to the request for renewal and shall renew the lease with the Company before its expiry.

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 premises of the Group. Under 2018 Land Use Rights and Property Leasing Framework Agreement, Sinopec Group have agreed to lease to the Group certain properties. The rent payable is determined based on factors including the floor spaces, locations and the nature and purpose of use of the properties. The rent may be reviewed 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 Sinopec Group. For those without any comparable market prices, the rent shall be determined considering depreciation, relevant taxes and reasonable profit, where the reasonable profit shall be 6% of the cost.

7. 2018 Trademark License Agreement

Date:	18 October 2018
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 2018 Trademark License Agreement is valid for a term of three years commencing on 1 January 2019. 2018 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 2018 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 2018 Trademark License Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of 2018 Trademark License Agreement.
Pricing policy:	The consideration is nil. While trademarks under 2018 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.

8. 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.

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 its shareholders as a whole. Such procedures and internal control measures mainly include:

- (1) Transactions contemplated under 2018 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 of the parties to the transactions, technical advantages of the supplier or service providers, 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.

- (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 Board of Supervisors of the Company are also responsible for, among others, supervising on the Continuing Connected Transactions of the Company and reviewing the fairness of the transactions and whether the pricing of the transactions are fair and reasonable.
- (6) The Company's internal control and risk management departments, the Audit Committee of the Board and the Board of Supervisors 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 review and appraisal of the contracts entered into by the Group, 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.
- (7) 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 2018 Connected Transactions Framework Agreements.

By implementing the above procedures and internal control measures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of 2018 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.

HISTORICAL FIGURES AND EXISTING ANNUAL CAPS

The table below summarized the historical transaction data of the above Continuing Connected Transactions for the two years ended 31 December 2017 and nine months ended 30 September 2018, as well as the existing annual caps:

Continuing Connected Transactions	Historical Figures and Existing Annual Caps (RMB 100 million)					
	Annual Caps for 2016	For the year ended 31 December 2016 (audited)	Annual Caps for 2017	For the year ended 31 December 2017 (audited)	Annual Caps for 2018	For the nine months ended 30 September 2018 (unaudited)
1. Mutual Products Supply Framework Agreement						
(a) Provision of products by Sinopec Group to the Group	140	52.2	180	57.97	180	32.38
(b) Provision of products by the Group to Sinopec Group	1	0.84	4	0.86	4	0.16
2. General Services Framework Agreement						
(a) Provision of general services by Sinopec Group to the Group	22	18.7	22	18.77	22	7.50
(b) Provision of general services by the Group to Sinopec Group	2	0	2	0	2	0
3. Engineering and Construction Services Framework Agreement						
Provision of engineering services by the Group to Sinopec Group	610	225.7	635	280.19	650	213.58
4. Financial Services Framework Agreement						
(a) Provision of deposit services by the Financial Services Providers to the Group (maximum daily balance)	30	25.73	30	20.57	30	29.31
(b) Provision of other financial services (such as payment settlement) by the Financial Services Providers to the Group	0.1	0.04	0.1	0.04	0.1	0.03
5. Technology R&D Framework Agreement						
(a) Provision of technology R&D services by the Group to Sinopec Group	3	2.27	3.5	2.65	4	1.82
(b) Provision of technology R&D services by Sinopec Group to the Group	1	0	1.5	0	2	0
6. Land Use Rights and Property Leasing Framework Agreement						
Provision of land and properties by Sinopec Group to the Group by way of lease	5.6	1.31	5.6	1.32	5.6	0.74
7. SPI Fund						
Premium payments from the Company to China Petrochemical Corporation	1.5	0.9	1.5	0.79	1.5	0.82

As at the date of this announcement, 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 2021:

Continuing Connected Transactions	Proposed annual caps for the years ending 31 December (RMB 100 million)		
	2019	2020	2021
1. 2018 Mutual Products Supply Framework Agreement			
(a) Provision of products by Sinopec Group to the Group	113	125	126
(b) Provision of products by the Group to Sinopec Group	4	4	4
2. 2018 General Services Framework Agreement			
(a) Provision of general services by Sinopec Group to the Group	17	17	17
(b) Provision of general services by the Group to Sinopec Group	2	2	2
3. 2018 Engineering and Construction Services Framework Agreement			
Provision of engineering services by the Group to Sinopec Group	400	450	500
4. 2018 Financial Services Framework Agreement			
(a) Provision of deposit services by the Financial Services Providers to the Group (maximum daily balance)	30	30	30
(b) Provision of other financial services (such as payment settlement) by the Financial Services Providers	0.5	0.5	0.5
5. 2018 Technology R&D Framework Agreement			
(a) Provision of technology R&D services by the Group to Sinopec Group	4.5	5	5.5
(b) Provision of technology R&D services by Sinopec Group to the Group	2	2	2
6. 2018 Land Use Rights and Property Leasing Framework Agreement			
Provision of land and properties by Sinopec Group to the Group by way of lease	5.6	5.6	5.6
7. SPI Fund			
Premium payments from the Company to China Petrochemical Corporation	1.5	1.5	1.5

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

BASIS FOR 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

1. 2018 Mutual Products Supply Framework Agreement

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

The proposed annual caps of the Company for 2019, 2020 and 2021 are 37.2%, 30.56% and 30.00% lower than the annual cap for 2018, respectively. In determining the above annual caps, the Company has considered the following: (i) the value of products provided by Sinopec Group during 2016, 2017 and first nine months of 2018; (ii) the future growth of the Group's business comparing to the historical transaction value contributes to the additional volume of the products to be supplied by Sinopec Group; and (iii) the possible fluctuation in the price 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.

During 2015 to 2017, affected by the fluctuation of international crude oil prices at low levels, domestic and foreign oil companies generally reduced upstream exploration and development capital expenditure. Due to the fact that products supplied by Sinopec Group

Continuing Connected Transactions

Basis for annual caps

to the Group were mainly used in exploration and development business of the Group, the Group's business also declined significantly under such market conditions which result in the decrease of the transaction amount in respect of the provision of products by Sinopec Group to the Group. For 2015, 2016 and 2017, transaction amounts in respect of provision of products by Sinopec Group to the Group amounted to approximately RMB9.33 billion, RMB5.22 billion and RMB5.797 billion, respectively, while Brent crude oil average spot price for the corresponding period were USD52.4/barrel, USD43.6/barrel and USD54.1/barrel, respectively.

During the first half of 2018, Brent crude oil average spot price was USD71.16/barrel, representing a year-on-year increase of 35.1%. The increase of oil price led to a general increase in the Group's business volume. Transaction amounts in respect of provision of products by Sinopec Group to the Group for the first half of 2018 reached RMB2.03 billion, representing an increase of 23.0% as comparing with RMB1.65 billion for the corresponding period in 2017. In light of the international oil price forecast for the next three years* and the expected increase in the Group's business volume, Directors are of the view that, the proposed annual caps for 2019 to 2021 represent the transaction volume under an ordinary market conditions as estimated by the Company.

* Assuming that the crude oil price from 2019 to 2021 will be USD90/barrel, USD95/barrel and USD95/barrel, respectively.

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 2016, 2017 and the first nine months of 2018, and (ii) 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, future demand of the products supplied to Sinopec Group will increase accordingly.

2. 2018 General Services Framework Agreement

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

The proposed annual caps for each of 2019 to 2021 of the Company are approximately 22.7% lower than the annual cap of 2018. The main reason for such decrease is because relevant Three Supplies and One Industry Assets belonging to Sinopec Group has been separated and handed over to the local governments according to the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance. As a result, certain connected transactions under the 2015 General Services Framework Agreement no longer constitute the continuing connected transactions between the Group and Sinopec Group. In determining the above annual caps, the Company has also 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

Continuing Connected Transactions

Basis for annual caps

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, cantering and accommodation services; (ii) the annual fee to be paid for office and mining area properties management, cafeteria, dormitory, retirement management and other relevant services or similar auxiliary services provided by Sinopec Group which is estimated to be approximately RMB1.4 billion. Such annual fee is determined based on the audited cost actually incurred by Sinopec Group in providing cultural, educational, training and auxiliary services in 2017, and shared between the Group and Sinopec Group in accordance with factors such as the number of employees of the Group; (iii) the annual fee to be paid for the miscellaneous services (including information technology system services, etc.) provided by Sinopec Group which is estimated to be approximately RMB10 million. Such annual fee included 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; and (iv) annual fee regarding to finance, human resources and information technology sharing services is estimated to be approximately RMB80 million.

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

In determining the above annual caps, the Company has considered the following: the annual fee to be paid for the training services, conference facilities and non-working personnel management service to be provided by the Group.

**Continuing Connected
Transactions**

Basis for annual caps

3. 2018 Engineering and Construction Services Framework Agreement

Provision of engineering services by the Group to Sinopec Group

The proposed annual caps for each of 2019, 2020 to 2021 is approximately 38.46%, 30.77% and 23.08% lower than the annual caps for 2018. In determining the above annual caps, the Company has considered the following: (i) the value of engineering services provided to Sinopec Group for the past three years; (ii) in light of the turnaround in international oil price, Sinopec Group will increase its investment in exploration and development of crude oil, natural gas, shale gas, as well as development of new energy such as geothermal resources. It is expected that the estimated transaction volume of the Group for 2019 to 2021 will increase as compared to the historical transaction volume.

Continuing Connected Transactions

Basis for annual caps

For 2016 and 2017, the actual transaction volume of services provided by the Group to Sinopec Group is lower than the relevant annual caps mainly due to the decrease in upstream exploration and development capital expenditure of Sinopec Group in 2016 and 2017 resulted from the fluctuation of international crude oil prices at low levels. International crude oil prices gradually and steadily turnaround since 2018 and the engineering services provided by the Group to Sinopec Group also increased significantly. The transaction amount from January to September 2018 reached RMB21.358 billion, representing an increase of 32.58% as compared to RMB16.109 billion of the corresponding period in 2017. Based on the international oil price forecast for the next three years, the proposed annual caps for 2019 to 2021 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.

**Continuing Connected
Transactions**

Basis for annual caps

4. 2018 Financial Services Framework 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 30 September 2018 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.

- (b) 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 value of other financial services such as payment and settlement provided by Sinopec Group during 2016, 2017 and the first nine months of 2018; (ii) the estimated cash settlement handling fees with reference to our estimated business volume for each of the three years ending 31 December 2021 and the historical ratio of cash settlement amount to handling fees; and (iii) other financial and consulting services to be provided under 2018 Financial Services Framework Agreement.

**Continuing Connected
Transactions**

Basis for annual caps

5. 2018 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 is expected to grow in the future, 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.

- (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) it is expected that Sinopec Group will undertake an average of no more than 15 technology research and development projects every year from the Group; (ii) the average contract value of each project is expected to be in line with the historical average value for similar projects of RMB1 million to RMB3 million; and (iii) the business volume in certain R&D areas is expected to grow in the future, including Geophysical data processing and interpretation, cementing, and reservoir reconstruction, based on the types of projects undertaken and expected to be undertaken by the Group.

**Continuing Connected
Transactions**

Basis for annual caps

6. 2018 Land Use Rights and Property Leasing Framework Agreement

Provision of land and properties by Sinopec Group to the Group by way of lease

In determining the above annual caps, the Company has considered (i) the rents of the land and properties leased from Sinopec during 2016, 2017 and the first nine months of 2018, (ii) the possible increases in the rents of properties in the PRC in the future, and (iii) the potential new property leases to be entered into with Sinopec Group by the Group.

7. SPI Fund

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 September 2018, 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
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1. 2018 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 the subsidiaries and branches of SSC. 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, the subsidiaries and branches of SSC provided Sinopec Group with its required products. After the completion of the reorganisation in 2014, the products from the subsidiaries and branches of SSC provided effective support the production and operation of Sinopec Group and Sinopec Group will need the Group to continue to provide its products. |

Continuing Connected Transactions

Reasons for Continuing Connected Transactions

2. 2018 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 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.

Continuing Connected Transactions

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

Reasons for Continuing Connected Transactions

The training centre of the Group will from time to time provide trainings to certain workers employees from Sinopec Group which is required for those workers to perform their duties at the relevant entities under Sinopec Group.

3. 2018 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.

4. 2018 Financial Services Framework Agreement

Reasons and benefits of the 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 the PBOC (in the case of Sinopec Finance) or independent commercial banks in Hong Kong (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.

The risks associated with the use of deposit services provided by the Financial Services Providers mainly includes (i) risks commonly faced by the banking industry; and (ii) risks arisen from the fact that Financial Services Providers being the financial institutions controlled by China Petrochemical Corporation. After taking into account various factors as disclosed above, the Directors are of the view that the Company actually face no greater risks commonly faced by the banking industry for the use of deposit services provided by the Financial Services Providers. For the risks arisen from the fact that the Financial Services Providers being the financial institutions controlled by China Petrochemical Corporation (e.g., the possible liquidation of China Petrochemical Corporation or diversion of fund by China Petrochemical Corporation, etc.), the Directors are of the views that such risks are either remote or can be minimized/avoided by internal control system established by the Company. As such, having considered the above, and taking into account the no less favourable interest rates and other commercial benefits to the Group, the Directors consider it in the interests of the Company and its Shareholders as a whole to use those deposit services.

Reasons and benefits of the 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. 2018 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. 2018 Land Use Rights and Property Leasing Framework Agreement

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| Provision of land and properties by Sinopec Group to the Group by way of lease | The Group has been using the above properties in recent years mainly as dormitories, offices and factory buildings. Any relocation will cause unnecessary disruption of business operation. |
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| 7. 2018 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. |
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| 8. SPI Fund Document | According to the SPI Fund Document, the Company is required to pay insurance premium to the SPI Fund twice a year. |
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HONG KONG LISTING RULES IMPLICATIONS

China Petrochemical Corporation and its associates holds approximately 70.18% of the Company's issued share capital and is therefore the Company's substantial shareholder. 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.

1. 2018 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. 2018 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. 2018 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.

4. 2018 Financial Services Framework 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 disclosable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules.

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

In accordance with Rule 14A.90 of the Hong Kong Listing Rules, as the unsecured loan 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. 2018 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. 2018 Land Use Rights and Property Leasing Framework Agreement

As the relevant applicable percentage ratios of the provision of land and properties by Sinopec Group to the Group in form of lease 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.

7. 2018 Trademark License Agreement

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

8. SPI Fund

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.

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. 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 2021 shall be submitted to the EGM for the approvals by the Independent Shareholders.

APPROVAL BY THE BOARD AND INDEPENDENT SHAREHOLDERS

The Independent Board Committee will be formed to advise Independent Shareholders on the Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2021.

The Company has appointed Anglo Chinese 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 2021.

On 18 October 2018, the sixth meeting of the ninth session of the board of directors of the Company was held. The Board considered and approved the 2018 Connected Transactions Framework Agreements, the SPI Fund and the proposed annual caps for the three years ending 31 December 2021, 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. Lu Baoping and Mr. Fan Zhonghai 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.

The Company will seek for the approval from the Independent Shareholders on the Major Continuing Connected Transactions and Non-Major Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2021 at the EGM. Since China Petrochemical Corporation is the controlling shareholder of the Company, China Petrochemical Corporation and its associates (holding a total of approximately 70.18% equity interest in the Company's issued share capital) will abstain from voting on the ordinary resolutions in relation to Continuing Connected Transactions at the EGM.

A circular containing, among other things, (i) further details of the Continuing Connected Transactions, (ii) a letter from the Independent Board Committee and (iii) a letter from the Independent Financial Adviser, Anglo Chinese, will be dispatched and/or notified to the Shareholders on or before 8 November 2018.

DIRECTORS' VIEWS

The Directors (excluding the Independent Non-executive Directors whose views will be rendered upon having received the advice of the Independent Financial Advisor) believe the Continuing Connected Transactions as disclosed in this announcement are on normal commercial terms, the terms are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION

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 50 years of operation, and has provided oil and gas engineering services in 76 basins over time with operations across 14 provinces.

China Petrochemical Corporation was established in July 1998, and it is an authorized investment organization with a current registered capital of RMB274.87 billion. Its controlling shareholder is the State. Upon reorganization in 2000, China Petrochemical Corporation transferred its principal petrochemical business to China Petroleum & Chemical Corporation. The principal operations of China Petrochemical Corporation include: exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of oil and natural gas; oil refining; wholesale and retail of oil products; production, sales, storage, transportation of petrochemical and other chemical products; industrial investment and investment management; exploration and design, construction and installation of

petroleum and petrochemical engineering; repairing and maintenance of petroleum and petrochemical equipment; manufacture of mechanical and electrical equipment; technology and information, research and development, application and consultation services of alternative energy products; import and export business.

DEFINITION

“2015 EGM”	the second extraordinary general meeting for 2015 convened on 16 December 2015, on which the 2015 Connected Transactions Framework Agreements (except for the Trademark License Agreement) and annual caps for the three years ended 31 December 2018 were being considered and approved
“2015 Connected Transactions Framework Agreements”	the 2015 Mutual Products Supply Framework Agreement, 2015 General Services Framework Agreement, 2015 Engineering and Construction Services Framework Agreement, 2015 Financial Services Framework Agreement, 2015 Technology R&D Framework Agreement, 2015 Land Use Rights and Property Leasing Framework Agreement and 2015 Trademark License Agreement entered between SSC and China Petrochemical Corporation on 28 October 2015
“2018 Connected Transactions Framework Agreements”	the 2018 Mutual Products Supply Framework Agreement, 2018 General Services Framework Agreement, 2018 Engineering and Construction Services Framework Agreement, 2018 Financial Services Framework Agreement, 2018 Technology R&D Framework Agreement, 2018 Land Use Rights and Property Leasing Framework Agreement and 2018 Trademark License Agreement
“2018 Engineering and Construction Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of engineering services by the Group to Sinopec Group
“2018 Financial Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of certain financial services by the Financial Services Providers to the Group

“2018 General Services Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of certain general services mutually between the Group and Sinopec Group
“2018 Land Use Rights and Property Leasing Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of certain land use rights and property leasing by Sinopec Group to the Group
“2018 Mutual Products Supply Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the supply of certain products mutually between the Group and Sinopec Group
“2018 Technology R&D Framework Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to the provision of technology research and development services mutually between the Group and Sinopec Group
“2018 Trademark License Agreement”	the framework agreement entered into between SSC and China Petrochemical Corporation on 18 October 2018, in relation to China Petrochemical Corporation granting the Group permission to use certain trademarks
“Anglo Chinese” or “Independent Financial Adviser”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, 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
“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 (中石化石油工程技术服务股份有限公司), 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 2018 Connected Transactions Framework Agreements and the SPI Fund
“Connected Transactions Framework Agreements”	the Mutual Products Supply Framework Agreement, General Services Framework Agreement, Engineering and Construction Services Framework Agreement, Financial Services Framework Agreement, Technology R&D Framework Agreement, Land Use Rights and Property Leasing Framework Agreement and Trademark License Agreement
“CBIRC”	the China Banking and Insurance Regulatory Commission
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	Directors of the Company
“EGM”	the second extraordinary general meeting for 2018 of the Company to be convened for the purpose of considering and approving resolutions in relation to Continuing Connected Transactions and annual caps for the three years ended 31 December 2021 by Independent Shareholders
“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 2021
“Independent Non-executive Director(s)”	independent non-executive director(s) of the Company
“Independent Shareholder(s)”	Shareholder(s) of the Company other than China Petrochemical Corporation and its associates
“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, refers 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 announcement
“NDRC”	the National Development and Reform Commission
“Non-Major Continuing Connected Transactions”	Continuing Connected Transactions between the Group and Sinopec Group under items 1(2), 2(2), 5, 6 and 8 of “HONG KONG LISTING RULES IMPLICATIONS” in this announcement
“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

“Sinopec Finance”	Sinopec Finance Co., Ltd. (中國石化財務有限責任公司) is a non-bank financial institute with limited liabilities engaging in bank and financial services under the approval and supervision of PBOC and SAFE. 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)
“SOSC”	Sinopec Oilfield Service Corporation (中石化石油工程技術服務有限公司), a company established in the PRC with limited liabilities, and a direct wholly-owned subsidiary of the Company
“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; after China Petrochemical Corporation has received the premium from SSC, 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 is used by SSC in the following manner: 60% shall be used in dealing with accidents and potential risks and safety measures; 20% shall be used in safety education and training and 20% shall be used in preventing major accidents and potential risks and as awards 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
“Three Supplies and One Industry Assets”	community water supply, community power supply, community gas supply (heating supply) and related property management assets
“%”	per cent

By Order of the Board
Li Honghai
Company Secretary

Beijing, 18 October 2018

As at the date of this announcement, the Board of Directors comprises Mr. Sun Qingde[#], Mr. Chen Xikun[#], Mr. Lu Baoping⁺, Mr. Fan Zhonghai⁺, Mr. Wei Ran⁺, Ms. Jiang Bo^{}, Mr. Pan Ying^{*}, Mr. Chen Weidong^{*} and Mr. Dong Xiucheng^{*}.*

+ Non-Executive Director

Executive Director

** Independent Non-Executive Director*