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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**

Reference is made to the circular of the Company dated 27 October 2014 under the title of "(I) Very Substantial Acquisition, Very Substantial Disposal, Connected Transaction, and Application for Whitewash Waiver (II) Potential Continuing Connected Transactions and Potential Major Transaction (III) Proposed Amendment to Articles of Association". At the 2014 EGM, the Shareholders approved the annual caps for certain continuing connected transactions for each of the two years ending 31 December 2015.

The Company anticipates that the Continuing Connected Transactions with Sinopec Group will continue after 31 December 2015. Therefore, for the Continuing Connected Transaction commencing from 1 January 2016, the Company and China Petrochemical Corporation entered into the 2015 Mutual Product 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 Right and Property Lease Framework Agreement and 2015 Trademark License Agreement on 28 October 2015. The 2015 Connected Transactions Framework Agreements are valid for a term of three years commencing on 1 January 2016 and they will replace the Connected Transactions Framework Agreements entered into between SOSC and China Petrochemical Corporation dated 22 August 2014. The terms and conditions of the 2015 Connected Transactions Framework Agreements are substantially the same as those of the Connected Transactions Framework Agreements.

China Petrochemical Corporation holds approximately 65.22% of the Company's issued share capital and is therefore the Company's substantial shareholder. Under Rules 14A.07 (1) and (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 the Hong Kong Stock Exchange and the SSE. According to the SSE listing rules, the Major Continuing Connected Transactions and their annual caps are subject to the approvals of Independent Shareholders. Therefore, for the purpose of compliance of the SSE listing Rules and Hong Kong Listing Rules simultaneously, the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018 shall be submitted to the general meeting of the Company for the

approvals from the Independent Shareholders. The Independent Board Committee has been formed to advise Independent Shareholders on the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018.

The Company has appointed Anglo Chinese Corporate Finance, Limited as the independent financial adviser to advise Independent Board Committee and Independent Shareholders on the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018.

On 28 October 2015, the fifth meeting of the eighth session of the board of directors of the Company was convened. The Board of the Company considered and approved the Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018, and that the Major Continuing Connected Transactions be submitted to the EGM for approval. Mr. Jiao Fangzheng and Mr. Li Lianwu were deemed having interest in the resolutions in relation to the Continuing Connected Transactions and therefore abstained from voting due to their job posts in the connected person of the Company.

The Company will seek for the approval from the Independent Shareholders on the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018 at the EGM. Since China Petrochemical Corporation is the controlling shareholders of the Company, China Petrochemical Corporation and its associates will abstain from voting on the relevant resolutions 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, the Anglo Chinese Corporate Finance, Limited, will be dispatched and/or notified to the Shareholders in due course, in any event, no later than 30 November 2015.

## **BACKGROUND**

Reference is made to the circular of the Company dated 27 October 2014 under the title of "(I) Very Substantial Acquisition, Very Substantial Disposal, Connected Transaction, and Application for Whitewash Waiver (II) Potential Continuing Connected Transactions and Potential Major Transaction (III) Proposed Amendment to Articles of Association". At the 2014 EGM, the Shareholders approved the annual caps for certain continuing connected transactions for each of the two years ending 31 December 2015.

The Company anticipates that the Continuing Connected Transactions with Sinopec Group will continue after 31 December 2015. Therefore, for the Continuing Connected Transaction commencing from 1 January 2016, the Company and China Petrochemical Corporation entered into the 2015 Mutual Product 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 Right and Property Lease Framework Agreement and 2015 Trademark License Agreement on 28 October 2015. The 2015 Connected Transactions Framework Agreements are valid for a term of three years commencing on 1 January 2016 and they will replace the Connected Transactions Framework Agreements entered into between SOSC and China Petrochemical Corporation dated 22 August 2014. The terms and conditions of the 2015 Connected Transactions Framework Agreements are substantially the same as those of the Connected Transactions Framework Agreements.

## **2015 CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS AND SPI FUND**

### **1. 2015 Mutual Product Supply Framework Agreement**

Date: 28 October 2015

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 and 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 equipment, petro oil equipment, trailer and accessories; steel; valve; mobile power plant; transport machinery; electrical equipment and accessories; pipeline fittings; drill pipe, heavy weight drill pipe, Kelly, drill collars; steel; API oil casing commissioned processing; casing accessories, tubing attachment; petroleum-specific equipment; oil drilling equipment accessories; special tools; instruments and accessories; tower equipment; oilfield chemicals and reagents; and other products.

The 2015 Mutual Product Supply Agreement is valid for a term of three years commencing on 1 January 2016. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the 2015 Mutual Product Supply Framework Agreement. Before the expiration of the 2015 Mutual Product 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 the 2015 Mutual Product Supply Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of the 2015 Mutual Product Supply 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 service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price.
- (2) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process.
- (3) Market price: 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 deals with independent third party for the same period when determining whether the price for any product transaction under the Agreement is market price.
- (4) Agreed price: to be determined by adding sales taxes and a reasonable profit over a reasonable cost. The management shall consider at least two comparable deals with independent third party for the same period when determining the reasonable profit of any product transaction under the Agreement.

In addition to the above, in connection of certain types of products, the parties further agree as follows:

- (1) Refined Oil: the item-specific factory prices published by the State are exclusively applicable to the settlement prices of refined oil. Both parties may negotiate on and determine the prices of some products considering their supply demand change in the market.
- (2) Lubricant Oil: its prices are determined by both parties together on the basis of market or agreed prices.
- (3) Fuel oil: the prices of light fuel oil are the agreed prices determined by both parties together on the basis of the diesel factory prices; the prices of heavy fuel oil are determined by both parties together on the basis of market or agreed prices.
- (4) Natural gas: Its prices are determined by following the State's policy on inventory and incremental gas pricing and adjusted by reference to the changes to the national gas pricing mechanism. The prices of LNG resources shall not be higher than the market prices of same periods.
- (5) For the products that Sinopec Group procure directly from suppliers, it shall not provide them to the Group at prices

higher than the market prices at the same time, with the products at the same level and of the same quality.

## **2. 2015 General Services Framework Agreement**

Date: 28 October 2015

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; 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.

The 2015 General Services Framework Agreement is valid for a term of three years commencing on 1 January 2016. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the 2015 General Services Framework Agreement. Before the expiration of the 2015 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 the 2015 General Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of the 2015 General 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 supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price.
- (2) Market price: 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 deals with independent third party for the same period when determining whether the price for any general service under the agreement is market price.

- (3) Agreed price: to be determined by adding a reasonable profit over a reasonable cost. The management shall consider at least two comparable deals with the independent third party for the same period when determining the reasonable profit of a general service under the agreement.

### **3. 2015 Engineering and Construction Services Framework Agreement**

Date: 28 October 2015

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.

The 2015 Engineering and Construction Services Framework Agreement is valid for a term of three years commencing on 1 January 2016. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the 2015 Engineering Services Framework Agreement. Before the expiration of the 2015 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 the 2015 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 the 2015 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 product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price.
- (2) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process.
- (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 deals with the independent third party for the same period when determining whether the price for any service under the 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 deals with the independent third party for the same period when determining the reasonable profit of any service under the Agreement.

On the basis of the above agreement, 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 the principle of market-orientation and based on the attributes of the contract. Pricing factors to consider include the operations area, the amount of work, job 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 judge whether the pricing is in compliance with normal commercial terms and conditions, the pricing shall be determined on terms and conditions no less favourable than those available to independent third parties.

#### **4. 2015 Financial Services Framework Agreement**

Date: 28 October 2015

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, entrustment loans and deposit, settlement services, and other financial services provided by the Financial Service Providers as approved by applicable laws and regulations.

The 2015 Financial Services Framework Agreement is valid for a term of three years commencing on 1 January 2016. The Company 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 the 2015 Financial Services Framework Agreement. Before the expiration of the 2015 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 the 2015 Financial Services Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of the 2015 Financial Services Framework Agreement.

Pricing Policy: The pricing of the financial 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 financial service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price.
- (2) Market price: the price of the same or similar products or services provided by the independent third party during the ordinary course of business on normal commercial terms. The management of the Financial Service Providers and the Group shall consider at least two comparable deals with the independent third party for the same period when determining whether the agreed price for any financial service under the Agreement is market price. Also, the price of the financial services provided by the Financial Service Providers to the Group shall not be higher than bank rates.
- (3) Agreed price: to be determined by adding a reasonable profit over a reasonable cost. Meanwhile, The interest rate applicable to the deposits with the Financial Service Providers from the Group shall not be lower than: (a) the minimum interest rate published by PBOC for deposits of a similar type for the same period (applicable to deposits with



Sinopec Finance only); (b) the interest rate for deposits of a similar type for the same period placed by other members of Sinopec Group; and (c) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Group. For settlement, entrustment loan and other financial services provided by the Financial Service Providers to the Group, the service fees shall not be higher than (a) fees charged by independent commercial banks or financial institutions; and (b) fees charged to other members of Sinopec Group for similar services. The management of the Financial Service Providers and the Group shall consider at least two comparable deals with the independent third party for the same period when determining the agreed price for any financial service under the agreement.

## **5. 2015 Technology R&D Framework Agreement**

- Date: 28 October 2015
- 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 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.

The 2015 Technology R&D Framework Agreement is valid for a term of three years commencing on 1 January 2016. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the 2015 Technology R&D Framework Agreement. Before the expiration of the 2015 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 the 2015 Technology R&D Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of the 2015 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 product or service shall be supplied at the applicable government – prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price.
- (2) Market price: the price of the same or similar products or services provided by the independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable deals with the independent third party for the same period when determining whether the price for any service under the Agreement is market price.
- (3) Agreed price: to be determined by adding a reasonable profit over a reasonable cost. However, for the purposes of the services provided by Sinopec Group to the Group, the reasonable profit shall not be higher than fifty per cent of the cost; while with respect to the services provided by the Group to Sinopec Group, this reasonable profit shall not be less than thirty per cent of the cost. The management shall consider at least two comparable deals with the independent third party for the same period when determining the reasonable profit of any service under the agreement.

## **6. 2015 Land Use Right and Property Lease Framework Agreement**

Date: 28 October 2015

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 lease land use right and property from Sinopec Group.

The 2015 Land Use Right and Property Lease Framework Agreement is valid for a term of three years commencing on 1 January 2016. Both parties will enter into separate leases which will set out the specific terms and conditions according to the principles provided in the 2015 Land Use Right and Property Lease Framework Agreement. Before the expiration of the 2015 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 the 2015 Land Use

Right and Property Lease Framework Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of the 2015 Land Use Right and Property Lease Framework Agreement.

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.

Pricing Policy

Of leased lands, the rental rate of those for operation purposes shall be determined considering their size, location and remaining years available for use, and that of those for other purposes shall be agreed by both parties through negotiation and by reference to local market rates. The rental rate of leased properties shall be agreed by both parties by reference to local market rates (evaluated by the professional evaluation agencies). For those without any market prices for reference, the rate shall be determined considering depreciation, relevant taxes (including business tax and surcharges, as well as property tax) and reasonable profit, where the reasonable profit shall be 6% of the cost.

## 7. 2015 Trademark License Agreement

Date: 28 October 2015

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 2015 Trademark License Agreement is valid for a term of three years commencing on 1 January 2016. 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. 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.

The 2015 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 the 2015 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 the 2015 Trademark License Agreement to ensure the normal running of the production operations of the relevant parties after expiration of the term of the 2015 Trademark License Agreement.

Pricing Policy: The consideration is nil.

## **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 Company. 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.

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.

## **PRICING POLICIES AND INTERNAL CONTROL SYSTEM FOR CONTINUING CONNECTED TRANSACTIONS**

### ***Pricing Policies for Certain Specific Continuing Connected Transactions***

Pricing policies currently adopted for specific transactions contemplated under 2015 General Services Framework Agreement, 2015 Engineering and Construction Services Framework

Agreement, 2015 Financial Services Framework Agreement and 2015 Technology R&D Framework Agreement, are set out below. If, for any reason, the pricing policy for a specific service ceases to be applicable, whether due to a change in circumstances or otherwise, such service must then be provided in accordance with the general pricing policies as set out in the relevant 2015 Connected Transactions Framework Agreement:

	<b>Government-prescribed price and government-guided price</b>	<b>Tender and bidding price</b>	<b>Market price</b>	<b>Agreed price</b>
General Services Framework Agreement		N/A		Educational and Training services, nonworking Personnel management service, office and logistics services, product procurement services and IT services
Engineering and Construction Services Framework Agreement	Engineering consulting, engineering design, project management and supervision	Construction and contracting	Processing and manufacturing services, special transportation service, labour supply service and testing service	Technology licensing, technology transfer and engineering technology services, procurement services and equipment leasing
Financial Services Framework Agreement	Deposit services and loan services	N/A	Entrustment loans and deposit services, settlement services, entrustment investment, financial and financing consulting, credit certification, insurance agency, exchange settlement, bond underwriting, guarantee, online banking, foreign exchange business and related consultancy and agency	
Technology R&D Framework Agreement	Application for and maintenance of patents	N/A		Technology development, technology consulting, technology services, technology licensing,

				licensing and transfer of patents and other technology R&D services
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***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) The transactions contemplated under the 2015 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 absent the government-prescribed price and government-guided price, 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 the Sinopec Group and connected 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 these channels above will 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 the Sinopec Group to Group, the Group will request suppliers or service providers, including the 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 the Sinopec Group and other independent suppliers or service providers, the Group will compare and negotiate the terms of quotations with these suppliers or service providers, and determine the selection of suppliers and service providers by taking into account factors such as price quotations, quality of the products and services, particular needs of the transactional parties, 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.
- (4) The external auditor of the Company will conduct an interim review and year-end audit for each financial year, and will issue his 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 of the Company 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 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 connected transactions. Meanwhile, the legal and contract management departments shall conduct prudent review and appraisal of the contracts entered into by the Company, 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 the 2015 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 the 2015 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 CAPS

The table below summarized the historical transaction data of each of the relevant continuing connected transactions for 2014 and the nine months ended 30 September 2015 and the existing caps:

Continuing Connected Transactions	Historical Transaction Data (RMB 100 million)			
	Caps for 2014	For the year ended 31 December 2014 (audited)	Caps for 2015	For the nine months ended 30 September 2015 (unaudited)
1. Mutual Product Supply Framework Agreement				
(a) Provision of products by Sinopec Group to the Group	225.3	135.5	225.3	34.3
(b) Provision of products by the Group to Sinopec Group	29.5	0.6	29.5	0.3
2. General Services Framework Agreement				
(a) Provision of	21	18.3	21.5	12.1

general services by Sinopec Group to the Group				
(b) Provision of general services by the Group to Sinopec Group	1.3	0	1.5	0
3. Engineering and Construction Services Framework Agreement				
Provision of engineering services by the Group to Sinopec Group	597	508.8	627	196.6
4. Financial Services Framework Agreement				
(a) Provision of deposit services by the Financial Service Providers to the Group (maximum daily balance)	25	16.9	30	18.4
(b) Provision of unsecured loan services by the Financial Service Providers to the Group (maximum daily balance)	182	179.3	187	152.7
(c) Provision of other financial services (such as payment settlement) by the Financial Service Providers to the Group	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	2.8	2.8	2.8	0.12
(b) Provision of technology R&D services by Sinopec Group to the Group	0.5	0	0.5	0.03



6. Land Use Right and Property Lease Framework Agreement					
Provision of land and properties by Sinopec Group to the Group by way of lease	1.3	1.1	5.6	0.5	
7. SPI Fund					
Premium payments from SSC to China Petrochemical Corporation	1.5	1	1.5	0.5	

As at the date of this announcement, none of the above annual caps had been exceeded.

### ANNUAL CAPS

The table below lists the estimated annual caps of each of the Continuing Connected Transactions (where applicable) for each of the three years ending 31 December 2018:

Continuing Connected Transactions	Amount as of years ended 31 December (RMB 100 million)		
	2016	2017	2018
1. 2015 Mutual Product Supply Framework Agreement			
(a) Provision of products by Sinopec Group to the Group	140	180	180
(b) Provision of products by the Group to Sinopec Group	1	1	1
2. 2015 General Services Framework Agreement			
(a) Provision of general services by Sinopec Group to the Group	22	22	22
(b) Provision of general services by the Group to Sinopec Group	2	2	2
3. 2015 Engineering and Construction Services Framework Agreement			
Provision of engineering services by the Group to Sinopec Group	610	635	635
4. 2015 Financial Services Framework Agreement			

(a) Provision of deposit services by the Financial Service Providers to the Group (maximum daily balance)	30	30	30
(b) Provision of other financial services (such as payment settlement) by the Financial Service Providers to the Group	0.1	0.1	0.1
<b>5. 2015 Technology R&amp;D Framework Agreement</b>			
(a) Provision of technology R&D services by the Group to Sinopec Group	3	3.5	4
(b) Provision of technology R&D services by Sinopec Group to the Group	1	1.5	2
<b>6. 2015 Land Use Right and Property Lease Framework Agreement</b>			
Provision of land and properties by Sinopec Group to the Group by way of lease	5.6	5.6	5.6
<b>7. SPI Fund</b>			
Premium payments from SSC 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**

Here is the basis for calculating the annual cap of each Continuing Connected Transaction (where applicable):

#### **Continuing Connected Transactions      Basis for annual caps**

##### **1. 2015 Mutual Product Supply Framework Agreement**

- |   |  |
|---|--|
| (a) Provision of products by Sinopec Group to | In determining the above annual caps, the Company has considered the following: (i) the value of products provided by Sinopec Group during 2014 and the first nine months of 2015, |
|---|--|

- the Group and (ii) the future growth of the Group's business contributes to the additional volume of the products to be supplied by Sinopec Group.
- (b) Provision of products by the Group to Sinopec Group In determining the above annual caps, the Company has considered the following: (i) the value of products provided to Sinopec Group during 2014 and the first nine months of 2015, and (ii) the future growth of demand of Sinopec Group contributes to the additional volume of the products to be supplied by the Group.
2. 2015 General Services Framework Agreement
- (a) Provision of general services by Sinopec Group to the Group In determining the above annual caps, the Company has considered the following: (i) the annual fee to be paid for the training services and conference facilities provided by Sinopec Group which is estimated to be approximately RMB 130 million; (ii) the annual fee to be paid for the mining area services (including property management, afforestation, cleaning and security service), provided by Sinopec Group which is estimated to be approximately RMB 1.65 billion; and (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 RMB 0.1 million based on the market rates charged for those services.
- (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.
3. 2015 Engineering and Construction Services Framework Agreement
- Provision of engineering services by the Group to Sinopec Group In determining the above annual caps, the Company has considered the following: (i) the value of engineering services provided to Sinopec Group during 2014 and the first nine months of 2015, and (ii) in view of the exploitation of unconventional oil and gas, such as shale gas, and the greater investment and development efforts for new energy, such as geothermal resources, it is expected that the business of the Group will grow for the three years ending 31 December 2018.
4. 2015 Financial Services Framework Agreement
- (a) Provision of deposit services by the Financial Service Providers to the Group (maximum daily balance) Caps for deposits and interest income. 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 2015 together with interest income; and (ii) part of net cash inflow which will be deposited into the Sinopec Finance.
- When determining whether funds are placed as deposits with the Sinopec Finance, following the principles of maximization of return, cost control and risk control, the Company will take

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 interest rates offered for deposits, and (iii) the amount of cash inflow from business operations.

- (b) Provision of other financial services (such as payment settlement) by the Financial Service Providers to the Group
- Fee caps for other financial services, such as payment and settlement. In determining the above annual cap 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 2014 and the first nine months of 2015, (ii) the estimated cash settlement handling fees with reference to our projected business volume for each of the three years ending 31 December 2015 and the historical ratio of cash settlement amount to handling fees, and (iii) other financial and consulting services to be provided under the 2015 Financial Services Framework Agreement.

#### 5. 2015 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 for similar projects of RMB4,000,000 to RMB6,000,00; (iii) such projects are carried out and revenues in relation thereto are recognised 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 for similar projects of RMB1,000,000 to RMB3,000,000; 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.

#### 6. 2015 Land Use Right and Property Lease Framework Agreement

- (a) Provision of land and properties by Sinopec Group to the Group by way
- In determining the above annual caps, the Company has considered (i) the rentals of the land and properties leased from Sinopec during 2014 and the first nine months of 2015, (ii) the possible increases in the rentals of properties in the PRC in the

of lease future, and (iii) the potential new property leases to be entered into with Sinopec Group by the Group.

#### 7. SPI Fund

Premium payments from SSC 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 2015, 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 Reason for the Continuing Connected Transaction**

##### 1. 2015 Mutual Product 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 procurement system. Also, in order to ensure the stable supply, Sinopec Group is required to continue to provide products.

(2) As the owner of the Group projects, Sinopec Group itself or its designated suppliers are required to provide the Group with products.

(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 to the production and operation of Sinopec Group and Sinopec Group will need the Group to continue to provide its products.

##### 2. 2015 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 training provided by Sinopec Group since the Company's inception, 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.

- (b) Provision of general services by the Group to Sinopec Group
- The training centre of the Group will from time to time provide training to certain workers from Sinopec Group which is required for those workers to perform their duties at the relevant entities under Sinopec Group.

### 3. 2015 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 foundation, these assets had been providing Sinopec Group with oil field services and engineering and construction services, such as drilling, oil field technologies, and geophysical prospecting and construction, for its oil and gas exploration, exploitation and production activities. Therefore, the engineering service related connected transactions between the Group and Sinopec Group generally originates from the operating system for the development of the oil industry in China, the history of Sinopec Group and the foundation of the Group through reorganisation. Sinopec Group is promoting its EPC business (including product procurement). As an integrated oil engineering and technical services company, the Group 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 sort of guarantee for the Group to explore new markets and new businesses.

### 4. 2015 Financial Services Framework Agreement

#### ***Reasons and benefits of the deposits services by the Financial Service 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 the Sinopec Finance 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 the Sinopec Finance are no less favourable to the Group than placing deposits with independent commercial banks. In addition, the centralized deposit of funds with the Sinopec Finance will enable the Group to use the Sinopec Finance 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 the Sinopec Finance. The centralized maintenance of deposits by the Group with Sinopec Finance will facilitate clearing with other members of the Sinopec Group (some of whom are the Group's clients), reduce the time required for transit and turnaround of funds and is generally more administratively efficient than settlement through independent banks. It would not be efficient for Sinopec Group and the Group to separately maintain bank accounts with independent banks for clearing and settlement.
- (c) Familiarity with the Group's business. As the Sinopec Finance only provides financial services to members of the Sinopec Group and the Group, they have over the years acquired extensive knowledge of the industry. In the context of the Group, the Sinopec Finance is familiar with its capital structure, business operations, funding needs and cash flow pattern, which enables it to better anticipate the Group's business needs. As a result, Sinopec Finance is 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 Sinopec Finance 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 Sinopec Finance as it helps the Group centralize its treasury management function.

Taking into account the no less favourable interest rates and other commercial benefits to the Group, the Company considers that the maintenance of deposits with Sinopec Finance is beneficial to the Company's Shareholders as a whole.

***Reasons and benefits of the loan services and other financial services by the Financial Service Providers to the Group***

The Group utilise the revolving loan facilities through Sinopec Group's financing platform, whereby the Group will be able to draw down or repay loans according to its cash flow profile. Loan services provided by the Financial Service Providers will bring the Group multiple benefits including favourable interest rate, simplified procedures, flexible approaches and lowered financing cost.

As Sinopec Group is the largest customer of the Group, utilizing Financial Service Providers will promote the efficiency of capital management and minimise capital management risks. Moreover, the Financial Service Providers will also provide specialised and low-cost financial services, which helps maximize the cost - effectiveness for the Group.

#### 5. 2015 Technology R&D Framework Agreement

- |  |  |
|--|--|
| (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. 2015 Land Use Right and Property Lease Framework Agreement

- |  |   |
|--|---|
| 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.                       |
| 7. 2015 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. |
| 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.  |



## **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) of the Company believe the terms of the Continuing Connected Transactions as disclosed in this announcement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

## **HONG KONG LISTING RULES IMPLICATIONS**

China Petrochemical Corporation holds approximately 65.22% of the Company's issued share capital and is therefore the Company's substantial shareholder. Under Rules 14A.07 (1) and (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. 2015 Mutual Product Supply Framework Agreement
  - (a) Sale of relevant products by Sinopec Group to the Group, the relevant applicable percentage ratios of which exceed 5%, will constitute Major Continuing Connected Transactions of the Company under Chapter 14A of the Hong Kong Listing Rules subject to the reporting, announcement and Independent Shareholders' approval requirements.
  - (b) Sale of relevant products by the Group to Sinopec Group, the relevant applicable percentage ratios of which exceed 0.1% but less than 5%, will constitute continuing connected transactions subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement.
2. 2015 General Services Framework Agreement
  - (a) Provision of general services by Sinopec Group to the Group, the relevant applicable percentage ratios of which exceed 5%, will constitute Major Continuing Connected Transactions of the Company under Chapter 14A of the Hong Kong Listing Rules subject to the reporting, announcement and Independent Shareholders' approval requirements.
  - (b) Provision of general services by the Group to Sinopec Group, the relevant applicable percentage ratios of which exceed 0.1% but less than 5%, will constitute continuing connected transactions subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement.
3. 2015 Engineering and Construction Services Framework Agreement

Provision of engineering services by the Group to Sinopec Group, the relevant applicable percentage ratios of which exceed 5%, will constitute Major Continuing Connected Transactions of the Company under Chapter 14A of the Hong Kong Listing Rules subject to the reporting, announcement and Independent Shareholders' approval requirements.
4. 2015 Financial Services Framework Agreement

- (a) Provision of deposit services by the Financial Service Providers to the Group, the relevant applicable percentage ratios of which exceed 5%, will constitute Major Continuing Connected Transactions of the Company under Chapter 14A of the Hong Kong Listing Rules subject to the reporting, announcement and Independent Shareholders' approval requirements. Further, such deposit services will also constitute discloseable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules;
- (b) Provision of unsecured loan services by the Financial Service Providers to the Group, which is considered financial assistance provided by connected persons, will constitute continuing connected transactions exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules.
- (c) Provision of other financial services, such as payment and settlement, by the Financial Service Providers to the Group, the applicable percentage ratios of which is less than 0.1%, will constitute continuing connected transactions of the Company exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

#### 5. 2015 Technology R&D Framework Agreement

- (a) Provision of Technology R&D services by Sinopec Group to the Group, the relevant applicable percentage ratios of which exceed 0.1% but less than 5%, will constitute continuing connected transactions subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement.
- (b) Provision of technology R&D services by the Group to Sinopec Group, the relevant applicable percentage ratios of which exceed 0.1% but less than 5%, will constitute continuing connected transactions subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement.

#### 6. 2015 Land Use Right and Property Lease Framework Agreement

Provision of land and properties by Sinopec Group to the Group in form of lease, the relevant applicable percentage ratios of which exceed 0.1% but less than 5%, will constitute continuing connected transactions subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement.

#### 7. 2015 Trademark License Agreement

Licensing of the relevant trademark by Sinopec Group to the Group, the applicable percentage ratios of which is less than 0.1%, will constitute continuing connected transactions of the Company exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

#### 8. SPI Fund

The premium payments from SSC to China Petrochemical Corporation for SPI Fund, the relevant applicable percentage ratios of the above transactions exceed 0.1% but less than 5%, will constitute continuing connected transactions subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement.

The Company is listed in both the Hong Kong Stock Exchange and the SSE. According to the SSE listing rules, the Major Continuing Connected Transactions and their annual caps are subject to the approvals of Independent Shareholders. Therefore, for the purpose of compliance of the SSE listing Rules and Hong Kong Listing Rules simultaneously, the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018 shall be submitted to the general meeting of the Company for the approvals from the Independent Shareholders.

The Independent Board Committee has been formed to advise Independent Shareholders on the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018.

The Company has appointed [Anglo Chinese Corporate Finance, Limited] as the independent financial adviser to advise Independent Board Committee and Independent Shareholders on the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018.

On 28 October 2015, the fifth meeting of the eighth session of the board of directors of the Company was held. The Board of the Company considered and approved the Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018, and that the Major Continuing Connected Transactions be submitted to the EGM for approval. Mr. Jiao Fangzheng and Mr. Li Lianwu were deemed having interest in the resolutions in relation to the Continuing Connected Transactions and therefore abstained from voting due to their job posts in the connected person of the Company.

The Company will seek for the approval from the Independent Shareholders on the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018 at the EGM. Since China Petrochemical Corporation is the controlling shareholders of the Company, China Petrochemical Corporation and its associates will abstain from voting on the relevant resolutions 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 Corporate Finance, Limited], will be dispatched and/or notified to the Shareholders in due course, in any event, no later than 30 November 2015.

## **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.

Sinopec Finance is a non-banking financial institution incorporated in the PRC in 1988 and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the PBOC and CBRC. Sinopec Finance is 51% owned by China Petrochemical Corporation and 49% owned by China Petroleum & Chemical Corporation. The establishment of such non-banking financial institutions is subject to approval by the CBRC and its operation is subject to the ongoing supervision of the CBRC. Non-banking financial institutions shall comply with applicable regulations relating to interests rates issued by the PBOC and CBRC. In the PRC, finance companies within group enterprises are only permitted under applicable PRC laws and regulations to provide financial services to enterprises within the same parent group. Therefore, Sinopec Finance only provides financial services to [China Petrochemical Corporation and its subsidiaries], including the Group.

Sinopec Century Bright is 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 approved by the SAFE as an offshore settlement centre for centralized cash management for [China Petrochemical Corporation and its subsidiaries] in year 2007. In March 2013, Sinopec Century Bright obtained an A1 rating from Moody's with a stable outlook and an A long-term corporate credit rating with a stable outlook and an A-1 short-term credit rating from Standard & Poor. Sinopec Century Bright only provides financial services to [China Petrochemical Corporation and its subsidiaries] (including the Group). Sinopec Century Bright is used as an interim/short term deposit platform by the Group particularly to settle trade payables and receivables in respect of overseas projects.

## DEFINITION

"2014 EGM"	The extraordinary general meetings that the Company convened on 11 November 2014, to consider and pass the Connected Transactions Framework Agreements (except for the Trademark License Agreement) and their annual caps for the two years ending 31 December 2015
"2015 Connected Transactions Framework Agreements"	2015 Mutual Product 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 Right and Property Lease Framework Agreement and 2015 Trademark License Agreement
"2015 Engineering and Construction Services"	The framework agreement entered between SSC and China Petrochemical Corporation on 28 October 2015 in the respect of

Framework Agreement"	provision of engineering services by the Group to Sinopec Group
"2015 Financial Services Framework Agreement"	The framework agreement entered between SSC and China Petrochemical Corporation on 28 October 2015 in the respect of provision of financial services by Sinopec Group to the Group
"2015 General Services Framework Agreement"	The framework agreement entered by SSC and China Petrochemical Corporation on 28 October 2015 in the respect of mutual provision of services between Sinopec Group and the Group
"2015 Land Use Right and Property Lease Framework Agreement"	The framework agreement entered between SSC and China Petrochemical Corporation on 28 October 2015 in the respect of lease of land and properties from Sinopec Group to the Group
"2015 Mutual Product Supply Framework Agreement"	The framework agreement entered between SSC and China Petrochemical Corporation on 28 October 2015 in the respect of mutual provision of products between Sinopec Group and the Group
"2015 Technology R&D Framework Agreement"	The framework agreement entered by SSC and China Petrochemical Corporation on 28 October 2015 in the respect of mutual provision of technological research and development services between Sinopec Group and the Group
"2015 Trademark License Agreement"	The framework agreement entered by SSC and China Petrochemical Corporation on 28 October 2015 in the respect of license of certain trademarks between Sinopec Group and the Group
"associate"	has the meaning defined under the Hong Kong Listing Rules
"Board"	the board of Directors of the Company
"China Petrochemical Corporation "	China Petrochemical Corporation (中國石油化工集團公司), a wholly state-owned company incorporated in China, being the controlling shareholder of the Company
"Company"/"SSC"	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company established in the PRC and its A shares are listed in the SSE and its H shares are listed on the Main Board of the Hong Kong Stock Exchange
"CBRC"	China Banking Regulatory Commission
"connected person"	has the meaning defined under the Hong Kong Listing Rules
"Continuing Connected Transactions"	the transactions under the 2015 Connected Transactions Framework Agreements and SPI Fund
"Connected Transactions Framework Agreements"	Mutual Product Supply Framework Agreement, General Services Framework Agreement, Engineering and Construction Services Framework Agreement, Financial Services Framework Agreement, Technology R&D Framework Agreement, Land Use

	Right and Property Lease Framework Agreement and Trademark License Agreement
"controlling shareholder (s)"	has the meaning defined under the Hong Kong Listing Rules
"Directors(s)"	the directors of the Company
"EGM"	extraordinary general meetings that the Company will convene to consider, among others, and pass, if fit, the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018
"Engineering and Construction Services Framework Agreement"	The framework agreement entered between SOSC and China Petrochemical Corporation on 22 August 2014 in the respect of provision of engineering services by SOSC to China Petrochemical Corporation
"Financial Services Framework Agreement"	The framework agreement entered between SOSC and China Petrochemical Corporation on 22 August 2014 in the respect of provision of financial services by China Petrochemical Corporation to SOSC
"Financial Service Providers"	Sinopec Finance and Sinopec Century Bright
"General Services Framework Agreement"	The framework agreement entered by SOSC and China Petrochemical Corporation on 22 August 2014 in the respect of mutual provision of services between SOSC and China Petrochemical Corporation
"Group"	SSC and its subsidiaries
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the Independent Board Committee comprising independent non-executive directors of the Company with the purpose to advise Independent Shareholders on the Major Continuing Connected Transactions and their annual caps for each of the three years ending 31 December 2018
"Independent Shareholder(s)"	Shareholders other than China Petrochemical Corporation and its associates
"Land Use Right and Property Lease Framework Agreement"	The framework agreement entered between SOSC and China Petrochemical Corporation on 22 August 2014 in the respect of lease of land and properties from China Petrochemical Corporation to SOSC

"Major Continuing Connected Transaction(s)"	Continuing connected transactions which are subject to reporting, announcement and independent shareholders' approval requirements under the Chapter 14A of the Hong Kong Listing Rules, specifically, Continuing Connected Transaction 1(a), 2(a), 3, and 4(a) between the Group and Sinopec Group as in the section of "Annual Caps" of this announcement
"PBOC"	People's Bank of China
"PRC/the State"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the Shareholders of the Company
"Sinopec Century Bright"	Sinopec Century Bright Capital Investments Limited., a company incorporated in Hong Kong with limited liability and licensed under the Money Lenders Ordinance (Cap.163 of the Laws of Hong Kong), being a subsidiary of China Petrochemical Corporation
"Sinopec Finance"	Sinopec Finance Co., Ltd., a non-bank financial institution with limited liability engaging in banking and financial activities under the approval and supervision of PBOC and CBRC, being a subsidiary of China Petrochemical Corporation
"Sinopec Group"	China Petrochemical Corporation (中國石油化工集團公司), its subsidiaries and its associates (other than the Group)
"SOSC"	Sinopec Oilfield Service Co., Limited (中石化石油工程技術服務有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of SSC
"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 associates 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"	Shanghai Stock Exchange
"subsidiary"	has the meaning defined under the Hong Kong Listing Rules
"substantial Shareholder(s)"	has the meaning defined under the Hong Kong Listing Rules
"Technology R&D Framework Agreement"	The framework agreement entered by SOSC and China Petrochemical Corporation on 22 August 2014 in the respect of mutual provision of technological research and development services between China Petrochemical Corporation and SOSC
"Trademark License Agreement"	The framework agreement entered by SOSC and China Petrochemical Corporation on 22 August 2014 in the respect of license of certain trademarks between China Petrochemical Corporation and SOSC
"% "	Per cent

By Order of the Board

**Li Honghai**

Company Secretary

Beijing, 28 October 2015

*As at the date of this announcement, the Board of Directors comprises Mr. Jiao Fangzheng<sup>+</sup>, Mr. Yuan Zhengwen<sup>#</sup>, Mr. Zhu Ping<sup>#</sup>, Mr. Zhou Shiliang<sup>#</sup>, Mr. Li Lianwu<sup>+</sup>, Mr. Zhang Hong<sup>+</sup>, Ms. Jiang Bo<sup>\*</sup> and Mr. Zhang Huaqiao<sup>\*</sup>.*

*+ Non-Executive Director*

*# Executive Director*

*\* Independent Non-Executive Director*