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中国石油化工股份有限公司

**CHINA PETROLEUM & CHEMICAL CORPORATION**

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

**(Stock Code: 0386)**

## **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to Sinopec Corp.'s circular dated 21 April 2006 in relation to the Continuing Connected Transactions between the Company and China Petrochemical Corporation and/or its associates. At the annual general meeting of 2006, the Independent Shareholders approved, among other things, the Major Continuing Connected Transactions, the caps for the three years ended 31 December 2009 for the Major Continuing Connected Transactions and the Non-major Continuing Connected Transactions.

Sinopec Corp. expects that the Continuing Connected Transactions will continue after 31 December 2009.

On 21 August 2009, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Second Supplemental Agreement. The Continuing Connected Transactions Second Supplemental Agreement made adjustments to the terms of certain Continuing Connected Transactions Agreements. The adjustments will be applicable to the Continuing Connected Transactions since 1 January 2010.

China Petrochemical Corporation, a shareholder of approximately 75.84% interests in Sinopec Corp., and its associates will constitute connected persons of Sinopec Corp. under the HK Listing Rules and the Listing Rules of Shanghai Stock Exchange. As such, the Continuing Connected Transactions will constitute continuing connected transactions of Sinopec Corp. under the HK Listing Rules. Pursuant to Chapter 14A of the HK Listing Rules, Sinopec Corp. must comply with the reporting, announcement and Independent Shareholders' approval requirements in respect of such continuing connected transactions (if necessary).

Sinopec Corp. will seek the approval of Independent Shareholders in respect of the Mutual Supply Agreement Amendments, the Major Continuing Connected Transactions, the caps for the Major Continuing Connected Transactions and, at the request of the Shanghai Stock Exchange, the Non-Major Continuing Connected Transactions. A circular containing details of the Continuing Connected Transactions, a letter from the Independent Board Committee, an opinion of the independent financial adviser, ICBC International, together with a notice to convene the EGM, will be dispatched to the shareholders as soon as practicable.

## **1. CONTINUING CONNECTED TRANSACTIONS**

### **1.1 Background**

Reference is made to Sinopec Corp.'s circular dated 21 April 2006 in relation to the Continuing Connected Transactions between the Company and China Petrochemical Corporation and/or its associates. At the annual general meeting of 2006, the Independent Shareholders approved, among other things, the Major Continuing Connected Transactions, the caps for the three years ended 31 December 2009 for the Major Continuing Connected Transactions and the Non-major Continuing Connected Transactions.

Sinopec Corp. expects that the Continuing Connected Transactions will continue after 31 December 2009.

In respect of the Continuing Connected Transactions commencing from 1 January 2010, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Second Supplemental Agreement on 21 August 2009, in which adjustments were made to the terms of certain Continuing Connected Transactions Agreements. Set out below are the summaries of the Continuing Connected Transactions Agreements (as adjusted) and the transactions contemplated thereunder:

The Continuing Connected Transactions are summarised below:

#### **(1) *Mutual Supply Agreement***

China Petrochemical Corporation and Sinopec Corp. entered into the Mutual Supply Agreement on 3 June 2000 and the Continuing Connected Transactions First Supplemental Agreement on 31 March 2006, term of which will end on 31 December 2009. Pursuant to the Continuing Connected Transactions Second Supplemental

Agreement dated 21 August 2009, the term of the Mutual Supply Agreement was extended to 31 December 2012. The following transactions are contemplated under the Mutual Supply Agreement:

- (a) The products and services which are contemplated to be supplied by the Company, including: crude oil, natural gas, refined and petrochemical products and by-products, semi-finished products, water, electricity, gas, heat, measurements quality inspection, provision of other related or similar products and services and guarantee.
- (b) The products and services which are contemplated to be acquired by the Company, including:
  - (i) Supply: steel, wood, cement, coal, wind, hydrogen, nitrogen, fresh water, chemical water, recycled water, electricity, steam, heat supply, materials and equipment parts, chemical raw materials, precious metals, the sourcing of crude oil and natural gas, including crude oil and natural gas from overseas<sup>1</sup> and other related or similar products and services.
  - (ii) Storage and transportation: railway, vehicular transport, water transport, pipeline transmission, loading and unloading, wharves, warehousing and other related or similar services.
  - (iii) Ancillary production: well drilling, well surveying, well logging, exploration and development testing, technological research, communication, fire control, security guards, public security, chemical examination, material examination, information, pressure containers and pipelines inspection, metering inspection, computer services, equipment research, airports, feasibility study, design, construction, installation, production of electromechanical instruments, inspection and maintenance of equipment devices and electrical equipment meters, works supervision, environmental protection, repair and maintenance of roads, bridges and culverts and slope protection, flood control and other related or similar services.
  - (iv) Others: deposits and loans of finance institutions, loan guarantees, acting as agent in the collection and payment of administrative services fees, labour services, asset leasing and other related or similar services.

According to the Mutual Supply Agreement, the transactions conducted thereunder shall be priced in accordance with the following terms:

- (a) government-prescribed price;
- (b) where there is no government-prescribed price but where there is government-guidance price, the government-guidance price will apply;
- (c) where there is neither a government-prescribed price nor a government-guidance price, the market price will apply; or
- (d) where none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the above products or service, which shall be the reasonable cost incurred in providing the same plus 6% or less of such cost.

The pricing mechanisms set out in (a) to (c) above are based on governmental or market levels. As to the pricing mechanism set out in (d) above, the Directors believe that the 6% margin set out therein is in line with the respective industries in the PRC market, accordingly, they are of the view that the pricing mechanisms are fair and reasonable and on normal commercial terms.

## **(2) *Land Use Rights Leasing Agreement***

China Petrochemical Corporation and Sinopec Corp. entered into the Land Use Rights Leasing Agreement on 3 June 2000, the Land Use Rights Leasing Agreement Amendment Memo on 22 August 2008 and the Land Use Rights Leasing Agreement Second Amendment Memo on 21 August 2009, pursuant to which, members of the Sinopec Group agreed to lease to the Company certain parcels of land with an area of approximately 416,000,000 square metres. The parcels of land leased will mainly be used for main production facilities, ancillary production facilities and certain petrol stations operated by Sinopec Corp.

The land which will be leased can be divided into two types:

- (i) those which members of the Sinopec Group have land use rights certificates; and
- (ii) those which members of the Sinopec Group have obtained approval from the Ministry of Land and Resources evidencing their rights to lease the land to the Company.

The rent payable under the Land Use Rights Leasing Agreement is based on factors including the area of the land involved and their location. According to the Land Use Rights Leasing Agreement, the rent may be reviewed every three years commencing from 2000 and any such revised rent shall not be higher than the prevailing market rent as confirmed by an independent valuer.

Regarding authorised land for operation owned by members of the Sinopec Group, land for industrial use are leased to the Company for a term of 50 years and land for commercial use for 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 term of the lease in each case commenced from 1 January 2000. The Company may require members of the Sinopec Group to renew the term of the lease by giving notice to it twelve months before the expiry of the lease.

### (3) *Community Services Agreement*

China Petrochemical Corporation and Sinopec Corp. entered into the Community Services Agreement on 3 June 2000 and further entered the Continuing Connected Transactions First Supplemental Agreement on 31 March 2006, term of which will end on 31 December 2009. Pursuant to the Continuing Connected Transactions Second Supplemental Agreement dated 21 August 2009, the term of the Community Services Agreement was extended to 31 December 2012. The following services are contemplated to be acquired by the Company under the Community Services Agreement:

- (a) Culture, educational and hygiene services: education and training centres, cadre schools, technical universities, primary schools, secondary schools, technical schools, staff polytechnic schools, medical care and sanitation, culture and physical education, newspapers and magazines, broadcasting and television, printing and other related or similar services.
- (b) Community services: living services (including management centres), property management, environmental sanitation, greening, nurseries, kindergartens, sanatoriums, canteens, collective quarters, public transport, resignation and retirement management, settlement of land occupiers, re-employment service centres and other related or similar services.

The Community Services Agreement has identical pricing mechanism for the Mutual Supply Agreement which is set out in section 1.1(1) above.

#### ***(4) Safety Production Insurance Fund (the “SPI Fund”)***

With the approval of the Ministry of Finance, China Petrochemical Corporation has established the SPI Fund. The SPI Fund currently provides insurance cover on a consolidated basis on certain assets used in the operations of the Company.

Under the SPI Fund Document, Sinopec Corp. is required to pay twice a year an insurance premium amounting to 0.2% of the historical value of the fixed assets and the average month-end inventory value of the Company of the previous six months.

After the receipt by China Petrochemical Corporation of the premium from Sinopec Corp., China Petrochemical Corporation will refund 20% of the paid premium to Sinopec Corp. if Sinopec Corp. pays the semi-annual premium on time according to the SPI Fund Document (“Refund”). The Refund would equal to 17% of the paid premium if Sinopec Corp. fails to pay the semi-annual premium on time. The Refund shall be used by Sinopec Corp. 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.

#### ***(5) Properties Leasing Agreement***

On 3 June 2000, China Petrochemical Corporation and Sinopec Corp. entered into the Properties Leasing Agreement which term commenced on 1 January 2000. Properties which will be leased will mainly be used for ancillary production facilities, offices premises and petrol stations operated by the Company. Under the agreement, members of the Sinopec Group have agreed to lease to the Company certain properties with a gross floor area of approximately 2,608,000 square metres. The rent payable under the Properties Leasing Agreement is based on factors including the area of the properties involved, their location 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. Property taxes and land use fees in relation to the properties shall be borne by the Sinopec Group.

The properties are leased by the Sinopec Group to the Company for a term of 20 years commencing from 1 January 2000.

If China Petrochemical Corporation proposes to sell a property leased by the Company to a third party, Sinopec Corp. shall have a pre-emptive right to purchase such property under the same terms.

## (6) *Intellectual Property Licence Agreements*

Sinopec Corp. and China Petrochemical Corporation entered into the Intellectual Property Licence Agreements on 3 June 2000. Each of the Intellectual Property Licence Agreements is for a term of 10 years commencing from 1 January 2000. On 21 August 2009, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Second Supplemental Agreement, pursuant to which the term of each of the Intellectual Property License Agreement was extended to 31 December 2019.

While the above intellectual property rights are granted to the Company at no cost, Sinopec Corp. shall, before 31 December of each year, pay to China Petrochemical Corporation all such expenses which China Petrochemical Corporation has paid in the relevant year according to the relevant laws and regulations for maintaining the validity of the relevant trademarks, patents and computer software.

### 1.2 **Historical Figures and Existing Caps**

The historical figures for the past three financial years and the six months ended 30 June 2009 and existing caps of the above Continuing Connected Transactions are set out below:

<b>Transactions</b>	<b>Caps for 2009</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Figures for the six months ended 30 June 2009</b>
<b>Mutual Supply Agreement</b>					
(i) annual expenditures of the Company for the purchase of products and services (except financial services) from the Sinopec Group	RMB152.8 billion	RMB86.761 billion	RMB96.89 billion	RMB90.52 billion	RMB31.511 billion
(ii) annual revenues generated by the Company for the sale of products and services (except provision of guarantee) to the Sinopec Group	RMB136.2 billion	RMB76.758 billion	RMB62.22 billion	RMB80.262 billion	RMB25.163

<b>Transactions</b>	<b>Caps for 2009</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Figures for the six months ended 30 June 2009</b>
(iii) the aggregate of the average month-end balance of deposits and total amount of interest received in respect of these deposits	RMB5.5 billion	RMB1.458 billion	RMB1.704 billion	RMB2.052 billion	RMB1.597 billion
<b>Land Use Rights Leasing Agreement</b>					
annual rental payable by the Company	RMB4.5 billion	RMB3.241 billion	RMB3.234 billion	RMB4.234 billion	RMB2.113 billion
<b>Community Services Agreement</b>					
annual expenditures for the provision of products and services by the Sinopec Group to the Company	RMB2 billion	RMB1.71 billion	RMB1.621 billion	RMB1.611 billion	RMB0.846 billion
<b>Safety Production Insurance Fund Document</b>					
annual premium payable by the Company	RMB1.55 billion	RMB1.074 billion	RMB1.086 billion	RMB1.381 billion	RMB0.82 billion
<b>Properties Leasing Agreement</b>					
annual rental payable by the Company	RMB730 million	RMB332 million	RMB364 million	RMB368 million	RMB174 million

\* The original cap was RMB3.5 billion. The cap was adjusted to RMB4.5 billion in August 2008. In relation to the adjustment in August 2008, please refer to the announcement of Sinopec Corp. dated 22 August 2008.

As at the date of this announcement, none of the above annual caps for 2009 had been exceeded.

### 1.3 Estimated cap amounts of the Continuing Connected Transactions

Sinopec Corp. estimates the annual caps for the applicable Continuing Connection Transactions for the years from 2010 to 2012 to be as follows:

#### *Major Continuing Connected Transactions*

- (1) Annual revenues under the Mutual Supply Agreement: The products and services sold by the Company to the Sinopec Group under the Mutual Supply Agreement principally consist of raw materials and petrochemical products such as crude oil, natural gas, refined oil products and petrochemical products. Over the past three years, international prices of raw materials such as crude oil have experienced significant fluctuation. The price of crude oil increased from over US\$50 per barrel three years ago to the highest of over US\$140 per barrel.

The annual revenues received by the Company in respect of products and services provided to the Sinopec Group under the Mutual Supply Agreement from 2006 to 2008 and the six months ended 30 June 2009, were RMB76.758 billion, RMB6.222 billion, RMB80.262 billion and RMB25.163 billion.

Taking into account the historical figures for the past three years and material uncertainties such as possible price fluctuation in raw materials and products such as crude oil, natural gas, refined oil products and petrochemical products in the next three years, and in view of the revenues which will be generated by the Company through the provision of products and services to the Sinopec Group under the Mutual Supply Agreement, Sinopec Corp. is of the view that flexibility should be built into the caps for such transactions. The proposed caps for the transactions regarding the provision of products and services by Sinopec Corp. under the Mutual Supply Agreement are as follows:

- 2010 — RMB84.3 billion
  - 2011 — RMB88.5 billion
  - 2012 — RMB91.4 billion
- (2) Annual expenditures of the Company under the Mutual Supply Agreement: The product and services bought by the Company from the Sinopec Group under the Mutual Supply Agreement principally consist of raw materials, certain ancillary raw materials and services required by the major operating business of Sinopec Corp.

The annual expenditures in respect of products and services bought by the Company from the Sinopec Group under the Mutual Supply Agreement from 2006 to 2008 and the six months ended 30 June 2009, were RMB86.761 billion, RMB96.89 billion, RMB90.52 billion, and RMB31.511 billion, respectively.

Taking into account the historical figures for the past three years and material uncertainties such as possible price fluctuation in raw materials and products in the next three years and possible increase of Sinopec Corp.'s oil from PSC, and in view of the necessity of purchasing products and services from the Sinopec Group under the Mutual Supply Agreement for Sinopec Corp.'s continued operation, Sinopec Corp. is of the view that flexibility should be built into the caps for such transactions. The proposed caps for the purchase of products and services by Sinopec Corp. under the Mutual Supply Agreement are as follows:

- 2010 — RMB130.4 billion
- 2011 — RMB137.8 billion
- 2012 — RMB142.6 billion

#### *Non-Major Continuing Connected Transactions*

- (3) The total amount of deposits under the Mutual Supply Agreement: The average amount of deposits of the Company with the Sinopec Group's financial institutions under the Mutual Supply Agreement from 2006 to 2008 and the six months ended 30 June 2009 were RMB1.458 billion, RMB1.704 billion, RMB2.052 and RMB1.597 billion, respectively.

Sinopec Corp. is of the view that the Sinopec Group's financial institutions can generally offer more favourable terms and interest rates as compared to other financial institutions or banks. As such, Sinopec Corp. is of the view that provided that the potential risks associated can be contained, depositing with the Sinopec Group's financial institutions on a continuing basis will bring commercial advantages and better returns to Sinopec Corp. and its shareholders as a whole. Taking into account the historical figures estimated, the future business development and cash flow situation of Sinopec Corp. in the future, the proposed caps for the transactions regarding the deposits with the Sinopec Group's financial institutions under the Mutual Supply Agreement are as follows:

- 2010 — RMB9.5 billion
- 2011 — RMB9.5 billion

- 2012 — RMB9.5 billion

- (4) Land Use Rights Leasing Agreement: during 2006 to 2008 and the six months ended 31 June 2009, the rent payable under the Land Use Rights Leasing Agreement (and its amendment memos) was RMB3.241 billion, RMB3.234 billion, RMB4.234 billion and RMB2.113 billions, respectively. According to the Land Use Rights Leasing Agreement, China Petrochemical Corporation may adjust the rent every three years.

Taking into account the significant increase in the domestic land rent in the recent years and the possible payment of additional rent as a result of potential business expansion, Sinopec Corp. estimates that the total annual rent payable under the Land Use Rights Leasing Agreement (including the rent previously included under the Land Use Rights Leasing (Addition) Agreement), and in respect of the land leased by the Sinopec Group to the subsidiaries of Sinopec Corp., will be RMB6.8 billion for each year from 2010 to 2012. The revised rent has been considered by a PRC qualified property valuer to be still lower than the current market value.

- (5) Community Services Agreement: The fees paid under the Community Services Agreement from 2006 to 2008 and the six months ended 30 June 2009, were RMB1.71 billion, RMB1.621 billion, RMB1.611, and RMB0.846 billion, respectively. Due to the fact that the costs on the community services provided by the Sinopec Group increased, Sinopec Corp. proposed to amend the relevant cap for 2009 to RMB3.5 billion. Taking into account the historical figures and possible increase in the costs of raw material and labour which will results in the future extra needs for education, hygiene and community services, Sinopec Corp. proposes that the annual caps for the Community Services Agreement from 2010 to 2012 shall be RMB3.7 billion, RMB3.9 billion and RMB4.1 billion respectively.
- (6) SPI Fund Document: The premium paid under the SPI Fund Document from 2006 to 2008 and the six months ended 30 June 2009 were RMB1.074 million, RMB1.086 million, RMB1.381 million and RMB0.82 billion, respectively. Due to the Company's continuous business development, acquisition of the Sinopec Group's assets and the increase in the investment in fixed assets and inventories, the relevant insured amount increased. As a result, Sinopec Corp. proposes to increase the relevant cap for 2009 to RMB1.8 billion. Taking into account the historical figures and the extra needs of education, hygiene and community services derived from the increase in raw materials and labour costs in future, it is proposed that the annual cap for the SPI Fund Document from 2010 to 2012 shall be RMB2.2 billion, RMB2.6 billion and RMB3.0 billion, respectively.

(7) Properties Leasing Agreement: The rent paid under the Properties Leasing Agreement from 2006 to 2008 and the six months ended 30 June 2009, were RMB332 million, RMB364 million, RMB368 million and RMB174 million, respectively. Taking into account the historical figures, Sinopec Corp. proposes to maintain an annual cap of RMB730 million for the rent payable under the Properties Leasing Agreement.

#### ***Exempted Continuing Connected Transactions***

(8) Intellectual Property Licence Agreements: Based on the historical figures, Sinopec Corp. estimates that the annual fee payable by the Company to the Sinopec Group under the Intellectual Property License Agreements will not exceed 0.1% of each of the percentage ratios (other than the profit ratio). As such, the relevant transactions will be exempt from reporting, announcement and independent shareholders' approval requirements pursuant to the exemption for de minimis transactions under rule 14A.33 of the HK Listing Rules.

#### **1.4 The HK Listing Rules and The Listing Rules of Shanghai Stock Exchange Requirements**

Pursuant to the HK Listing rules and the Listing Rules of Shanghai Stock Exchange, China Petrochemical Corporation, a shareholder of approximately 75.84% interest in Sinopec Corp., and its associates will constitute connected persons of Sinopec Corp. As such, the Continuing Connected Transactions will constitute continuing connected transactions of Sinopec Corp. under the HK Listing Rules. Pursuant to Chapter 14A of the HK Listing Rules, Sinopec Corp. must comply with the reporting, announcement and independent shareholders' approval requirements in respect of such continuing connected transactions (if necessary).

Pursuant to rule 14A.34 of the HK Listing Rules, the annual caps of each of the transactions under 1.3(3) to (7) above (i.e. the Non-Major Continuing Connected Transactions) are less than 2.5% of the percentage ratios (other than the profit ratio), but more than 0.1% and as such, the transactions in (3) to (7) above will be exempted from the independent shareholders approval requirement pursuant to rule 14A.34 and 14A.66, but will still be subject to reporting and announcement requirements under Chapter 14A of the HK Listing Rules.

The transactions under 1.3(1) to (2) above (i.e. Major Continuing Connected Transactions) will be subject to the reporting, announcement and independent shareholders approval requirements in accordance with rule 14A.35 of the HK Listing Rules.

Sinopec Corp. will convene the EGM for the Independent Shareholders to consider the approval of the Mutual Supply Agreement Amendments, Major Continuing Connected Transactions and the caps for the Major Continuing Connected Transactions and at the request of the Shanghai Stock Exchange, the Non-Major Continuing Connected Transactions at the same time. China Petrochemical Corporation and its associates will abstain from voting at the EGM in respect of the ordinary resolution to approve the above matters. The notice of the EGM, and the circular providing other information regarding the Continuing Connected Transactions and containing the advice of the independent financial adviser to the Independent Board Committee in relation to the matters set out in section 3 below and the recommendation from the Independent Board Committee, will be dispatched to the shareholders in due course. Sinopec Corp. believes that information contained in this announcement and to be contained in the circular will be sufficient for Independent Shareholders to make an informed decision.

## **2. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

As China Petrochemical Corporation and/or its associates have operated with the Company as an integrated organisation prior to the restructuring of China Petrochemical Corporation and the establishment of Sinopec Corp., a number of internal transactions are being conducted every year. After the restructuring and the listing of the shares of Sinopec Corp. on the Hong Kong Stock Exchange, a number of transactions conducted or to be conducted between the Company and China Petrochemical Corporation and/or its associates have constituted continuing connected transactions under the HK Listing Rules and the Listing Rules of Shanghai Stock Exchange.

The Continuing Connected Transactions of the Company are conducted in the ordinary and usual course of business of the Company. Such transactions will continue to be conducted on an arm's length basis and on terms that are fair and reasonable to the Company. Owing to the long-term co-operation relationship between the Company and the Sinopec Group and the advantages, good reputation and gigantic scale of the Sinopec Group in various aspects, the Board is of the opinion that the entering into of such transactions on an continuing basis is essential to the continuation of Sinopec Corp.'s business and will be beneficial to the Company as the Continuing Connected Transactions facilitate and will facilitate the business operation and growth of the Company and reduce the unnecessary risks which might incur during the course of operation.

### **3. BOARD OF DIRECTORS**

The Board considers that the terms of each of the Continuing Connected Transactions are based on normal commercial terms, are fair and reasonable to its Independent Shareholders and are in the interests of Sinopec Corp. and the shareholders as a whole.

According to the requirements of the HK Listing Rules, an Independent Board Committee has been formed and will advise the Independent Shareholders of Sinopec Corp. in connection with the Mutual Supply Agreement Amendments, the Major Continuing Connected Transactions and the new caps for the Major Continuing Connected Transactions. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Continuing Connected Transactions.

ICBC International, the independent financial adviser, has been appointed to advise the Independent Board Committee in respect of the fairness and reasonableness of the Mutual Supply Agreement Amendments, the Major Continuing Connected Transactions and the new caps for the Major Continuing Connected Transactions. The independent financial advisers will also advise on the duration of the Land Use Rights Leasing Agreement, the Properties Leasing Agreement and the SPI Fund Document in accordance with rule 14A.35(1) of the HK Listing Rules.

### **4. GENERAL INFORMATION**

Sinopec Corp. is an integrated energy and chemical company with upstream, midstream and downstream operations and it is the first PRC company publicly listed on the Stock Exchange of Hong Kong, Shanghai, New York and London. The principal operations of Sinopec Corp. and its subsidiaries include: (1) exploring for and developing, producing and trading crude oil and natural gas; (2) processing crude oil into refined oil products, producing refined oil products and trading, transporting, distributing and marketing refined oil products; (3) producing, distributing and trading chemical products.

Sinopec Group Company was established in July 1998, and it is an authorized investment organization with a registered capital of RMB130,645,104,000 billion. Its controlling shareholder is the state. Upon reorganization in 2000, Sinopec Group Company transferred its principal petrochemical business to Sinopec Corp., while Sinopec Group Company continues to operate the remaining petrochemical facilities and small-scale oil refineries. It also provides services in well-drilling, well-measuring, under-well operation, production equipments manufacturing and maintenance, engineering construction as well as the utility projects such as water, electricity, and social services.

## 5. MUTUAL SUPPLY AGREEMENT AMENDMENTS

Rule 14A.35 of the HK Listing Rules provides that the duration of continuing connected transactions should generally be no more than three years. Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Second Supplemental Agreement under which, among other things, the duration of the Mutual Supply Agreement was extended to 31 December 2012.

Under rule 14A.36 of the HK Listing Rules, the Mutual Supply Agreement Amendments will be subject to the approval of the Independent Shareholders.

## 6. DEFINITIONS

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

“associates”	has the meaning ascribed to it in the HK Listing Rules;
“Board”	the board of directors of Sinopec Corp.;
“China Petrochemical Corporation”	China Petrochemical Corporation, being the controlling shareholder of Sinopec Corp.;
“Community Services Agreement”	the community services agreement dated 3 June 2000 and the supplemental agreement dated 26 September 2000 (as amended by the Continuing Connected Transactions First Supplemental Agreement) regarding the provision of, inter alia, certain cultural, educational, hygiene and community services by the Sinopec Group to the Company;
“Company”	Sinopec Corp. and its subsidiaries;
“Computer Software Licence Agreement”	the computer software licence agreement dated 3 June 2000 regarding the granting of licence by the Sinopec Group to the Company to use certain computer software of the Sinopec Group;
“Continuing Connected Transactions”	the transactions under the Exempted Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the Major Continuing Connected Transactions;
“Continuing Connected Transactions Agreements”	collectively refer to Mutual Supply Agreement, Land Use Rights Leasing Agreement, Community Services Agreement, SPI Fund Document, Property Leasing Agreement and Intellectual Property License Agreement;

“Continuing Connected Transactions First Supplemental Agreement”	the agreement dated 31 March 2006 entered into between Sinopec Corp. and China Petrochemical Corporation regarding the amendments of the terms of the Continuing Connected Transactions;
“Continuing Connected Transactions Second Supplemental Agreement”	the agreement dated 21 August 2009 entered into between Sinopec Corp. and China Petrochemical Corporation regarding the amendments of the terms of the Continuing Connected Transactions;
“Directors”	the directors of Sinopec Corp.;
“EGM”	the extraordinary general meeting of Sinopec Corp. to be held for Independent Shareholders of Sinopec Corp. to consider and to approve the Mutual Supply Agreement Amendments, the Major Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the caps for the Major Continuing Connected Transactions;
“Exempted Continuing Connected Transactions”	the transactions contemplated under the Intellectual Property Licence Agreements;
“HK Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, namely Liu Zhongli, Ye Qing, Li Deshui, Xie Zhongyu, Chen Xiaojin;
“Independent Shareholders”	the shareholders of Sinopec Corp. other than China Petrochemical Corporation and its associates;
“Intellectual Property Licence Agreements”	the Trademarks Licence Agreement, the Computer Software Licence Agreement and the Patents and Proprietary Technology Licence Agreement;
“ICBC International”	ICBC International Capital Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 regulated activities (dealing in securities) and Type 6 regulated activities (advising on corporate finance);

“Land Use Rights Leasing Agreement”	the land use rights leasing agreement dated 3 June 2000 (as amended) regarding the leasing of certain land use rights by the Sinopec Group to the Company;
“Land Use Rights Leasing (Additional) Agreement”	the land use rights leasing agreement dated 22 August 2003 regarding the leasing of certain land use rights by the Sinopec Group to the Company;
“Land Use Rights Amendment Memo”	the memo dated 22 August 2008 regarding the amendments to the Land Use Rights Leasing Agreement;
“Land Use Rights Second Amendment Agreement”	the memo dated 21 August 2009 regarding the amendments to the Land Use Rights Leasing Agreement;
“Major Continuing Connected Transactions”	the transactions relating to the sales and purchases of the products and services under the Mutual Supply Agreement;
“Mutual Supply Agreement”	the mutual supply agreement dated 3 June 2000 and the supplemental agreement dated 26 September 2000 (as amended) regarding the provision of a range of products and services from time to time (1) by the Sinopec Group to the Company; and (2) by the Company to the Sinopec Group;
“Mutual Supply Agreement Amendments”	the extension of the term of the Mutual Supply Agreement for another three years ending on 31 December 2012 pursuant to the Continuing Connected Transactions Second Supplemental Agreement;
“Non-Major Continuing Connected Transactions”	the transactions relating to the deposit of money under the Mutual Supply Agreement, the SPI Fund Document, the Land Use Rights Leasing Agreement, the Community Services Agreement and the Properties Leasing Agreement;
“PSC”	production sharing contracts;
“Patents and Proprietary Technology Licence Agreement”	the patents and proprietary technology licence agreement dated 3 June 2000 regarding the granting of licence by the Sinopec Group to the Company to use certain patents and proprietary technology of the Sinopec Group;
“Properties Leasing Agreement”	the properties leasing agreement dated 3 June 2000 (as amended) regarding the leasing of certain properties by the Sinopec Group to the Company;

“RMB”	the lawful currency of the People’s Republic of China;
“Shanghai Stock Exchange”	the Stock Exchange of Shanghai;
“Sinopec Corp.”	China Petroleum & Chemical Corporation, a joint stock limited company incorporated in the PRC with limited liability;
“Sinopec Group”	China Petrochemical Corporation and its subsidiaries (other than the Company);
“SPI Fund Document”	a document jointly issued in 1997 by the Ministry of Finance 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 Sinopec Corp. to the China Petrochemical Corporation. Under the SPI Fund Document, Sinopec Corp. is required to pay twice a year an insurance premium. Each time Sinopec Corp. shall pay 0.2% of the historical value of the fixed assets and the average month-end inventory value of the Company of the previous six months; after China Petrochemical Corporation has received the premium from Sinopec Corp., the China Petrochemical Corporation will refund 20% of the paid premium to Sinopec Corp. if Sinopec Corp. pays the semi-annual premium on time according to the SPI Fund Document (“Refund”). The Refund would be 17% of the paid premium if Sinopec Corp. failed to pay the semi-annual premium on time. The Refund shall be used by Sinopec Corp. 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 special contribution to safety production;

“Stock Exchange”      The Stock Exchange of Hong Kong Limited;

“Trademarks Licence Agreement”      the trademarks licence agreement dated 3 June 2000 regarding the granting of licence by the Sinopec Group to the Company to use certain trademarks of the Sinopec Group.

By Order of the Board  
**China Petroleum & Chemical Corporation**  
**Chen Ge**  
*Secretary to the Board of Directors*

Beijing, PRC, 21 August 2009

*As at the date of this announcement, the non-executive directors are Messrs. Su Shulin, Zhang Yaocang, Cao Yaofeng, Li Chunguang and Liu Yun; the executive directors of Sinopec Corp. are Messrs. Wang Tianpu, Zhang Jianhua, Wang Zhigang, Cai Xiyou, Dai Houliang; the independent non-executive directors are Messrs. Liu Zhongli, Ye Qing, Li Deshui, Xie Zhongyu, Chen Xiaojin.*