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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: 00386)

CONNECTED TRANSACTION

CAPITAL INCREASE AND DEEMED DISPOSAL

CAPITAL INCREASE

The Board is pleased to announce that on 29 April 2019, the Company entered into the Sinopec-SK Capital Increase Agreement with Sinopec Asset, SKGC and Sinopec-SK, respectively, to agree upon the Capital Increase in Sinopec-SK. Pursuant to the Sinopec-SK Capital Increase Agreement, (i) the Company shall contribute the Capital Increase Assets of Sinopec equivalent to RMB549.0 million to Sinopec-SK, of which to subscribe for the newly increased registered capital of Sinopec-SK of RMB168.37 million and the remaining part shall be included in the capital reserve of Sinopec-SK, (ii) Sinopec Asset shall contribute the Capital Increase Assets of Sinopec Asset equivalent to RMB1.5022 billion to Sinopec-SK, of which to subscribe for the newly increased registered capital of Sinopec-SK of RMB431.58 million and the remaining part shall be included in the capital reserve of Sinopec-SK, and (iii) SKGC shall contribute cash in RMB1.1045 billion or equivalent USD to Sinopec-SK, of which to subscribe for the newly increased registered capital of Sinopec-SK of RMB323.05 million and the remaining part shall be included in the capital reserve of Sinopec-SK. Upon Completion of the Capital Increase, the registered capital of Sinopec-SK will increase to RMB7.1930 billion from RMB6.27 billion, in which the Company's shareholding will be reduced from 65% to 59%, Sinopec Asset's shareholding will increase to 6% from 0%, and SKGC's shareholding will remain unchanged at 35%. On the same date, the Company, Sinopec Asset and SKGC also entered into the Sinopec-SK Joint Venture Contract and entered into the Sinopec-SK Articles with Sinopec-SK.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Petrochemical Corporation is the controlling shareholder of the Company. As Sinopec Asset is a subsidiary of China Petrochemical Corporation, pursuant to Chapter 14A of the Listing Rules, Sinopec Asset is an associate of China Petrochemical Corporation and thus constitutes a connected person of the Company. As the Capital Increase constitutes deemed disposal of the Company under Rule 14.29 of the Listing Rules, accordingly, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Increase exceeds 0.1% but is less than 5%, the Capital Increase is subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 29 April 2019, the Company entered into the Sinopec-SK Capital Increase Agreement with Sinopec Asset, SKGC and Sinopec-SK, respectively, to agree upon the Capital Increase in Sinopec-SK. Upon Completion of the Capital Increase, the Company's shareholding will be reduced from 65% to 59%, Sinopec Asset's shareholding will increase to 6% from 0%, and SKGC's shareholding will remain unchanged at 35%. On the same date, the Company, Sinopec Asset and SKGC also entered into the Sinopec-SK Joint Venture Contract and entered into the Sinopec-SK Articles with Sinopec-SK.

On the same date, the Company entered into the Asset Transfer Agreement with Sinopec-SK, where the Company agreed to dispose the Transferred Assets to Sinopec-SK. The Asset Transfer Agreement is a transaction within the Group and does not constitute a transaction under Chapter 14 or Chapter 14A of the Listing Rules.

In respect of the Capital Increase, Sinopec Asset has made capital contribution to Sinopec-SK and the Company does not exercise the relevant pre-emptive rights, which constitutes a connected transaction between the Company and China Petrochemical Corporation pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange but does not reach the minimum disclosure threshold pursuant to Chapter X of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and also there is no need to be submitted to the Company's general meeting for shareholders' approval. In respect of the disposal of Transfer Assets from the Company to Sinopec-SK, as it is a transaction between the Company and its consolidated subsidiary, the transaction is exempted from disclosure procedure pursuant to Chapter IX of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

PRINCIPAL TERMS OF THE SINOPEC-SK CAPITAL INCREASE AGREEMENT

Date: 29 April 2019

Parties:

- (1) the Company
 - (2) Sinopec Asset
 - (3) SKGC; and
 - (4) Sinopec-SK
- (collectively, the “Parties”)

Amount of increase in capital and registered capital

The Parties agreed upon the increase of the registered capital of Sinopec-SK to RMB7.1930 billion from RMB6.27 billion. (i) The Company shall contribute the Capital Increase Assets of Sinopec equivalent to RMB549.0 million to Sinopec-SK, of which to subscribe for the newly increased registered capital of Sinopec-SK of RMB168.37 million and the remaining part shall be included in the capital reserve of Sinopec-SK, (ii) Sinopec Asset shall contribute the Capital Increase Assets of Sinopec Asset equivalent to RMB1.5022 billion to Sinopec-SK, of which to subscribe for the newly increased registered capital of Sinopec-SK of RMB431.58 million and the remaining part shall be included in the capital reserve of Sinopec-SK, and (iii) SKGC shall contribute cash in RMB1.1045 billion or equivalent USD to Sinopec-SK, of which to subscribe for the newly increased registered capital of Sinopec-SK of RMB323.05 million and the remaining part shall be included in the capital reserve of Sinopec-SK.

After the issuance of the New Business License, the percentage of each Party’s contribution to the registered capital of Sinopec-SK is as follows:

| No. | Shareholder | Subscribed Registered Capital (RMB) | Contribution Percentage (%) |
|-------|----------------------|-------------------------------------|-----------------------------|
| 1 | Company | 4,243,870,000.00 | 59 |
| 2 | Sinopec Asset | 431,580,000.00 | 6 |
| 3 | SKGC | 2,517,550,000.00 | 35 |
| Total | / | 7,193,000,000.00 | 100 |

Basis for the Capital Increase amount

The amounts of the Capital Increase to be made by the Parties were determined after arm’s length negotiations among the Parties to the Capital Increase Agreement with reference to (i) the valuation results of the net assets of Sinopec-SK prepared by the Valuer using the income approach as of the Valuation Date, and (ii) the production, operation and financial position and the future planning for development of Sinopec-SK. Pursuant to the valuation results as of 30 April 2018, being the Valuation Date, prepared by the Valuer using the income approach, the appraised value of the net assets of Sinopec-SK is RMB21.438 billion.

The values of Capital Increase Assets were determined based on the appraised value of the net assets of the Capital Increase Assets as of the Valuation Date prepared by the Valuer using the asset-based approach.

Handover of Capital Increase Assets and Payment of Capital Increase Amount of SKGC

The Company shall hand over the Capital Increase Assets of Sinopec (the “**Handover of the Capital Increase Assets of Sinopec**”) and Sinopec Asset shall hand over the Capital Increase Assets of Sinopec Asset (the “**Handover of the Capital Increase Assets of Sinopec Asset**”) to Sinopec-SK within thirty (30) days after the issuance of the New Business License following the full satisfaction or waiver by relevant Party of all Conditions. The Handover of the Capital Increase Assets of Sinopec and the Handover of the Capital Increase Assets of Sinopec Asset shall be completed on the same day as the handover of the Transferred Assets, and such day shall be referred to as the “**Asset Handover Date**”;

- 1) On the Asset Handover Date, the Company and Sinopec Asset shall deliver the Capital Increase Assets of Sinopec, the Capital Increase Assets of Sinopec Asset and all relevant materials to Sinopec-SK on a lump-sum basis;
- 2) On the Asset Handover Date, the Company shall deliver the Transferred Assets and all relevant materials to Sinopec-SK on a lump-sum basis in accordance with the provisions of the Asset Transfer Agreement; and
- 3) Sinopec-SK and the Company, Sinopec-SK and Sinopec Asset shall make an inventory of and confirm the Capital Increase Assets of Sinopec, the Transferred Assets and the Capital Increase Assets of Sinopec Asset, respectively. Upon inventory and confirmation, the authorised representatives designated by the Company, Sinopec Asset and Sinopec-SK (the authorised representatives of Sinopec-SK shall include at least one employee appointed by SKGC) shall jointly execute the confirmation letter of Handover of the Capital Increase Assets of Sinopec and the Transferred Assets, and the confirmation letter of Handover of the Capital Increase Assets of Sinopec Asset.

Since the Asset Handover Date, all rights and obligations and risks of damage and loss associated with the Capital Increase Assets shall be deemed to have been transferred from the Company and Sinopec Asset to Sinopec-SK and Sinopec-SK shall have full rights to occupy, use, receive proceeds from and dispose of such assets. SKGC shall pay the Capital Increase Amount of SKGC to Sinopec-SK on a lump-sum basis within thirty (30) days after the issuance of the New Business License following the full satisfaction or waiver by relevant Party of all Conditions. If SKGC makes payment in cash in USD, the USD: RMB exchange rate shall be the USD: RMB base exchange rate (central parity rate) published by the People’s Bank of China on the day when SKGC makes capital contribution in accordance with Sinopec-SK Capital Increase Agreement. The day on which the Capital Increase Amount of SKGC is paid shall be referred to as the “**Payment Date of the Capital Increase Amount of SKGC**”.

Conditions Precedent

Upon the satisfaction or due waiver by relevant Party of the following Conditions, the Company and Sinopec Asset shall handover the Capital Increase Assets to Sinopec-SK and SKGC shall pay the Capital Increase Amount of SKGC to Sinopec-SK:

- 1) the Transaction Agreements shall have been duly executed by the relevant Parties;
- 2) Sinopec-SK shall have obtained the New Business License;
- 3) The Parties shall have obtained necessary prior consents, approval or permits of government authorities and third parties, if applicable, with respect to the Capital Increase;
- 4) Each of the Company and Sinopec Asset shall have taken all necessary measures to ensure the change of the policyholder and beneficiary of the insurance covering its Capital Increase Assets to Sinopec-SK on the Asset Handover Date;
- 5) The representations and warranties of the parties contained in Transaction Agreements shall have been true and accurate;
- 6) The parties shall have performed in all material respects any agreements, covenants, conditions and obligations to be performed or complied with by them in accordance with the Transaction Agreements;
- 7) No government authority shall have enacted, issued, promulgated, implemented or adopted any Law or Governmental Order which would render the Capital Increase illegal or otherwise restrict or prohibit the Capital Increase or the Asset Transfer; and
- 8) Sinopec-SK shall have completed filing with Ministry of Commerce of the People's Republic of China and foreign exchange change registration and other approvals of or registration or filing with government authorities, if necessary, as required by the acceptance of the Capital Increase Amount of SKGC.

Undertakings after the Handover of Assets

The Company and Sinopec Asset respectively undertakes that after the Asset Handover Date, the Company shall complete the change of registrations of the land use rights and ownership of buildings and structures in the Capital Increase Assets of Sinopec within maximum five(5) years (“**Sinopec Capital Contribution Registration Period**”) and Sinopec Asset shall complete the change of registrations of the land use rights and ownership of buildings and structures in the Capital Increase Assets of Sinopec Asset within three(3) or five(5) years subject to the nature of the lands (“**Sinopec Asset Capital Contribution Registration Period**”);.

Capital Contribution Compensation

If the Company or Sinopec Asset has handed over to Sinopec-SK all the Capital Increase Assets of Sinopec or the Capital Increase Assets of Sinopec Asset, respectively, in accordance with the Sinopec-SK Capital Increase Agreement but fails to complete the change of registration in accordance with the agreement, the Company or Sinopec Asset shall pay to Sinopec-SK respectively within thirty(30) days upon the expiration of the Sinopec Capital Contribution Registration Period or Sinopec Asset Capital Contribution Registration Period (or

the extended period as agreed) the compensation in an amount equal to the value of the assets in the Capital Increase Assets of Sinopec or the Capital Increase Assets of Sinopec Asset, in respect of which the change of registration is not completed, as listed in the capital contribution certificate issued by Sinopec-SK. The Company and Sinopec-SK, or Sinopec Asset and Sinopec-SK shall enter into a lease agreement in form and substance satisfactory to the Parties with respect to Sinopec-SK's use of those assets of the Company or Sinopec Asset whose change of registration is not completed.

Effectiveness and Completion

Sinopec-SK Capital Increase Agreement shall become effective upon the duly signing/sealing by the Parties or their duly authorised representatives.

The Asset Handover Date or the Payment Date of the Capital Increase Amount of SKGC (the latter one) shall be regarded as the completion date of the Capital Increase. However, the Completion of the Capital Increase does not mean that the Company and Sinopec Asset have fulfilled their capital contribution obligations.

PRINCIPAL TERMS OF THE SINOPEC-SK JOINT VENTURE CONTRACT

Date: 29 April 2019

Parties:

- 1) the Company
- 2) Sinopec Asset; and
- 3) SKGC

Registered Capital and Total Amount of Investment

The total amount of investment of Sinopec-SK shall be increased from RMB18,630,000,000.00 to RMB21,579,000,000.00. The parties agree to increase the registered capital of Sinopec-SK from RMB6,270,000,000.00 to RMB7,193,000,000.00.

Assignment Transfer of Equity Interest of Sinopec-SK

Subject to the requirements under PRC laws (including regulations related to supervision of state-owned assets), no party shall assign all or part of its equity interest in Sinopec-SK without the prior written consent of the other two parties, whose consent shall not be withheld unreasonably. If at any time a party (the "**Assigning Party**") desires to assign its equity interest in Sinopec-SK ("**Equity Interest to Be Sold**"), it shall notify the other two parties in writing setting forth its intent to assign, the purchase price offered by the potential purchaser (the "**Potential Purchaser**"), other major terms and conditions governing the assignment, and the name of such Potential Purchaser ("**Disposal Notice**"). The other two parties shall have a pre-emptive right to purchase the Equity Interest to Be Sold by serving a written notice

(“**Purchase Notice**”) to the Assigning Party within thirty (30) days after receipt of the Disposal Notice setting forth its wish to purchase all the Equity Interest to Be Sold at (a) the purchase price set out in the Disposal Notice and preliminarily accepted by the Assigning Party, or (b) the price determined in accordance with the valuation procedure set forth in Sinopec-SK Joint Venture Contract.

- (i) If neither of the other two parties gives the Assigning Party the Purchase Notice pursuant to the Sinopec-SK Joint Venture Contract, it shall be deemed to have waived its pre-emptive right;
- (ii) In the event that only one of the other two parties serves the Purchase Notice, the party who serves the Purchase Notice shall purchase all the Equity Interest to Be Sold at the price chosen by it in the Purchase Notice;
- (iii) In the event that both of the other two parties serve the Purchase Notice to the Assigning Party but only one of them accepts the price set out in the Disposal Notice, then such party shall purchase all the Equity Interest to Be Sold at the price set out in the Disposal Notice;
- (iv) In the event that both of the other two parties serve the Purchase Notice to the Assigning Party but neither of them accepts the price set out in the Disposal Notice, then this party is entitled to nominate two (2) reputable accounting firms registered in the PRC and engaged in international businesses and notify the Assigning Party of such nominees. The Assigning Party shall select within fifteen (15) days of receipt of such nominee list from such party one (1) nominee to be the independent appraiser to appraise the fair market value of Sinopec-SK in accordance with PRC Laws (provided that in the event that SKGC is the party requesting the valuation, the independent appraiser shall be selected from the two accounting firms nominated by SKGC). All the costs relating to appraisal shall be shared equally among the Assigning Party and the parties which give the purchase notice but do not accept the price set forth in the Disposal Notice. That portion of the fair market value of Sinopec-SK that corresponds to the Equity Interest to Be Sold shall be the purchase price of the Equity Interest to Be Sold unless otherwise agreed by the parties.

During the joint venture term of Sinopec-SK, SKGC may make a request to the Company that SKGC or its designated affiliate shall purchase from the Company five percent (5%) of equity interest in Sinopec-SK, and the Company shall agree to proceed such assignment of equity interest in the manner provided in PRC laws (including regulations related to supervision of state-owned assets) to the extent permitted by PRC laws (including regulations related to supervision of state-owned assets).

Board of Directors

The board of Sinopec-SK shall be comprised of eight (8) directors. Five (5) shall be appointed by the Company and Sinopec Asset and three (3) by SKGC. The board of directors of Sinopec-SK shall have one (1) chairman. So long as the Company and SKGC are the largest

shareholder and the second largest shareholder of Sinopec-SK respectively, the chairman shall be appointed by the Company and the vice chairman shall be appointed by SKGC.

Distribution of Profits

Unless the board of Sinopec-SK unanimously decides otherwise, all after-tax profits (remaining after contributions to the reserve fund, the enterprise development fund and the bonus and welfare fund for employees) shall be distributed to the parties in proportion to their subscribed capital contribution.

Joint Venture Term

The initial joint venture term shall be thirty (30) years starting from the date on which the business license of Sinopec-SK is issued by the registration authority for the first time. (i.e. 28 October 2013)

PROFIT FORECASTS REGARDING THE VALUATION METHOD

Since the aforementioned asset valuation reports of Sinopec-SK were prepared by the Valuer using the income approach, the calculations of net assets valuation of Sinopec-SK as set out in the asset valuation reports are deemed as profit forecasts under Rule 14.61 of the Hong Kong Listing Rules. As such, the Company discloses details of the valuations in accordance with Rule 14.62 of the Hong Kong Listing Rules as follows.

Set out below are details of the principal assumptions:

(I) General Assumptions

1. Transaction Assumption

To assume that all the assets to be valued are already in the process of transaction, and the Valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued.

Transaction assumption is the most basic assumption for asset valuation.

2. Open Market Assumption

To assume that the assets to be valued are traded or can be traded on the open market, and both of the parties to the transaction of the assets are in equal position and have enough opportunities and time to obtain market information so as to make reasonable and rational judgment on the functions, purpose and considerations of the assets. The open market assumption is based on the assumption that assets can be bought and sold on the market.

3. Asset Continuous Use Assumption

Asset continuous use assumption refers to the confirmation of the valuation method, parameters and references base on the assets to be valued will continue to be used for current or revised purpose, by current or revised use method with the similar or revised size, frequency and in the similar or changed environment and other status.

(II) *Special Assumptions*

1. This valuation assumes that the future external economic environment remains unchanged as the Valuation Date and the current national macroeconomic conditions will not change significantly;
2. There will be no significant change to the social economic environment of the enterprises or to any policies of tax and tax rate adopted by the enterprises.
3. There will be no significant change to the national interest rate and exchange rate policies after the Valuation Date.
4. The future management members of the enterprises will duly perform their duties and continue to carry out the operation and management in the same manner as currently adopted.
5. The valuation of each asset shall be based on the actual quantity of such asset as at the Valuation Date, and the current market price of the asset to be valued shall be determined with reference to the effective prevailing market price where the asset is located as at the Valuation Date.
6. Assuming the basic materials and financial materials provided by Sinopec-SK are true, accurate and complete.
7. The valuation scope only includes the assets in the valuation declaration form provided by Sinopec-SK, without considering the possible assets or liabilities which may not be included in the valuation declaration form provided by Sinopec-SK.
8. Assuming the cash inflow and outflow of Sinopec-SK after the Valuation Date are average cash inflows and cash outflows.
9. Assuming Sinopec-SK will expand its ethylene production capacity to 1.1 million tons/year based on its existing 800,000 tons/year ethylene production capacity, by tapping potential and reforming, and its investment for the production expansion will be in place on time, and its production capacity will be increased on schedule.
10. Adoption of the valuation parameters in this valuation did not consider the impact of inflation factors.

PricewaterhouseCoopers, the auditor of the Company, has reviewed the arithmetical accuracy of the calculations for the relevant forecasts under the revenue-based method, which do not involve the adoption of accounting policies, for the valuation. The Board has confirmed that the

profit forecasts for net assets valuation of Sinopec-SK as set out in the valuation reports have been made after due and careful enquiry by the Board. The letters issued by PricewaterhouseCoopers and the Board are set out in Appendix I and Appendix II to this announcement, respectively. The qualification of the expert who has given its opinion or advice included in this announcement is set out below:

| Name | Qualification | Date of conclusion or opinion |
|------------------------|-----------------------------|--------------------------------------|
| PricewaterhouseCoopers | Certified Public Accountant | 29 April 2019 |

As at the date of this announcement, as far as the Directors are aware, the aforesaid expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate others to subscribe for any shares, convertible securities, warrants, options or derivative securities which carry voting rights in any member of the Group.

The aforesaid expert has given and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter or report and/or references to its name.

INFORMATION ON SINOPEC-SK

Sinopec-SK, a limited liability company, was established on 28 October 2013 under the Laws of the PRC. Prior to the completion of the Capital Increase, the Company holds 65% of equity interest in Sinopec-SK, and SKGC holds 35% of equity interest in Sinopec-SK. Its principal business includes: the production, sales and R&D of ethylene plants and the downstream products of naphtha cracking ethylene project; the provision of technical services related to petrochemical products and relevant auxiliary activities to customers.

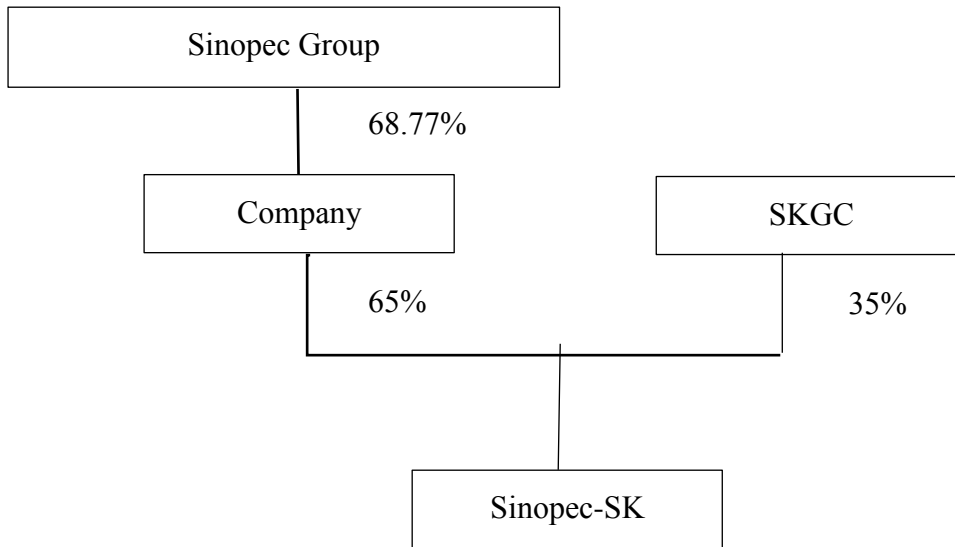
The table below sets out certain audited financial information of Sinopec-SK for the two financial years ended 31 December 2017 and 31 December 2018 prepared under the China Accounting Standards for Business Enterprises:

| | For the year ended 31 December 2017 <i>Unit: RMB</i> | For the year ended 31 December 2018 <i>Unit: RMB</i> |
|-------------------------------------|--|--|
| Revenue | 16,139,133,804.55 | 17,133,907,427.94 |
| Profit before income tax expense | 3,642,978,560.99 | 2,504,584,417.16 |
| Profit after income tax expense | 2,733,042,368.87 | 1,879,165,018.66 |

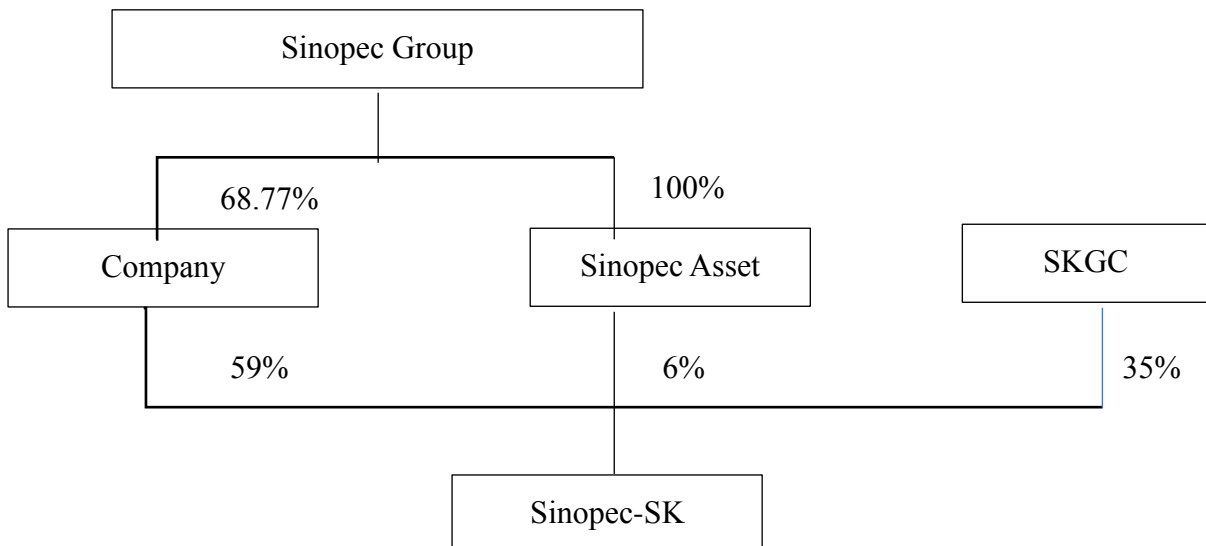
As at 31 December 2018, the audited total assets of Sinopec-SK amount to RMB15,360,041,642.29, and the audited net assets of Sinopec-SK amount to RMB13,029,049,944.14 under the China Accounting Standards for Business Enterprises

Set out below is the shareholding structure of Sinopec-SK immediately before and after the Capital Increase:

Before the Capital Increase



After the Capital Increase



After the completion of the Capital Increase, Sinopec-SK will remain a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Capital Increase will help reduce the connected transactions between the Company and China Petrochemical Corporation and further improve the integrated operation level of the Company, so as to enhance the comprehensive competitiveness of the Company in its business locations, the overall capability of risk resistance and expand its regional influence.

OPINIONS OF THE DIRECTORS

As at the date of this announcement, except for the INEDs, all other Directors are connected Directors and therefore required to abstain from voting on the resolution approving the Capital Increase and the transactions contemplated thereunder at the Board meeting. The Board has considered and approved the resolution on the Capital Increase. All Directors (including all INEDs) are of the opinion that, (i) the Capital Increase is on normal commercial terms; (ii) the terms and conditions of the Sinopec-SK Capital Increase Agreement, the Sinopec-SK Joint Venture Contract and the Sinopec-SK Articles are fair and reasonable; and (iii) the Capital Increase is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Petrochemical Corporation is the controlling shareholder of the Company. As Sinopec Asset is a subsidiary of China Petrochemical Corporation, pursuant to Chapter 14A of the Listing Rules, Sinopec Asset is an associate of China Petrochemical Corporation and thus constitutes a connected person of the Company. As the Capital Increase constitutes deemed disposal of the Company under Rule 14.29 of the Listing Rules, accordingly, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Increase exceeds 0.1% but is less than 5%, the Capital Increase is subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

Sinopec Asset

Sinopec Asset is a company established under the Laws of the PRC with limited liability and is principally engaged in the business of authorised investment management; sales of chemical, chemical fibre, fine chemical products (excluding dangerous goods); thermal production and supply and water supply services; petroleum refining; land and proprietary properties leasing, etc.

SKGC

SKGC is a company established under the laws of the Republic of Korea and is principally engaged in the business of the production of basic chemical substance of the petrochemical industry; the post-treatment of oil refining products; the manufacture of synthetic rubber, synthetic resin and plastic materials; the wholesale, retail, engineering test, inspection and analysis services of synthetic rubber (i.e. plastic materials) and chemical materials, and other business support services.

The Company

The Company is one of the largest integrated energy and chemical companies in China and is mainly engaged in the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre and other chemical products; the import and export, including import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

| | |
|-----------------------------------|--|
| "Asset Transfer Agreement" | the agreement dated 29 April 2019 entered between the Company and Sinopec-SK on the disposal of the Transfer Assets from the Company to Sinopec-SK |
| "associate" | has the meaning ascribed thereto under the Listing Rules |
| "Board" | the board of directors of the Company |
| "Capital Increase" | the capital increase in Sinopec-SK by the Company, Sinopec Asset and SKGC in accordance with the terms and conditions of Sinopec-SK Capital Increase Agreement, upon the completion of which, the Company, Sinopec Asset and SKGC will hold 59%, 6% and 35% of equity interest in Sinopec-SK, respectively |
| "Capital Increase Amount of SKGC" | the contribution of cash in RMB1.1045 billion or equivalent USD by SKGC in relation to the Capital Increase |

| | |
|--|---|
| "Capital Increase Assets" | the Capital Increase Assets of Sinopec and Capital Increase Assets of Sinopec Asset |
| "Capital Increase Assets of Sinopec" | the real estate assets and liabilities associated with the oil-refining production and operation of the Company's Wuhan Branch and the valuation results of which was RMB549 million using asset-based approach |
| "Capital Increase Assets of Sinopec Asset" | the assets and liabilities associated with the oil-refining production and operation of Sinopec Asset Wuhan Branch and the valuation results of which was RMB1.502 billion using asset-based approach |
| "China "or "PRC" | the People's Republic of China |
| "China Petrochemical Corporation" | China Petrochemical Corporation |
| "Company" | China Petroleum & Chemical Corporation |
| "Completion" | the completion of the Capital Increase in accordance with the Sinopec-SK Capital Increase Agreement |
| "Conditions" | the conditions precedent to the handover of Capital Increase Assets in accordance with the Sinopec-SK Capital Increase Agreement |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Director(s)" | director(s) of the Company |
| "Group" | the Company and its subsidiaries |
| "INED(s)" | the independent non-executive directors of the Company, including Tang Min, Fan Gang, Cai Hongbin and Ng, Kar Ling Johnny |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "New Business License" | the new business license of Sinopec-SK issued after |

| | |
|---|--|
| | the completion of change registration/filing with registration authority |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Sinopec Asset" | Sinopec Group Asset Management Co., Ltd., a limited liability company established under the Laws of the PRC |
| "Sinopec Group" | China Petrochemical Corporation and its subsidiaries |
| "SKGC" | SK Global Chemical Co., Ltd., (D) SK Global, a limited liability company established under the laws of the Republic of Korea |
| "Sinopec-SK" | Sinopec-SK (Wuhan) Petrochemical Co., Ltd., a Sino-foreign equity joint venture company duly established under the laws of the PRC with limited liability |
| "Sinopec-SK Capital Increase Agreement" | the capital increase agreement dated 29 April 2019 in relation to the capital increase in Sinopec-SK entered into among the Company, Sinopec Asset, SKGC and Sinopec-SK |
| "Sinopec-SK Joint Venture Contract" | Sinopec-SK (Wuhan) Petrochemical Co., Ltd. Equity Joint Venture Contract dated 29 April 2019 entered into among the Company, Sinopec Asset and SKGC |
| "Sinopec-SK Articles" | the articles of association of Sinopec-SK entered into on 29 April 2019 among the Company, Sinopec Asset, SKGC and Sinopec-SK |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Transaction Agreements" | the Sinopec-SK Capital Increase Agreement, Sinopec-SK Joint Venture Contract, Sinopec-SK Articles and the Asset Transfer Agreement and any amendments and supplements thereto (if any) |
| "Transferred Assets" | the oil-refining production equipment and the relevant rights, liabilities and employees of the Company's Wuhan Branch |

"Valuer" China United Asset Appraisal Group Co., Ltd.
"Valuation Date" 30 April 2018
"USD" United States dollars, the lawful currency of the United States of America

By order of the Board
China Petroleum & Chemical Corporation
Huang Wensheng

Vice President, Secretary to the Board

Beijing, PRC
29 April 2019

As of the date of this announcement, directors of the Company are: Dai Houliang, Ma Yongsheng#, Li Yunpeng*, Yu Baocai*, Ling Yiqun#, Liu Zhongyun#, Li Yong*, Tang Min+, Fan Gang+, Cai Hongbin+, Ng, Kar Ling Johnny+*

Executive Director

** Non-executive Director*

+ Independent Non-executive Director

APPENDIX I — LETTER FROM PRICEWATERHOUSECOOPERS

The following is the text of the letter dated 29 April 2019 from PricewaterhouseCoopers, the Certified Public Accountants, which was prepared for inclusion in this announcement.

INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF SINOPEC-SK (WUHAN) PETROCHEMICAL CO., LTD.

TO THE BOARD OF DIRECTORS OF CHINA PETROLEUM & CHEMICAL CORPORATION

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “Valuation”) dated 26 April 2019 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in Sinopec-SK (Wuhan) Petrochemical Co., Ltd. (the “Target Company”) is based. The Valuation is set out in the announcement of China Petroleum & Chemical Corporation (the “Company”) dated 29 April 2019 (the “Announcement”) in connection with the proposed capital increase in the Target Company with assets and deemed disposal by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies

and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the Announcement.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 April 2019

APPENDIX II - LETTER FROM THE BOARD

The following is the text of the letter dated 29 April 2019 from the Board, which was prepared for inclusion in this announcement.

To: Listing Division

The Stock Exchange of Hong Kong Limited

12/F, Two Exchange Square,

8 Connaught Place, Central,

Hong Kong

Dear Sir/Madam,

Company: China Petroleum & Chemical Corporation (the “Company”)

Re: Profit forecast – Confirmation letter under the requirements of Rule 14.62(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”)

Reference is made to the announcement of the Company dated 29 April 2019 in relation to, among other things, the valuation reports dated 26 April 2019 of Sinopec-SK (Wuhan) Petrochemical Co., Ltd., which were prepared by China United Asset Appraisal Group Co., Ltd. (the “Valuer”) using the revenue-based method (the “Valuation Report”).

The board of directors of the Company has reviewed and discussed with the Valuer on the basis and assumptions of the valuation. The board of directors of the Company has also considered the report from PricewaterhouseCoopers, the auditor of the Company, dated 29 April 2019 in relation to the calculations of the discounted future estimated cash flows in the Valuation Report.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the board of directors of the Company confirmed that the profit forecast used in the Valuation Report has been made after due and careful enquiry.

The Board of Directors of China Petroleum & Chemical Corporation

29 April 2019