中国石化
SINOPEC

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)

(1) PROPOSED ISSUANCE OF A SHARES; AND (2) CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUANCE OF A SHARES UNDER GENERAL MANDATE

PROPOSED ISSUANCE OF A SHARES

On 24 March 2023, the Board approved the Proposed Issuance of A Shares, pursuant to which the Company shall issue 2,238,805,970 new A Shares to China Petrochemical Corporation at the Issue Price with gross proceeds of not more than RMB12 billion (inclusive).

CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUANCE OF A SHARES UNDER GENERAL MANDATE

On 24 March 2023, the Company and China Petrochemical Corporation entered into the Subscription Agreement, pursuant to which, the Company shall issue and China Petrochemical Corporation shall subscribe in cash for 2,238,805,970 new A Shares, representing approximately 2.34% (not more than 20%) of the total number of A Shares in issue as at the date of the 2021 annual general meeting of the Company on which the 2021 General Mandate was approved and approximately 1.87% of the total number of Shares in issue as at the date of this announcement.

HONG KONG LISTING RULES IMPLICATION

China Petrochemical Corporation is a connected person of the Company by virtue of being the controlling shareholder of the Company. Therefore, the entering into of the Subscription Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules.

The new A Shares to be issued pursuant to the Proposed Issuance of A Shares will be allotted and issued under the 2021 General Mandate. Under the 2021 General Mandate, the Board is authorised to allot, issue and deal with a maximum of 19,111,554,209 A Shares and 5,102,687,720 H Shares, respectively, representing not more than 20% of the number of each of the A Shares and H Shares in issue as at the date of passing such resolution. As at the date of this announcement, the Company has not issued any Shares pursuant to the 2021 General Mandate. Pursuant to Rule 19A.38 and note (1) to Rule 13.36(2) of the Hong Kong Listing Rules, the issue of new A Shares under the 2021 General Mandate to China Petrochemical Corporation, a connected person of the Company, is subject to Independent Shareholders' approval at a general meeting. In addition, pursuant to the Articles of Association and relevant laws and regulations in the PRC, the Proposed Issuance of A Shares is subject to Shareholders' approval.

The AGM will be held to consider and, if thought fit, approve, amongst others, (i) the Proposed Issuance of A Shares; and (ii) the connected transaction in respect of the Proposed Issuance of A Shares under general mandate.

A circular containing, among others, further details of the Proposed Issuance of A Shares and the connected transaction in respect of the Proposed Issuance of A Shares under general mandate as well as other related matters, together with notice of the AGM, will be despatched to the Shareholders on or before 14 April 2023.

As the Proposed Issuance of A Shares is conditional upon the fulfilment of certain conditions as mentioned below, the Proposed Issuance of A Shares may or may not proceed. Potential investors and Shareholders are therefore advised to exercise caution when dealing in the securities of the Company.

I. PROPOSED ISSUANCE OF A SHARES

On 24 March 2023, the Board approved the Proposed Issuance of A Shares, pursuant to which the Company shall issue 2,238,805,970 new A Shares at the Issue Price with gross proceeds of not more than RMB12 billion (inclusive).

Details of the Plan of the Proposed Issuance of A Shares are as follows:

(1) Type and par value of shares to be issued

The shares to be issued under the Proposed Issuance of A Shares are domestically listed domestic shares (A Shares), with par value of RMB1.00 each.

(2) Manner and timing of issuance

The Proposed Issuance of A Shares shall be conducted by way of issuing A Shares to target subscribers. The Company will conduct the Proposed Issuance of A Shares at an appropriate time within the validity period of the consent for registration from the CSRC.

(3) Subscriber and manner of subscription

The subscriber of the Proposed Issuance of A Shares is China Petrochemical Corporation, which will make a one-off subscription for all the A Shares to be issued under the Proposed Issuance of A Shares in cash.

(4) Pricing Benchmark Date, Issue Price and pricing principles

Please refer to the section headed "II. CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUANCE OF A SHARES UNDER GENERAL MANDATE – 1. Subscription Agreement – Pricing Benchmark Date, Subscription Price and pricing principles" in this announcement for further details.

(5) Number of shares to be issued

Please refer to the section headed "II. CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUANCE OF A SHARES UNDER GENERAL MANDATE – 1. Subscription Agreement – Number of new A Shares to be issued" in this announcement for further details.

(6) Lock-up period

Please refer to the section headed "II. CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUANCE OF A SHARES UNDER GENERAL MANDATE – 1. Subscription Agreement – Lock-up period" in this announcement for further details.

(7) Amount and use of proceeds

Please refer to the section headed "II. CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUANCE OF A SHARES UNDER GENERAL MANDATE – 6. Use of Proceeds" in this announcement for further details.

(8) Place of listing

Upon expiration of the lock-up period, the A Shares to be issued under the Proposed Issuance of A Shares will be listed and traded on the main board of the Shanghai Stock Exchange.

(9) Arrangement of accumulated undistributed profits

The accumulated undistributed profits of the Company prior to the Proposed Issuance of A Shares shall be shared by all Shareholders, pro-rata to their respective shareholding in the Company, upon completion of the Proposed Issuance of A Shares.

(10) Validity period

The resolutions in relation to the Proposed Issuance of A Shares shall remain valid for twelve (12) months from the date on which these resolutions are considered and approved at the AGM.

II. CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUANCE OF A SHARES UNDER GENERAL MANDATE

On 24 March 2023, the Company and China Petrochemical Corporation entered into the Subscription Agreement, pursuant to which, the Company shall issue and China Petrochemical Corporation shall subscribe in cash for 2,238,805,970 new A Shares.

1. Subscription Agreement

The major terms of the Subscription Agreement are as follows:

Date

24 March 2023

Parties

(1) The Company, as the issuer

(2) China Petrochemical Corporation, as the subscriber

Number of new A Shares to be issued

The Company shall issue under the 2021 General Mandate and China Petrochemical Corporation shall subscribe for 2,238,805,970 new A Shares, representing approximately 2.34% (not more than 20%) of the total number of A Shares in issue as at the date of the 2021 annual general meeting of the Company on which the 2021 General Mandate was approved and approximately 1.87% of the total number of Shares in issue as at the date of this announcement. Pursuant to the regulatory requirements of the CSRC, the maximum number of new A Shares to be issued under the Proposed Issuance of A Shares shall be no more than 30% of the total number of Shares in issue immediately before completion of the Proposed Issuance of A Shares. The total gross proceeds to be raised from the Proposed Issuance of A Shares shall be no more than RMB12 billion (inclusive). Where there are any ex-rights or ex-dividend events such as distribution of dividend, bonus issue and capitalisation of capital reserve during the period from the Pricing Benchmark Date to the date of issuance of the A Shares pursuant to the Subscription Agreement that result in changes in the Issue Price, the number of A Shares to be issued under the Proposed Issuance of A Shares shall be adjusted accordingly. The final number of A Shares to be issued under the Proposed Issuance of A Shares shall be subject to the number of shares finally consented to be registered by the CSRC.

Par value of new A Shares to be issued

The aggregate par value of the new A Shares to be issued under the Proposed Issuance of A Shares will be RMB2,238,805,970.

Pricing Benchmark Date, Subscription Price and pricing principles

According to the Administrative Measures for the Registration of the Issuance of Securities by Listed Companies, the issue price of issuance of A shares to target subscribers should not be lower than 80% of the average trading price of the A Shares as quoted on the Shanghai Stock Exchange in the 20 trading days preceding the Pricing Benchmark Date (the "**Pricing Criteria**").

The Pricing Benchmark Date of the Proposed Issuance of A Shares is the date of the announcement regarding the Board resolutions approving the Proposed Issuance of A Shares published on the website of the Shanghai Stock Exchange, i.e. 27 March 2023. The Subscription Price shall be RMB5.36 per A Share, being the average trading price of the A Shares as quoted on the Shanghai Stock Exchange in the 20 trading days preceding the Pricing Benchmark Date (which is calculated by dividing the total trading amount of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date by the total trading volume of A Shares for the same period, and rounded up to the nearest two decimal places). The Subscription Price is more favourable than the minimum requirement under the Pricing Criteria.

For illustrative purposes only, the Subscription Price represents:

(a) a discount of approximately 2.90% to the closing price of RMB5.520 per A Share as quoted on the Shanghai Stock Exchange on the date of this announcement;

(b) a discount of approximately 5.13% to the average closing price of RMB5.650 per A Share as quoted on the Shanghai Stock Exchange for the five trading days immediately prior to the date of this announcement;

(c) a discount of approximately 3.41% to the average closing price of RMB5.549 per A Share as quoted on the Shanghai Stock Exchange for the ten trading days immediately prior to the date of this announcement.

Where there are any ex-rights or ex-dividend events such as distribution of dividend, bonus issue and capitalisation of capital reserve during the period from the Pricing Benchmark Date to the date of issuance of the A Shares pursuant to the Subscription Agreement, the Subscription Price shall be adjusted accordingly. The adjustment methods are set out as follows:

(1) In the event of distribution of dividend, the adjustment formula will be: $P_1 = P_0 - D$

(2) In the event of bonus issue or capitalisation of capital reserve, the adjustment formula will be: $P_1 = P_0/(1 + N)$

(3) In the event that the events in (1) and (2) above were performed simultaneously, the adjustment formula will be: $P_1 = (P_0 - D)/(1 + N)$

where,

P_1 represents the adjusted issue price;

P_0 represents the issue price before adjustment;

D represents dividend per Share; and

N represents the number of Shares resulting from capitalisation of capital reserve to be issued for each Share or the number of bonus shares per Share.

In addition, pursuant to Rule 13.36(5) of the Hong Kong Listing Rules, the Subscription Price shall not represent a discount of 20% or more to the higher of (i) the closing price of the H Shares on the date of the Subscription Agreement (i.e. 24 March 2023), and (ii) the average closing price of the H Shares in the five trading days immediately prior to the date of the Subscription Agreement.

For illustrative purposes only and based on the central parity rate announced by the People's Bank of China on the date of the Subscription Agreement (HK$1=RMB0.87107), the A Share Subscription Price represents:

(a) a premium of approximately 31.21% over the closing price of HK$4.690 per H Share (equivalent to approximately RMB4.085 per H Share) as quoted on the Stock Exchange on the date of the Subscription Agreement; and

(b) a premium of approximately 28.91% over the average closing price of HK$4.774 per H Share (equivalent to approximately RMB4.158 per H Share) as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Subscription Agreement.

Despite any subsequent corporate events which may lead to an adjustment in the Subscription Price, the Company will take all actions in its power to monitor and control these corporate events so as to ensure that (i) the final Subscription Price is higher than HK$3.8192, being a discount of 20% of the higher of the above-mentioned benchmark prices; and (ii) the number of new A Shares to be issued will not exceed the maximum number of A Shares to be issued under the 2021 General Mandate (being 19,111,554,209 A Shares) and 30% of the total number of Shares in issue immediately before completion of the Proposed Issuance of A Shares. If any corporate event may cause the Proposed Issuance of A Shares to fail to meet the above-mentioned requirements, the Company will re-comply with the Hong Kong Listing Rules where necessary.

After satisfaction of all the conditions precedent stipulated in the Subscription Agreement, China Petrochemical Corporation shall subscribe for the A Shares issued by the Company in accordance with the Subscription Agreement and make payment for such subscription in cash in one lump sum into the designated bank account on or before the designated payment date stipulated in the payment notice of the subscription.

Lock-up period

The new A Shares to be subscribed by China Petrochemical Corporation shall not be transferred within thirty-six (36) months from the completion date of the Proposed Issuance of A Shares.

If the CSRC and/or the Shanghai Stock Exchange have different views on the above lock-up period arrangement, China Petrochemical Corporation agrees to revise and implement the above lock-up arrangement in accordance with the opinions of the CSRC and/or the Shanghai Stock Exchange.

Conditions precedent

The Subscription Agreement shall take effect after being executed by the legal or authorised representatives, as well as the satisfaction of the following conditions:

(1) the Subscription Agreement and the Proposed Issuance of A Shares having been approved by the Board and at the AGM;

(2) the Proposed Issuance of A Shares having been approved by the relevant state-owned assets supervision bodies; and

(3) the Proposed Issuance of A Shares having been considered and approved by the Shanghai Stock Exchange and consented for registration by the CSRC.

In the event that any of the above-mentioned conditions is not satisfied, the Subscription Agreement shall terminate automatically.

Liability for breach of contract

The breach of obligations, undertakings, representations and warranties under the Subscription Agreement by any party thereto shall constitute a breach of the Subscription Agreement. If the Subscription Agreement fails to be performed in full, in part or in a timely manner due to the breach of the defaulting party, the defaulting party shall be liable for the losses caused to the non-defaulting party as a result.

After the Subscription Agreement becomes effective, if China Petrochemical Corporation fails to pay the total Subscription Price in a timely manner and in full in accordance with the Subscription Agreement due to China Petrochemical Corporation's fault, China Petrochemical Corporation shall pay to the Company damages at 1% of the amount due and unpaid. If the damages are insufficient to cover the losses suffered by the Company as a result, China Petrochemical Corporation shall also compensate the Company for the actual losses sustained or incurred by the Company.

If the registration procedures for the new A Shares held by China Petrochemical Corporation cannot be completed due to the Company's fault, the Company shall compensate China Petrochemical Corporation for the actual losses incurred by China Petrochemical Corporation as a result.

Any party who fails to perform in full or in part its obligations under the Subscription Agreement due to force majeure shall not be liable for breach, but such party shall take all necessary practicable remedial measures to reduce the losses caused, otherwise it shall be liable for breach for the enlarged part of the other party's losses.

2. Ranking of new A Shares to be issued under the Proposed Issuance of A Shares and lock-up period

The new A Shares to be issued pursuant to the Proposed Issuance of A Shares shall rank, upon issue, pari passu in all respects with the A Shares in issue at the time of issue and allotment of such new A Shares, except that the new A Shares to be issued to China Petrochemical Corporation are subject to a lock-up period of thirty-six (36) months.

3. Application for listing

Upon expiration of the lock-up period, the A Shares to be issued under the Proposed Issuance of A Shares will be listed and traded on the main board of the Shanghai Stock Exchange.

4. Effect of the Proposed Issuance of A Shares on the shareholding structure of the Company

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Proposed Issuance of A Shares (assuming that a total of 2,238,805,970 A Shares will be issued under the Proposed Issuance of A Shares and there will be no other change in the number of issued Shares in the Company until the completion of the Proposed Issuance of A Shares):

	As at the date of this announcement		Immediately after the completion of the Proposed Issuance of A Shares	
Name of Shareholders	**Number of Shares**	**As a percentage of the total issued Shares**	**Number of Shares**	**As a percentage of the total issued Shares**
A Shares				
China Petrochemical Corporation	80,572,167,393	67.20%	82,810,973,363	67.80%
Public A Shareholders	14,543,303,653	12.13%	14,543,303,653	11.91%
Total issued A Shares	95,115,471,046	79.33%	97,354,277,016	79.71%
H Shares				
Sinopec Century Bright Capital Investment Ltd. *(Note 1)*	767,916,000	0.64%	767,916,000	0.63%
Public H Shareholders	24,013,020,600	20.03%	24,013,020,600	19.66%
Total issued H Shares	24,780,936,600	20.67%	24,780,936,600	20.29%
Total issued Shares	119,896,407,646	100%	122,135,213,616	100%

Note:

1. Sinopec Century Bright Capital Investment Ltd. is a wholly-owned subsidiary of China Petrochemical Corporation.

Upon completion of the Proposed Issuance of A Shares, the total shareholding percentage of China Petrochemical Corporation and its associate Sinopec Century Bright Capital Investment Ltd. in the Company will increase from approximately 67.84% to approximately 68.43%. China Petrochemical Corporation will remain as the controlling shareholder of the Company. The Proposed Issuance of A Shares will not result in any change in the control over the Company.

Upon completion of the Proposed Issuance of A Shares, pursuant to the information of the Company available in public and to the knowledge of the Directors, the Directors believe that the Company will continue to comply with the requirement of minimum public float under Rule 8.08(1)(a) of the Hong Kong Listing Rules.

5. Equity fund raising activities in the past 12 months

The Company has not conducted any fund raising activities involving issue of equity securities in the past 12 months preceding the date of this announcement.

6. Use of proceeds

Assuming the maximum number of new A Shares will be issued at the Subscription Price under the Proposed Issuance of A Shares, the Company will be able to raise gross proceeds of not more than RMB12 billion (inclusive) from the Proposed Issuance of A Shares.

The proceeds raised from the Proposed Issuance of A Shares after deducting the relevant issuance expenses are intended to be used in the following projects:

No.	Investment field	Project name	Total investment amount	Proposed amount of proceeds to be invested
			(RMB million)	*(RMB million)*
1.	Clean energy	First Stage of Phase III of Tianjin LNG Project	5,561.69	4,500
2.		Yanshan Branch Hydrogen Purification Facilities Improvement Project	207.06	200
3.	High value-added material	Maoming Branch Oil Refining Transformation and Upgrading and Ethylene Quality Revamping Project	33,057.46	4,800
4.		Maoming Branch 50,000 tpa Polyolefin Elastomer (POE) Industrial Test Unit Project	1,090.76	900
5.		Zhongke (Guangdong) Refinery & Petrochemical Company Limited No.2 EVA Project	2,158.32	1,600
Total			**42,075.29**	**12,000**

Notes:

1. *The total investment amount of the above-mentioned projects has been rounded off.*

2. *For the "Maoming Branch Oil Refining Transformation and Upgrading and Ethylene Quality Revamping Project", the proceeds will mainly be invested towards fields in relation to high value-added materials, such as production facilities for thermoplastic polymeric new material.*

If the actual proceeds after deducting the issuance expenses are less than the amount of proceeds intended to be used for the above-mentioned projects, the shortfall shall be covered with the Company's self-raised funds. The Company may make appropriate adjustments to the sequential order and amount of proceeds to be invested in the above-mentioned projects based on the practical needs of the projects. Before the proceeds raised from the Proposed Issuance of A Shares are in place, the Company will finance the projects with its self-raised funds in advance according to the actual implementation progress of the projects to be financed with the proceeds, which shall be replaced with the proceeds raised from the Proposed Issuance of A Shares in accordance with the procedures stipulated in the relevant regulations after the same are in place.

Please refer to Appendix I to this announcement for details of the Feasibility Report on the Use of Proceeds Raised from the Proposed Issuance of A Shares.

7. Reasons for and benefits of the Proposed Issuance of A Shares

The Proposed Issuance of A Shares will be fully subscribed at the average trading price of the A Shares as quoted on the Shanghai Stock Exchange in the 20 trading days preceding the Pricing Benchmark Date by China Petrochemical Corporation, the controlling shareholder of the Company, thus allowing higher issuance efficiency and certainty, which reflects China Petrochemical Corporation's determination to support the high-quality transformation development of the Company and its confidence in the Company's long-term sustainable development.

The proceeds from the Proposed Issuance of A Shares will be used for business development in relation to clean energy and high value-added materials. The implementation of the projects to be funded by the proceeds from the Proposed Issuance of A Shares (i) would be conducive to enhancing the Company's capacity to supply natural gas and highly purified hydrogen for fuel cells and promoting the adjustment of the Company's energy mix; (ii) would lay a good foundation for the Company to extend and upgrade its business to the fields of high value-added materials such as POE and EVA, which would help to improve quality and efficiency of its chemical business; and (iii) would strengthen the Company's core competitiveness. At the same time, the proceeds from the Proposed Issuance of A Shares, when available, will be conducive to optimising the capital structure and enhancing the risk resistance capability of the Company.

The Directors (including the independent non-executive Directors) consider that, the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

8. Hong Kong Listing Rules implications

China Petrochemical Corporation is a connected person of the Company by virtue of being the controlling shareholder of the Company. Therefore, the entering into of the Subscription Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules.

The new A Shares to be issued pursuant to the Proposed Issuance of A Shares will be allotted and issued under the 2021 General Mandate. Under the 2021 General Mandate, the Board is authorised to allot, issue and deal with a maximum of 19,111,554,209 A Shares and 5,102,687,720 H Shares, respectively, representing not more than 20% of the number of each of the A Shares and H Shares in issue as at the date of passing such resolution. As at the date of this announcement, the Company has not issued any Shares pursuant to the 2021 General Mandate. Pursuant to Rule 19A.38 and note (1) to Rule 13.36(2) of the Hong Kong Listing Rules, the issue of new A Shares under the 2021 General Mandate to China Petrochemical Corporation, a connected person of the Company, is subject to Independent Shareholders' approval at a general meeting. In addition, pursuant to the Articles of Association and relevant laws and regulations in the PRC, the Proposed Issuance of A Shares is subject to Shareholders' approval.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders in relation to the connected transaction in respect of the Proposed Issuance of A Shares. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the connected transaction in respect of the Proposed Issuance of A Shares.

9. General information

The Company

The Company is a joint stock limited company established in the PRC, and is principally engaged in the exploration and production, pipeline transportation and sales of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fiber and other chemical products; the import and export, including import and export agency business, of petroleum, natural gas, petroleum products, petrochemicals and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

China Petrochemical Corporation

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

The AGM will be held to consider and, if thought fit, approve resolutions relating to, among others, (i) the Proposed Issuance of A Shares; and (ii) the connected transaction in respect of the Proposed Issuance of A Shares under general mandate.

A circular containing, among others, further details of the Proposed Issuance of A Shares and the connected transaction in respect of the Proposed Issuance of A Shares, together with notice of the AGM, will be despatched to the Shareholders on or before 14 April 2023.

As the Proposed Issuance of A Shares is conditional upon the fulfilment of certain conditions as mentioned above, the Proposed Issuance of A Shares may or may not proceed. Potential investors and Shareholders are therefore advised to exercise caution when dealing in the securities of the Company.

III. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"2021 General Mandate"	the approval granted by the Shareholders by way of special resolution passed at the 2021 annual general meeting of the Company held on 18 May 2022, which authorised the Board to allot, issue and deal with a maximum of 19,111,554,209 A Shares and 5,102,687,720 H Shares, respectively, representing not more than 20% of the number of each of the A Shares and H Shares in issue as at the date of passing such resolution;
"A Share(s)"	the domestic share(s) issued by the Company to domestic investors denominated in RMB and which are listed on the Shanghai Stock Exchange;

"A Shareholder(s)"	holder(s) of A Share(s);
"AGM"	the annual general meeting of the Company for 2022 to be held to consider and, if thought fit, approve resolutions relating to, among others, (i) the Proposed Issuance of A Shares; and (ii) the connected transaction in respect of the Proposed Issuance of A Shares under general mandate;
"Articles of Association"	the articles of association of the Company as amended from time to time;
"associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules;
"Board"	the board of directors of the Company;
"China Petrochemical Corporation"	China Petrochemical Corporation, a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company;
"China" or "PRC"	the People's Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
"Company"	China Petroleum & Chemical Corporation, a joint stock limited company incorporated in the PRC with limited liability;
"connected person(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules;
"controlling shareholder"	has the meaning ascribed thereto under the Hong Kong Listing Rules;
"CSRC"	China Securities Regulatory Commission;
"Director(s)"	the directors of the Company;
"EVA"	ethylene vinyl acetate;
"H Share(s)"	the overseas-listed foreign share(s) in the Company's share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
"H Shareholder(s)"	holder(s) of H Share(s);

"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong;
"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"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee of the Company formed to advise the Independent Shareholders in relation to the connected transaction in respect of the Proposed Issuance of A Shares;
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the connected transaction in respect of the Proposed Issuance of A Shares;
"Independent Shareholders"	the Shareholders, other than China Petrochemical Corporation and its associates;
"Issue Price" or "Subscription Price"	the subscription price for new A Shares to be issued under the Subscription Agreement;
"LNG"	liquefied natural gas;
"POE"	polyolefin elastomer;
"Pricing Benchmark Date"	27 March 2023, the pricing benchmark date of the Proposed Issuance of A Shares, being the date of the announcement regarding the Board resolutions approving the Proposed Issuance of A Shares published on the website of the Shanghai Stock Exchange;
"Proposed Issuance of A Shares"	the proposed issuance of 2,238,805,970 A Shares by the Company to China Petrochemical Corporation pursuant to the Subscription Agreement under the 2021 General Mandate;
"RMB"	Renminbi, the lawful currency of the PRC;
"Share(s)"	the ordinary shares of RMB1.00 each in the share capital of the Company, including the A Shares and H Shares;

"Shareholder(s)"	the holder(s) of Shares;
"Subscription Agreement"	the subscription agreement entered into between the Company and China Petrochemical Corporation on 24 March 2023, pursuant to which the Company agreed to allot and issue, and China Petrochemical Corporation agreed to subscribe for, 2,238,805,970 new A Shares at the Subscription Price;
"tpa"	tons per annum.

By order of the Board
China Petroleum & Chemical Corporation
Huang Wensheng
Vice president, Secretary to the Board of Directors

Beijing, the PRC,
24 March 2023

As of the date of this announcement, directors of the Company are: Ma Yongsheng, Zhao Dong*, Yu Baocai#, Ling Yiqun#, Li Yonglin#, Liu Hongbin#, Cai Hongbin+, Ng, Kar Ling Johnny+, Shi Dan+ and Bi Mingjian+.*

Executive Director
* *Non-executive Director*
\+ *Independent Non-executive Director*

APPENDIX I

FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE PROPOSED ISSUANCE OF A SHARES

In order to proactively respond to China's energy transition strategy and work towards China's "dual carbon" goals, China Petroleum & Chemical Corporation (the "**Company**" or "**Sinopec Corp.**") strives towards implementing the 14th Five-Year Plan for a Modern Energy System (《"十四五"現代能源體系規劃》) and leading the transition, upgrading and development of the petroleum and petrochemical industries. The Company intends to issue domestically listed domestic shares (A Shares) to China Petrochemical Corporation ("**China Petrochemical Corporation**"), the controlling Shareholder of the Company, after taking into account the development stage of the Company and the opportunities and challenges it faces, to raise up to RMB12.00 billion (inclusive), which will be used for business development and upgrades geared towards clean energy, high value-added materials and other sectors. The proposed issuance to target subscribers (the "**Issuance**") demonstrates China Petrochemical Corporation's resolution and confidence in supporting the high-quality development of the Company, and is beneficial to optimising the Company's business structure, enhancing the Company's business continuity, further strengthening its core competitiveness and effectively promoting the implementation of the Company's green and low-carbon development strategy.

The feasibility analysis on the use of proceeds raised from the Issuance conducted by the Board of the Company is as follows:

I. Overview of the Plan on the Use of the Proceeds

The Company intends to raise no more than RMB12.00 billion from the Issuance and the net proceeds (after deducting the issuance expenses) will be used to finance the following projects:

Unit: RMB0'000

No.	Investment field	Project name	Total investment	Proceeds to be invested
1	Clean energy	First Stage of Phase III of Tianjin LNG Project	556,169	450,000
2		Yanshan Branch Hydrogen Purification Facilities Improvement Project	20,706	20,000
3	High value-added material	Maoming Branch Oil Refining Transformation and Upgrading and Ethylene Quality Revamping Project	3,305,746	480,000
4		Maoming Branch 50,000 tpa Polyolefin Elastomer (POE) Industrial Test Unit Project	109,076	90,000
5		Zhongke (Guangdong) Refinery & Petrochemical Company Limited No.2 EVA Project	215,832	160,000
	Total		**4,207,529**	**1,200,000**

Note 1: The total investment amount of the above-mentioned projects has been rounded off;

Note 2: For the "Maoming Branch Oil Refining Transformation and Upgrading and Ethylene Quality Revamping Project", the proceeds will mainly be invested towards fields in relation to high value-added materials, such as production facilities for thermoplastic polymeric new material;

Note 3: The expected returns of the above-mentioned projects to be financed with the proceeds from the Issuance are based on reasonable projection and do not constitute any form of profit forecast of the Company.

If the actual proceeds after deducting the issuance expenses are less than the amount of proceeds intended to be used for the above-mentioned projects, the shortfall shall be covered by the Company's self-raised funds. The Company may make appropriate adjustments to the sequential order and amount of proceeds to be invested in the above-mentioned projects based on the practical needs of the projects. Before the proceeds raised are in place, the Company will finance the projects with its self-raised funds in advance according to the actual implementation progress of the projects to be financed with the proceeds from the Issuance, which shall be replaced with the proceeds raised from the Proposed Issuance of A Shares in accordance with the procedures stipulated in the relevant regulations after the same are in place.

II. Necessity of the Projects to be Financed with the Proceeds from the Issuance

(I) Implement the requirements of "dual carbon" goals and exhibit the direction of the Company's transformation development

In September 2020, China has set forth the "dual carbon" goals for carbon dioxide emissions to peak by 2030, whilst striving to achieve carbon neutrality by 2060. China attaches great importance to the clean energy industry and has rolled out a series of policies to support the development of the clean energy industry. In March 2022, the National Development and Reform Commission (NDRC) and the National Energy Administration (NEA) released the 14th Five-Year Plan for a Modern Energy System (《"十四五"現代能源體系規劃》), which underscores the modern energy industry's entry into the phase of innovation and upgrades, while keenly sets on attaining the "dual carbon" goals, the energy system is grappling with a new need for reform, and a pressing need to further enhance the leading and strategic support role played by scientific and technological innovation, as well as aiming to comprehensively upgrade the energy industrial base and modernise the industrial chain. In April 2022, six departments including the Ministry of Industry and Information Technology, the NDRC, the Ministry of Science and Technology, the Ministry of Ecology and Environment, the Ministry of Emergency Management and the NEA released the Guiding Opinions on Promoting High-quality Development of Petrochemical and Chemical Industry during the 14th Five-Year Plan Period (《關於"十四五"推動石化化工行業高質量發展的指導意見》), which pointed out that by 2025, the petrochemical and chemical industries will basically establish a high-quality development pattern characterised by strong independent innovation capabilities, reasonable structure and layout, whist being environmentally-friendly, safe and low-carbon. The capability of ensuring the supply of high-end product will be greatly improved, and core competitiveness will be significantly enhanced, thereby taking solid strides in attaining high degree of self-reliance. Moreover, petrochemical and chemical enterprises are encouraged to develop and utilise "green hydrogen" in a reasonable and orderly manner according to local conditions, so as to promote coupling demonstration as between the refining and coal chemical industry and "green power" and "green hydrogen".

The Company continues to accelerate the pace of low-carbon energy transition in recent years, promoting synergistic development of natural gas production, supply, storage and sales, whilst proactively mapping out its hydrogen energy business. The projects to be financed with the proceeds from the Issuance are geared towards the field of clean energy, deemed a pertinent measure to take in proactive response to China's "dual carbon" strategy, an effective way to meet the demand for clean energy and a concrete action taken to implement sustainable development, thereby falling well in line with the development strategies of the Company. Through the Issuance, the Company plans to further enhance its capacity to supply natural gas and high-purity hydrogen for fuel cells, so as to adapt to the trend of transformation of China's energy consumption structure.

(II) Seize the opportunities from the development of new materials industry, supporting the improvement of the quality and efficiency of the Company's chemical business

Since the 21st century, the iteration and advancement of global industrial technologies have become more inextricably linked with industries such as new chemical materials. Accelerating the development of new materials plays a vital role in promoting technological innovation and in supporting industrial upgrading and reform.

In the context of global industrial optimisation and upgrading, China attaches great importance to the development of its new materials industry. The Guiding Opinions on Promoting High-quality Development of Petrochemical and Chemical Industries during the 14th Five-Year Plan Period (《關於"十四五"推動石化化工行業高質量發展的指導意見》) emphasized on the need to enhance the level of innovative development, improve the supply quality of chemical products, and accelerate the development of high-end polyolefin, industrial specialty gas, high-performance rubber and plastic materials, high-performance fiber, bio-based materials, special lubricating grease and other products.

In recent years, the Company's chemical business has adhered to the "basic + high-end" strategy, continuously accelerating technological innovation, attaining close integration of its production, sales, research and application, enhancing its R&D efforts on high-end products and high value-added materials, striving to fill technological gaps, and focusing on expanding its high-end market share. The projects to be financed with the proceeds from the Issuance include the construction of projects in the field of high value-added materials such as POE and EVA, being conducive to further promoting business transformation and upgrades, thereby laying a solid foundation for the Company to upgrade and extend itself into the field of high value-added materials.

(III) Fulfill the requirements of high-quality development and enhance the Company's value creation capability

In 2022, the CSRC issued the Three-year Action Plan to Promote the Improvement of the Quality of Listed Companies (2022-2025) (《推動提高上市公司質量三年行動方案(2022-2025)》), proposing to optimise the resource allocation function of the capital market, as well as guiding and promoting listed companies to hone their competitiveness in their principal businesses, so as to improve the quality and efficiency of development. The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) issued the Work Plan on Improving the Quality of Listed Companies Controlled by Central Enterprises (《提高央企控股上市公司質量工作方案》) in May 2022, which emphasises the need to steer listed companies into giving full play to the functions of capital market in serving the development of enterprises and optimising resource allocation, so as to realise the integrated development and mutual promotion between industrial operation and capital operation, and increase the proportion of direct financing, improve capital structure and promote the development of principal businesses by giving consideration to development needs and market conditions.

The Issuance by the Company is conducive to giving full play to its status as a listed company, which is an important measure for the Company to implement its development strategies, optimise its capital structure and enhance its risk resistance capabilities. The implementation of the projects to be financed with the proceeds from the Issuance is conducive to enhancing the Company's capability in supplying clean energy such as natural gas and high-purity hydrogen for fuel cells, facilitating the Company to build green and low-carbon competitiveness, promoting the chemical business to reach medium and high-end, enhancing the resilience of the industrial chain and improving the value creation capabilities.

III. Feasibility of the Projects to be Financed with the Proceeds from the Issuance

(I) The strong support of the government policies provides a good policy environment for the project implementation

According to the Action Plan for Carbon Dioxide Peaking before 2030 (《2030 年前碳達峰行動方案》), China will actively expand its usage of clean energy such as natural gas and hydrogen energy. In April 2020, five departments, including the NDRC, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Housing and Urban-Rural Development, and the NEA, jointly released the Implementation Opinions on Accelerating the Construction of Natural Gas Reserve Capacity (《關於加快推進天然氣儲備能力建設的實施意見》), spelling out its agenda "to give priority to the construction of underground gas storage, LNG terminals along the northern coast and large-scale LNG storage tanks in key areas. Existing LNG terminals are encouraged to expand the scale of storage tanks, and that urban clusters are encouraged to build and share gas storage facilities so as to form a regional gas storage and peak shaving center. By taking advantage of the characteristics of LNG storage tanks, being suitable for storage with flexibility in transportation options, pilot demonstration of LNG tank container multimodal transportation will be promoted and various measures will be taken to improve gas storage capacity". In March 2022, the NDRC released the Mid-to-long-term Plan for Development of Hydrogen Industry (2021-2035) (《氫能產業發展中長期規劃(2021-2035 年)》), which clearly propounded that hydrogen energy is considered an important part of the future national energy system, serving as a major carrier for energy end-users to achieve green and low-carbon transformation, and key to steering the development direction for emerging strategic and future industries.

In an era characterised by vigorous efforts in clean energy and new infrastructure development, strong demand continues for high-end materials for use in clean energy and new infrastructure, which prompted the successive roll-out of a series of encouraging policies for the field of high value-added materials, covering that of POE and EVA. According to the Catalogue of Guidance on Industrial Structure Adjustment (2019) (《產業結構調整指導目錄(2019 年本)》) released by the NDRC, specialty polyolefins such as metallocene polyethylene, engineering plastics and high-performance resins are listed as encouraged industries.

All the projects to be financed with the proceeds from the Issuance are classed as the nation's encouraged and prioritised industries. The implementation of the projects to be financed with the proceeds from the Issuance is thus of great significance in terms of meeting the product demand in the market and driving the development of related industries. The strong support of the governmental policies fosters a beneficial environment for the implementation of the projects to be financed with the proceeds from the Issuance.

(II) The current supply and demand of clean energy and the long-term goal of sustainable development provide drivers for the project implementation

According to a Bloomberg report, global investment in reducing energy consumption, driven by energy crisis and policy initiatives, has surged to a record high of US$1.1 trillion in 2022, making it a first for global investment in energy transition to equal that of fossil fuels. According to the International Energy Agency, total investments in clean energy technologies and infrastructure is expected to reach US$4.5 trillion in 2030. Strong demands continue around the world for LNG and hydrogen energy, being, respectively, the cleanest fossil energy and the key medium in facilitating the transition from fossil energy to renewable energy.

LNG has become an essential option among green energy by virtue of its low-carbon and environmentally-friendly characteristics. The current domestic output of LNG energy is unable to meet the huge demand at present, thereby resulting in higher LNG prices in 2022. According to data from the National Bureau of Statistics and the General Administration of Customs, China produced 17.43 million tons of LNG and imported 63.44 million tons of LNG. As China's demand for LNG energy continues on the rise while its dependence on foreign sources remains high, it is thus imminent to accelerate the construction of its own gas storage facilities. Hydrogen, a form of secondary energy with wide sources which is clean, carbon-free, flexible and efficient, has thus emerged as an important medium for promoting the clean and efficient use of traditional fossil energy whilst channeling support for large-scale development of clean energy, as well as serving as a major carrier for energy end-users to achieve green and low-carbon transformation. China's hydrogen energy industry is still within the early stages of development, thus further enhancing the innovation capability of the hydrogen energy industry, improving the purification level of hydrogen and improving the efficiency and quality of hydrogen production are important measures to improve the layout of the hydrogen energy industry.

Implementation of the projects to be financed with the proceeds from the Issuance is thus spurred on by the current supply and demand of LNG and hydrogen energy, the global emphasis on clean energy, the long-term goal of sustainable development and the State's myriad measures and policies to promote clean energy.

(III) The urgent need for import substitution and expansion of high quality production capacity provides a solid foundation to utilise the production capacity of the projects

Scientific advancement and technological innovation have become a new driver for global economic and social development, and high-end manufacturing has become the focus of a new round of competition among countries. Being the indispensable materials that build the foundation supporting strategic emerging industries and major projects, high-end polyolefins and other new materials have attracted worldwide attention.

China is currently the largest consumer of high-end polyolefins in Asia. In 2022, China imported 0.692 million tons of POE and 1.2022 million tons of EVA. POE, EVA and other high-end polyolefin materials are widely used in photovoltaic films, foaming materials, hot melt adhesives, wires and cables by virtue of their low relative density, chemical resistance, good water resistance, good mechanical strength, electrical insulation and other characteristics. In recent years, the development of downstream industries has been continuously driving the demand for POE, EVA and other high value-added materials, but there still exist structural contradictions in China's polyolefin industry, which supplies, predominantly, low-end general-purpose materials. Supply of high-end products such as high value-added polyolefins are,to a significant extent, dependent on imports. High-end, differentiated and diversified development is thus the must-go road for future market application of China's high-end polyolefins and other new materials.

The industries of POE, EVA and other high value-added materials involved in the projects to be financed with the proceeds from the Issuance are booming and projecting a promising market outlook. The implementation of the projects to be financed with the proceeds from the Issuance will help to increase China's production capacity of high-end polyolefins and high-performance resins, reinforce the Company's position in the industrial chain of high value-added materials such as high-end polyolefins, effectively realise import substitution to meet the market's urgent demand for high-end production capacity.

(IV) The Company's abundant underlying reserves provide strong support for the successful implementation of the projects

As a world-leading large scale integrated energy and petrochemical company with business operations throughout the entire value chain, the Company exhibits strong capacity of economies of scale. The integrated business structure carries strong synergistic advantages among its various business segments, enabling the Company to continuously tap into potentials to attain efficient and comprehensive utilisation of its resources.

In terms of technology, by proactively following the innovation-driven development strategy and leveraging the advantages of integrated business and the model of production-sales-R&D coordination, the Company makes sweeping efforts to promote technological research in key areas such as new chemical materials, clean energy, green and low-carbon development, and accelerates the development progress of cutting-edge technologies. The Company is armed with a strong research team, having made new breakthroughs in a series of key R&D projects, and maintained the leading position in the comprehensive advantages of patents among domestic enterprises, with its overall technology and strong technological innovation capabilities at a globally advanced level.

As for management and talents, the Company has established an outstanding management team with sound structure, sophisticated skillsets and team spirit, which performs its duties diligently and takes on as its benchmark the world-class management standard. The Company owns a group of professional talent teams possessing extensive capacities in production and operation, marketing and research and development, with a focus on refined management in production and operation, backed by significant strength in cost efficiency.

From the market perspective, the Company adheres to a market-oriented approach to further optimise the entire industrial chain, whilst striving to expand its coverage and sales in the market. The Company's huge business matrix and extensive operation network enables it to benefit from the geographical advantage of proximity to market. The construction sites of the projects to be financed with the proceeds from the Issuance are endowed with promising geographical advantage, which is conducive to the yielding of considerable benefits.

With decades of experience in the industry, the Company has accumulated abundant underlying reserves in terms of technology, management, talents, market and other aspects, thereby providing strong backing for the successful implementation of the projects to be financed with the proceeds from the Issuance, and facilitating the Company's firm strides taken towards launching into the middle and high-end of the industrial chain and value chain.

IV. Particulars of the Projects to be Financed with the Proceeds from the Issuance

(I) First Stage of Phase III of Tianjin LNG Project

1. Project overview

The total expected investment of this project is RMB5,561.69 million, and the proceeds intended to be invested are RMB4,500 million.

The main construction work contemplated in this project involves the building of five new 270,000 m^3 LNG storage tanks, BOG treatment facilities, flare facilities, ten new sets of loading facilities, and relevant supporting facilities. After completion of the construction work, the natural gas storage capacity will increase by 810 million m^3. This project primarily supplies gas to North China, which shall help alleviate the tight supply and demand of natural gas in the region.

2. The implementation entity, site selection and construction period of the project

The implementation entity of this project is Sinopec Tianjin Liquefied Natural Gas Co., Ltd. (中石化天津液化天然氣有限責任公司), a subsidiary of the Company.

The construction site of this project is located in the north end of East Breakwater, Donggang Pond, Nangang Industrial Zone, Binhai New Area, Tianjin (天津市濱海新區南港工業區東港池東突堤北端).

The construction period of this project is three years.

3. Approximate investment amount and economic benefit evaluation of the project

The total investment of this project is RMB5,561.69 million, the breakdown of which is as follows:

Unit: RMB0'000

No.	**Item**	**Amount**	**Percentage of the total investment (%)**
1	Construction investment	529,841	95.27
1.1	Equipment purchase costs	35,441	6.37
1.2	Major material costs	164,900	29.65
1.3	Installation fees	69,784	12.55
1.4	Construction costs	150,201	27.01
1.5	Others	109,515	19.69
2	Interest on borrowings during the construction period	23,773	4.27
3	Initial working capital	2,555	0.46
	Total	**556,169**	**100.00**

The after-tax internal rate of return of this project is 8%, and the after-tax investment payback period is 12 years (inclusive of the construction period).

4. Approvals related to the project

This project has been approved by the Tianjin Development and Reform Commission and the approval on the environmental impact assessment of this project has been received from the Ecology and Environment Bureau of Tianjin Economic-Technological Development Area.

Approval on the grant of the right to use sea areas for the construction of this project has been obtained from Tianjin Municipal Bureau of Planning and Natural Resources, and the land assignment contract in respect of the related land has been signed. The Company is actively pursuing the application for the land use right certificate.

(II) Yanshan Branch Hydrogen Purification Facilities Improvement Project

1. Project overview

The total expected investment of this project is RMB207.06 million, and the proceeds intended to be invested are RMB200 million.

The main construction work contemplated in this project includes the construction of facilities to purify hydrogen generated as industrial by-product from the existing chemical system as complemented by the construction of hydrogen analysis and testing as well as loading facilities. After completion of the construction work, the production capacity of the purification facilities will reach 10,000Nm^3/h, equivalent to 7,200 tons of high-purity hydrogen for fuel cells per year. This project is a further extension of the Company's hydrogen energy value chain, and will serve the demand for high-purity hydrogen gas for hydrogen fuel cell vehicles in Beijing.

2. The implementation entity, site selection and construction period of the project

The implementation entity of this project is the Company's Beijing Yanshan Branch.

The construction site of this project is located in the chemical plant of the Beijing Yanshan Branch of the Company.

The construction period of this project is one year.

3. Approximate investment amount and economic benefit evaluation of the project

The total investment of this project is RMB207.06 million, the breakdown of which is as follows:

Unit: RMB0'000

No.	Item	Amount	Percentage of the total investment (%)
1	Construction investment	20,362	98.34
1.1	Equipment purchase costs	8,550	41.29
1.2	Major material costs	3,764	18.18
1.3	Installation fees	2,832	13.68
1.4	Construction costs	2,628	12.69
1.5	Others	2,588	12.50
2	Interest on borrowings during the construction period	345	1.66
	Total	**20,706**	**100.00**

The after-tax internal rate of return of this project is 13.07%, and the after-tax investment payback period is 7.55 years (inclusive of the construction period).

4. Approvals related to the project

This project has been filed with the Bureau of Economy and Information Technology of Fangshan District of Beijing and the approval on the environment impact assessment of this project has been received from the Ecology and Environment Bureau of Fangshan District of Beijing.

The land use right certificate for the land involved in this project has been obtained.

(III) Maoming Branch Oil Refining Transformation and Upgrading and Ethylene Quality Revamping Project

1. Project overview

The total expected investment of this project is RMB33,057.46 million and the proceeds to be invested is RMB4,800 million.

The construction work contemplated in this project consists of the transformation and upgrading of refining facilities component and the component on quality revamping of ethylene. Application of the proceeds will be mainly geared towards fields in relation to high value-added materials (such as production facilities for thermoplastic polymer new material) for the quality revamping of ethylene component. The products so derived are mainly used in fields such as new energy vehicle, precision instrument, electronics, etc.

2. The implementation entity, site selection and construction period of the project

The implementation entity of this project is the Company's Maoming Branch.

The construction site of this project is located in Maoming Branch, at Maoming, Guangdong province.

The construction period of this project is three years.

3. Approximate investment amount and economic benefit evaluation of the project

The total investment of this project is RMB33,057.46 million, the breakdown of which is as follows:

Unit: RMB0'000

No.	Item	Amount	Percentage of the total investment (%)
1	Construction investment	3,163,272	95.69
1.1	Equipment purchase costs	1,241,310	37.55
1.2	Major material costs	592,461	17.92
1.3	Installation fees	332,240	10.05
1.4	Construction costs	376,146	11.38
1.5	Others	621,115	18.79
2	Interest on borrowings during the construction period	132,674	4.01
3	Initial working capital	9,800	0.30
	Total	**3,305,746**	**100.00**

The after-tax internal rate of return of this project is 11.89%, and the after-tax investment payback period is 9.22 years (inclusive of the construction period).

4. Approvals related to the project

The approval on the environmental impact assessment of the oil refining facilities transformation and upgrading component of this project has been obtained from the Ecology and Environment Bureau of Maoming. The NDRC approval for this project and approval on the environmental impact assessment of the quality revamping of ethylene component are still in progress.

Part of the land involved in this project is leased from China Petrochemical Corporation and a long-term lease contract has been signed; application for land use right certificates for part of the additional land is in progress.

(IV) Maoming Branch 50,000 tpa Polyolefin Elastomer (POE) Industrial Test Unit Project

1. *Project overview*

The total expected investment of this project is RMB1,090.76 million, and the proceeds intended to be invested are RMB900 million.

The main construction work contemplated in this project involves the construction of a new 50,000 tpa POE unit together with supporting utility and auxiliary facilities. The products of this project will be mainly used in high efficiency battery packaging adhesive film, thermoplastic polyolefin elastomer, polymer modification, automotive, wire and cable and other fields.

2. *The implementation entity, site selection and construction period of the project*

The implementation entity of this project is the Company's Maoming Branch.

The construction site of this project is located in Maoming Petrochemical Ethylene Plant (茂名石化乙烯廠) (Maoming Petrochemical Industrial Park), at High-Tech Industry Development Zone, Maoming.

The construction period of this project is three years.

3. *Approximate investment amount and economic benefit evaluation of the project*

The total investment of this project is RMB1,090.76 million, the breakdown of which is as follows:

Unit: RMB0'000

No.	**Item**	**Amount**	**Percentage of the total investment (%)**
1	Construction investment	104,086	95.43
1.1	Equipment purchase costs	43,649	40.02
1.2	Major material costs	14,937	13.69
1.3	Installation fees	8,544	7.83
1.4	Construction costs	9,593	8.79
1.5	Others	27,364	25.09
2	Interest on borrowings during the construction period	3,587	3.29
3	Initial working capital	1,402	1.29
	Total	**109,076**	**100.00**

The after-tax internal rate of return of this project is 11.64%, and the after-tax investment payback period is 9.32 years (inclusive of construction period).

4. Approvals related to the project

This project has been filed with the Economic Development Bureau of the Administration Committee of Maoming High-Tech Industry Development Zone, and the application for approval on environmental impact assessment are still in progress.

The land involved in this project is leased from China Petrochemical Corporation and a long-term lease contract has been signed.

(V) Zhongke (Guangdong) Refinery & Petrochemical Company Limited No.2 EVA Project

1. Project overview

The total expected investment of this project is RMB2,158.32 million, and the proceeds to be invested are RMB1,600 million.

The main construction work contemplated in this project involves the construction of a new set of 100,000 tpa EVA unit together with auxiliary utility facilities. Whilst the products derived from this project are mainly used in PV cell, functional film, hot melt adhesive, wire and cable and other fields.

2. The implementation entity, site selection and construction period of the project

The implementation entity of this project is ZhongKe (Guangdong) Refinery & Petrochemical Company Limited, a subsidiary of the Company.

The construction site of this project is located in the factory area of ZhongKe (Guangdong) Refinery & Petrochemical Company Limited, at Zhanjiang Development Zone, Guangdong Province.

The construction period of this project is two years.

3. Approximate investment amount and economic benefit evaluation of the project

The total investment of this project is RMB2,158.32 million, the breakdown of which is as follows:

Unit: RMB0'000

No.	**Item**	**Amount**	**Percentage of the total investment (%)**
1	Construction investment	208,652	96.67
1.1	Equipment purchase costs	91,445	42.37
1.2	Major material costs	37,123	17.20
1.3	Installation fees	22,469	10.41
1.4	Construction costs	18,309	8.48
1.5	Others	39,306	18.21
2	Interest on borrowings during the construction period	5,982	2.77
3	Initial working capital	1,198	0.56
	Total	**215,832**	**100.00**

The after-tax internal rate of return of this project is 15.16%, and the after-tax investment payback period is 7.51 years (inclusive of the construction period).

4. Approvals related to the project

This project has been filed with the Development and Reform and Commerce Bureau of Zhanjiang Economic and Technological Development Zone, and the approval on environmental impact assessment has been obtained from the Ecology and Environment Bureau of Zhanjiang.

The land use right certificate for the land involved in this project has been obtained.

V. The Impact of the Projects to be Financed with the Proceeds from the Issuance on the Operation and the Financial Position of the Company

(I) The impact on the operation and management of the Company

The investment projects to be financed with the proceeds from the Issuance under the Issuance are focused on the Company's principal businesses, in line with the relevant national industrial policies and the Company's overall future development strategy, and are conducive to enhancing the Company's comprehensive strength. The implementation of the above-mentioned projects will enhance the Company's supply capacity for natural gas and high-purity hydrogen for fuel cells, improve the production capacity of POE, EVA and other high value-added materials, further expand the Company's business scale and market competitiveness, facilitate the Company's active transition into clean energy and high value-added materials, enhance its industry influence and give full play to its pioneering, exemplary, leading role, thereby strengthening operational sustainability of the Company.

(II) The impact on the financial position of the Company

Upon the proceeds being in place, the total assets and net assets of the Company will increase and the debt ratio will reduce, which is conducive to enhancing the stability of the Company's capital structure and its risk resistance capabilities. The Issuance is an important strategic measure for the Company to broaden its business field and achieve sustainable development. After the proceeds are in place, the total share capital of the Company will increase, and since it will take time for the benefits from the fundraising through the Issuance be reflected, there is a risk that financial indicators such as earnings per share of the Company may, in the short term, be diluted. However, with the implementation of the above-mentioned projects to be financed with the proceeds from the Issuance and the realisation of benefits therefrom, the Company's business development strategy will gain strong support and its long-term profitability will be effectively enhanced.

VI. Conclusion on the Feasibility of the Projects to Be Financed with the Proceeds from the Issuance

The plan on use of proceeds raised from the Issuance conforms to the relevant national industrial policies and the industry development trend, and is in line with the future strategic plan and business expansion needs of the Company, thus being satisfactory in terms of feasibility. Through the Issuance, the Company's capital strength will be enhanced and its strategy will be effectively implemented, which is beneficial to the Company's sustainable development and continuous improvement of profitability in the long term and an essential move that the Company takes to maintain the inherent value of its shares, enhance its capital operation strength, broaden its business fields and realise its strategic plans.