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SINOPEC KANTONS HOLDINGS LIMITED

(中 石 化 冠 德 控 股 有 限 公 司) *

(incorporated in Bermuda with limited liability)

(Stock Code: 934)

**ANNOUNCEMENT ON CONTINUING CONNECTED TRANSACTIONS,
CONNECTED TRANSACTION AND
DISCLOSEABLE TRANSACTIONS IN RELATION TO**

**(I) the continuing connected transactions and discloseable transactions regarding
renewal of the Non-exempt Existing Continuing Connected Transactions;**

**(II) the continuing connected transactions regarding renewal of the
Exempt Existing Continuing Connected Transactions;**

(III) the New Exempt Continuing Connected Transactions; and

**(IV) the connected transaction and discloseable transaction regarding
the Yulin-Jinan Pipeline Compression Project**

The Board announces that members of the Group have entered into agreements in relation to (i) the continuing connected transactions and discloseable transactions regarding renewal of the Non-exempt Existing Continuing Connected Transactions; (ii) the continuing connected transactions regarding renewal of the Exempt Existing Continuing Connected Transactions; (iii) the New Exempt Continuing Connected Transactions; and (iv) the connected transaction and discloseable transaction regarding the Yulin-Jinan Pipeline Compression Project.

* *For identification purposes only*

(1) Continuing connected transactions and discloseable transactions regarding renewal of the Non-exempt Existing Continuing Connected Transactions

References are made to the 11 November 2016 Announcement, the 30 August 2018 Announcement and the 2 December 2016 Circular, in relation to, among others, the Non-exempt Existing Continuing Connected Transactions.

Having considered that the Group will renew the Non-exempt Existing Continuing Connected Transactions which will expire on 31 December 2019, being the continuing connected transactions contemplated under the Existing Sinopec Guangzhou Branch Framework Master Agreement, the Existing Sinopec Finance Financial Services Framework Master Agreement, the Existing Century Bright Financial Services Framework Master Agreement, the Existing Natural Gas Transmission Services Framework Master Agreement, the Existing Services Outsourcing Framework Master Agreement and the Existing Yu Ji Pipeline Financial Services Framework Master Agreement, the Company would like to seek the Independent Shareholders' approval on the entering into of the following New Non-exempt Framework Master Agreements entered into by members of the Group and connected persons of the Company on 21 October 2019, which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022:

- (i) the New Crude Oil Jetty and Storage Services Framework Master Agreement entered into by Huade, a wholly-owned subsidiary of the Company, and Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and Sinopec Pipeline Storage and Transportation Branch Company in relation to the provision of crude oil jetty services from Huade to Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company;
- (ii) the New Sinopec Finance Financial Services Framework Master Agreement entered into by Huade and Sinopec Finance Guangzhou Branch in relation to the provision of intra group financial services by Sinopec Finance Guangzhou Branch to the Huade Group;
- (iii) the New Century Bright Financial Services Framework Master Agreement entered into by the Company and Century Bright in relation to the provision of deposit services and settlement and similar services by Century Bright to the Group;
- (iv) the New Natural Gas Transmission Services Framework Master Agreement entered into by Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, and Sinopec Natural Gas Branch Company, Shanxi Energy Company and Sinopec Changcheng Gas in relation to the provision of natural gas transmission services by Yu Ji Pipeline Company to Sinopec Natural Gas Branch Company, Shanxi Energy Company and/or Sinopec Changcheng Gas;

- (v) the New Comprehensive Outsourcing Framework Master Agreement entered into by Yu Ji Pipeline Company and Sinopec Natural Gas Branch Company in relation to the provision of a range of services and products from Sinopec Natural Gas Branch Company to Yu Ji Pipeline Company; and
- (vi) the New Yu Ji Pipeline Financial Services Framework Master Agreement entered into by Yu Ji Pipeline Company and Sinopec Finance in relation to the provision of intra group financial services by Sinopec Finance to Yu Ji Pipeline Company.

Sinopec Guangzhou Branch is a branch company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Guangzhou Branch is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Petroleum Reserve Company is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Petroleum Reserve Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Pipeline Storage and Transportation Branch Company is a branch company of a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Pipeline Storage and Transportation Branch Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Finance Guangzhou Branch is a branch company of Sinopec Finance, which is owned as to 51% by Sinopec Group Company and 49% by Sinopec Corp. Sinopec Group Company is the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Finance and Sinopec Finance Guangzhou Branch are therefore associates of SKI and connected persons of the Company under Chapter 14A of the Listing Rules.

Century Bright is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Century Bright is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Natural Gas Branch Company is a branch company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Natural Gas Branch Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Shanxi Energy Company is an associate of Sinopec Natural Gas Limited Company, a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Shanxi Energy Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Changcheng Gas is an indirect wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Changcheng Gas is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the transactions contemplated under each of the New Non-exempt Framework Master Agreements are more than 5%, such agreements are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will also disclose the relevant details in its next published annual report in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

In addition, in respect of the New Sinopec Finance Financial Services Framework Master Agreement, the New Century Bright Financial Services Framework Master Agreement and the New Yu Ji Pipeline Financial Services Framework Master Agreement, the provision of deposit services to the Group from Sinopec Finance Guangzhou Branch, Sinopec Finance and Century Bright (as the case may be) thereunder also constitutes the provision of financial assistance by the Group to Sinopec Finance Guangzhou Branch, Sinopec Finance and Century Bright (as the case may be) under Rule 14.04(1)(e) of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the aggregate transaction amounts for such transactions on an annual basis under such agreements (if required to be aggregated) are more than 5% but all of which are below 25%, such transactions also constitute discloseable transactions of the Company, and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

(2) Continuing connected transactions regarding renewal of the Exempt Existing Continuing Connected Transactions

References are made to the 11 November 2016 Announcement, the 18 May 2017 Announcement and the 30 August 2018 Announcement, in relation to, among others, the Exempt Existing Continuing Connected Transactions.

Having considered that the Group will renew the transactions contemplated under the Existing Lands and Buildings Framework Master Lease Agreement, the Existing Internal Labour Technical Services Framework Master Agreement, the Existing Substation Power Technical Services Framework Master Agreement, the Existing Lease Framework Agreement, and the Existing Natural Gas Pipeline Technical Services Framework Master Agreement, on 21 October 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the following:

- (i) the New Lands and Buildings Framework Master Lease Agreement, with Sinopec Natural Gas Branch Company, in relation to the leasing of certain parcels of lands and buildings from Sinopec Natural Gas Branch Company to Yu Ji Pipeline Company;

- (ii) the New Internal Labour Technical Services Framework Master Agreement, with Zhongyuan Natural Gas Technical Centre, in relation to the provision of technical services by Zhongyuan Natural Gas Technical Centre to Yu Ji Pipeline Company;
- (iii) the New Power Technical Services Framework Master Agreement, with Zhongyuan Electricity Supply Centre, in relation to the provision of substation power station maintenance services by Zhongyuan Electricity Supply Centre to Yu Ji Pipeline Company;
- (iv) the New Lease Framework Agreement, with Shandong Natural Gas Pipeline Company, in relation to the leasing of the Property by Yu Ji Pipeline to Shandong Natural Gas Pipeline Company; and
- (v) the New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement, with Sinopec Pipeline Services Company, in relation to the provision of natural gas pipeline construction works and related technical services from Sinopec Pipeline Services Company to Yu Ji Pipeline Company,

with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Having considered that the Group will renew the transactions contemplated under the Existing Oil Terminal Entrusted Management Framework Master Agreement which will expire on 31 December 2019, on 21 October 2019, Sinomart, a wholly-owned subsidiary of the Company, and Sinopec Pipeline Storage Company entered into the New Oil Terminal Entrusted Management Framework Master Agreement in relation to the management of the Six Oil Terminal Companies in which Sinomart has shareholdings, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Having considered that the Group will renew the transactions contemplated under the Existing Sinopec Fuel Oil Sales Company Limited Framework Master Agreement which will expire on 31 December 2019, on 21 October 2019, Huade, a wholly-owned subsidiary of the Company, and Sinopec Fuel Oil entered into the New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement in relation to the provision of fuel oil jetty and storage services by Huade to Sinopec Fuel Oil, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Sinopec Natural Gas Branch Company is a branch company of Sinopec Corp. and Sinopec Pipeline Storage Company is a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Each of Sinopec Natural Gas Branch Company and Sinopec Pipeline Storage Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Zhongyuan Natural Gas Technical Centre is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Zhongyuan Natural Gas Technical Centre is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Each of Zhongyuan Electricity Supply Centre and Sinopec Fuel Oil is a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Each of Zhongyuan Electricity Supply Centre and Sinopec Fuel Oil is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Shandong Natural Gas Pipeline Company is a non-wholly owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Shandong Natural Gas Pipeline Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Pipeline Services Company is a wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Pipeline Services Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the New Lands and Buildings Framework Master Lease Agreement, the New Internal Labour Technical Services Framework Master Agreement, the New Power Technical Services Framework Master Agreement, the New Lease Framework Agreement, the New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement, the New Oil Terminal Entrusted Management Framework Master Agreement and the New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the transactions contemplated under each of the New Exempt Framework Master Agreements (save for the New Internal Labour Technical Services Framework Master Agreement) are more than 0.1% but less than 5%, the transactions contemplated under these agreements are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(3) New Exempt Continuing Connected Transactions

On 21 October 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the following:

- (i) the New Labour Technical Services Framework Master Agreement, with Shandong Natural Gas Services Jinan Branch Company, in relation to the provision of technical services by Shandong Natural Gas Services Jinan Branch Company to Yu Ji Pipeline Company; and
- (ii) the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement, with Sinopec Construction Company, in relation to the provision of construction and emergency protection services by Sinopec Construction Company to Yu Ji Pipeline Company,

with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

On 21 October 2019, Huade, a wholly-owned subsidiary of the Company, entered into the New Oil Product Purchase Framework Master Agreement with China Shipping & Sinopec Shenzhen, in relation to the sale of diesel from China Shipping & Sinopec Shenzhen to Huade, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Shandong Natural Gas Services Jinan Branch Company is an associate of Sinopec Natural Gas Limited Company, a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Shandong Natural Gas Services Jinan Branch Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Construction Company is an indirect wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Construction Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

China Shipping & Sinopec Shenzhen is owned as to 50% by each of China Shipping & Sinopec Suppliers and Sinopec Fuel Oil. China Shipping & Sinopec Suppliers is a joint venture owned by Sinopec Corp. and China Shipping Corp. Sinopec Fuel Oil is a wholly-owned subsidiary of Sinopec Corp. Sinopec Corp. indirectly wholly-owns SKI, the controlling shareholder of the Company. China Shipping & Sinopec Shenzhen is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the New Labour Technical Services Framework Master Agreement, the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement and the New Oil Product Purchase Framework Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the transactions contemplated under each of the New Labour Technical Services Framework Master Agreement (when aggregated with the New Internal Labour Technical Services Framework Master Agreement), the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement and the New Oil Product Purchase Framework Master Agreement are more than 0.1% but less than 5%, the transactions contemplated under such agreements are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(4) Connected transaction and discloseable transaction regarding the Yulin-Jinan Pipeline Compression Project

Reference is made to the 11 November 2016 Announcement and the 2 December 2016 Circular in relation to, among others, the Previous Yu Ji Compression Project Framework Master Agreement entered into between Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, and Sinopec Petroleum Engineering, in respect of the provision of equipment procurement, design and construction services by Sinopec Petroleum Engineering, in respect of compression projects in connection with the Yulin-Jinan Pipeline, to Yu Ji Pipeline Company. As disclosed therein, the compression projects in relation to the Yulin-Jinan Pipeline contemplated thereunder were expected to be completed in or around the end of 2018. However, the approval from the local government in Henan Province, the PRC for agreeing to the use of land for such compression projects was only obtained in October 2018. Yu Ji Pipeline Company has carried out land acquisition works thereafter and the Yulin-Jinan Pipeline Compression Project will commence after such land acquisition is completed.

Having considered that the estimated maximum fees payable by Yu Ji Pipeline Company to Sinopec Petroleum Engineering under the Previous Yu Ji Compression Project Framework Master Agreement will be insufficient to cover the fees contemplated to be paid by Yu Ji Pipeline Company based on recent estimations, on 21 October 2019, Yu Ji Pipeline Company entered into the New Yu Ji Compression Project Framework Master Agreement with Sinopec Petroleum Engineering whereby the new estimated maximum fees payable by Yu Ji Pipeline Company were determined. Such agreement will become effective upon obtaining the Independent Shareholders' approval in the SGM. Save as aforementioned, all other terms and conditions under the Previous Yu Ji Compression Project Framework Master Agreement have been incorporated into the New Yu Ji Compression Project Framework Master Agreement.

Sinopec Petroleum Engineering is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Petroleum Engineering is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Yu Ji Compression Project Framework Master Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transaction amounts under the New Yu Ji Compression Project Framework Master Agreement are more than 5%, such agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as one or more of the said applicable percentage ratios are more than 5% but are less than 25%, the transactions contemplated under the New Yu Ji Compression Project Framework Master Agreement also constitute a discloseable transaction of the Company, and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

(5) General

As at the date of this announcement, Sinopec Group Company holds approximately 68.31% of the issued share capital of Sinopec Corp. Sinopec Corp. holds the entire issued share capital of Unipec, which holds the entire issued share capital of SKI, and is the indirect controlling shareholder of the Company, indirectly holding approximately 60.33% of the issued share capital of the Company.

Under the Listing Rules, for so long as SKI remains a substantial shareholder of the Company and both Sinopec Corp and Sinopec Group Company remain as holding companies of SKI, they and any 30%-controlled company held by them, or any of their subsidiaries or branch companies, including but not limited to Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company, Sinopec Pipeline Storage and Transportation Branch Company, Sinopec Finance Guangzhou Branch, Sinopec Finance, Century Bright, Sinopec Natural Gas Branch Company, Shanxi Energy Company, Sinopec Changcheng Gas, Zhongyuan Natural Gas Technical Centre, Zhongyuan Electricity Supply Centre, Shandong Natural Gas Pipeline Company, Sinopec Pipeline Services Company, Sinopec Pipeline Storage Company, Sinopec Fuel Oil, Shandong Natural Gas Services Jinan Branch Company, Sinopec Construction Company, China Shipping & Sinopec Shenzhen and Sinopec Petroleum Engineering, will remain as connected persons of the Company, and the transactions contemplated under each of the New Non-exempt Framework Master Agreements, the New Exempt Framework Master Agreements, the New Labour Technical Services Framework Master Agreement, the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement and the New Oil Product Purchase Framework Master Agreement will constitute continuing connected transactions of the Company. The transactions contemplated under New Yu Ji Compression Project Framework Master Agreement will also constitute a connected transaction and a discloseable transaction of the Company under the Listing Rules.

Since SKI is considered to have a material interest in the transactions contemplated under the New Non-exempt Framework Master Agreements and the New Yu Ji Compression Project Framework Master Agreement, it will abstain from voting on the resolution(s) to approve the entering into of such agreements at the SGM.

In addition, as certain executive Directors, including Mr. Chen Bo, Mr. Xiang Xiwen, Mr. Dai Liqi, Mr. Li Jianxin and Mr. Wang Guotao are considered to have a material interest in the transactions contemplated under the New Non-exempt Framework Master Agreements, the New Exempt Framework Master Agreements, the New Labour Technical Services Framework Master Agreement, the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement, the New Oil Product Purchase Framework Master Agreement and the New Yu Ji Compression Project Framework Master Agreement due to their other executive posts within the Sinopec Group, they have abstained from voting on the board resolutions(s) to approve such agreements.

The Company has established an Independent Board Committee comprising the four independent non-executive Directors, namely Ms. Tam Wai Chu, Maria, Mr. Fong Chung, Mark, Dr. Wong Yau Kar, David and Ms. Wong Pui Sze, Priscilla, to consider and advise the Independent Shareholders on, among others, (i) the New Non-exempt Framework Master Agreements and the terms and conditions thereof (including the annual caps thereunder); (ii) the New Yu Ji Compression Project Framework Master Agreement and the terms and conditions thereof; and (iii) how to vote in the SGM. The Company has appointed Somerley Capital Limited as the Independent Financial Adviser to advise and make recommendations to the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (1) further details of the New Non-exempt Framework Master Agreements and the New Yu Ji Compression Project Framework Master Agreement; (2) a letter from the Independent Board Committee; (3) a letter of advice from the Independent Financial Adviser; and (4) a notice of the SGM, is expected to be despatched to the Shareholders on or before 11 November 2019.

The Board announces that members of the Group have entered into agreements in relation to (i) the continuing connected transactions and discloseable transactions regarding renewal of the Non-exempt Existing Continuing Connected Transactions; (ii) the continuing connected transactions regarding renewal of the Exempt Existing Continuing Connected Transactions; (iii) the New Exempt Continuing Connected Transactions; and (iv) the connected transaction and discloseable transaction regarding the Yulin-Jinan Pipeline Compression Project.

I. CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS REGARDING RENEWAL OF THE NON-EXEMPT EXISTING CONTINUING CONNECTED TRANSACTIONS

References are made to the 11 November 2016 Announcement, the 30 August 2018 Announcement and the 2 December 2016 Circular, in relation to, among others, the Non-exempt Existing Continuing Connected Transactions.

A. Non-exempt Existing Continuing Connected Transactions in relation to Huade

1. New Crude Oil Jetty and Storage Services Framework Master Agreement

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Sinopec Guangzhou Branch Framework Master Agreement which will expire on 31 December 2019, Huade, a wholly-owned subsidiary of the Company, entered into the New Crude Oil Jetty and Storage Services Framework Master Agreement with Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and Sinopec Pipeline Storage and Transportation Branch Company, in order to regulate, among others, the provision of crude oil jetty services from Huade to Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company. Conditional upon the Independent Shareholders' approval in the SGM, the New Crude Oil Jetty and Storage Services Framework Master Agreement will commence on 1 January 2020 for a term of three years up to 31 December 2022.

Relationship with the connected persons

Sinopec Guangzhou Branch is a branch company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Guangzhou Branch is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Petroleum Reserve Company is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Petroleum Reserve Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Pipeline Storage and Transportation Branch Company is a branch company of a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Pipeline Storage and Transportation Branch Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

The Group has through Huade provided under the Existing Sinopec Guangzhou Branch Framework Master Agreement to Sinopec Guangzhou Branch, and will continue to provide under the New Crude Oil Jetty and Storage Services Framework Master Agreement, the following services and facilities to Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company through the Huizhou Jetty:

- (i) jetty and related services concerning the unloading of crude oil from oil tankers and dockage;
- (ii) crude oil storage and related services concerning the storage of crude oil in oil tanks and oil tank handling; and
- (iii) the transmission of crude oil and related services concerning the transmission of crude oil from the Huizhou Jetty to the refinery complex of Sinopec Guangzhou Branch in Guangzhou.

Pricing basis

Pursuant to the New Crude Oil Jetty and Storage Services Framework Master Agreement, Huade will enter into crude oil jetty service agreements with Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company, by which the parties will negotiate with reference to, among other factors, laws and regulations, market conditions, normal commercial terms, trade customs and the principle of fairness and will conclude the detailed terms and provisions in such agreements.

Pursuant to the New Crude Oil Jetty and Storage Services Framework Master Agreement, the service fees payable by Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company to Huade will be based on the following calculations and adjustments:

- (i) in respect of jetty and related services concerning the unloading of crude oil from oil tankers and dockage, charged by the State-prescribed prices, being regulated and standardised by the Ministry of Transports of the PRC and on the basis of government-approved prices, being approved by the Guangdong Price Bureau;
- (ii) in respect of crude oil storage and related services concerning the storage of crude oil in oil tanks and oil tank handling, charged on the basis of government-approved prices, being approved by the Guangdong Price Bureau; and
- (iii) in respect of the transmission of crude oil and related services concerning the transmission of crude oil from the Huizhou Jetty to the refinery complex of Sinopec Guangzhou Branch in Guangzhou, charged by the State-prescribed prices, being regulated by the PRC's National Development and Reform Commission.

If the State-prescribed prices or the government-approved prices (as the case may be) of any of the above services are abolished, the service fees payable shall be (a) the fair market price for the relevant service (to be determined by the parties after arm's length negotiations); or (b) if no market price is available or agreed between the parties, the previous applicable State-prescribed prices or government-approved prices (as the case may be) plus a margin not exceeding the rate of increase of the consumer price index for the PRC during the immediately preceding calendar year. The consumer price index can be obtained from the National Statistics Bureau of the PRC.

Historical amounts

The following table sets out the transaction amounts received by Huade under the Existing Sinopec Guangzhou Branch Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>		
Transaction amounts received by Huade	RMB441,930,000 (HK\$503,800,000)	RMB476,100,000 (HK\$542,750,000)	RMB239,200,000 (HK\$272,690,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps of the transaction amounts estimated to be received by Huade under the Existing Sinopec Guangzhou Branch Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>		
Historical annual caps of the estimated transaction amounts	RMB700,000,000 (HK\$798,000,000)	RMB700,000,000 (HK\$798,000,000)	RMB700,000,000 (HK\$798,000,000)

The following table sets out the annual caps of the transaction amounts estimated to be received by Huade under the New Crude Oil Jetty and Storage Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB650,000,000 (HK\$741,000,000)	RMB650,000,000 (HK\$741,000,000)	RMB650,000,000 (HK\$741,000,000)

In arriving at the aforesaid annual caps, the following factors were taken into account: (i) the historical figures of the transactions; (ii) the State-prescribed prices and the government-approved prices for these services; (iii) in light of the demand for petroleum products in the PRC market, Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company are expected to import a stable-to-rising quantity of crude oil and therefore will consume and require a stable-to-rising amount of crude oil jetty services and facilities; and (iv) given the nature of mutual reliance on the supply and consumption of the services and facilities by Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company in relation to the Huizhou Jetty, demand in such volume and quantity of services and facilities of the Group will remain stable-to-rising.

The payment terms of these transactions will be determined by the parties on a transaction-by-transaction basis, in accordance with market norms and on normal commercial terms, and with reference to prescriptions by and approvals of the PRC government.

Reasons for and benefits of the transactions

The existing Huizhou Jetty and crude oil storage facilities of Huade are close to Sinopec Guangzhou Branch with a crude oil pipeline connected between Huade and Sinopec Guangzhou Branch, which is convenient for Huade to provide crude oil jetty unloading and storage service to Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company. Sinopec Guangzhou Branch is also a major customer of Huade for crude oil unloading and pipeline transmission.

Currently, the business income of Huade is mostly attributable from Sinopec Guangzhou Branch. The provision of crude oil jetty unloading and storage services to Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and/or Sinopec Pipeline Storage and Transportation Branch Company can utilise the business value of the crude oil jetty and facilities, and create economic benefits for Huade, and therefore is in the interests of the Company and the Shareholders as a whole.

As Sinopec Petroleum Reserve Company and Sinopec Pipeline Storage and Transportation Branch Company will require crude oil jetty and storage services which are similar to those as provided by Huade to Sinopec Guangzhou Branch under the Existing Sinopec Guangzhou Branch Framework Master Agreement, and as the business operations of Sinopec Petroleum Reserve Company, Sinopec Pipeline Storage and Transportation Branch Company and Sinopec Guangzhou Branch may from time to time be conducted closely and simultaneously, the New Crude Oil Jetty and Storage Services Framework Master Agreement was entered into by all such parties with Huade, in order to simplify the administrative process and enhance the operating efficiency in the provision of crude oil jetty and storage services by Huade.

2. *New Sinopec Finance Financial Services Framework Master Agreement*

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Sinopec Finance Financial Services Framework Master Agreement which will expire on 31 December 2019, Huade, a wholly-owned subsidiary of the Company, entered into the New Sinopec Finance Financial Services Framework Master Agreement with Sinopec Finance Guangzhou Branch, in order to regulate, among others, the provision of intra group financial services by Sinopec Finance Guangzhou Branch to the Huade Group. Conditional upon the Independent Shareholders' approval in the SGM, the New Sinopec Finance Financial Services Framework Master Agreement will commence on 1 January 2020 for a term of three years up to 31 December 2022.

Relationship with the connected person

Sinopec Finance Guangzhou Branch is a branch company of Sinopec Finance, which is owned as to 51% by Sinopec Group Company and 49% by Sinopec Corp. Sinopec Group Company is the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Finance Guangzhou Branch is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

The intra group financial services to be provided by Sinopec Finance Guangzhou Branch to the Huade Group within the PRC include loan services, deposit services, conducting entrusted loan services, conducting bill acceptance and discount services, and conducting transfer and relevant settlement services and the planning of settlement schemes. Sinopec Finance Guangzhou Branch has agreed to provide financial services other than those aforesaid services to the Huade Group at Huade's request or instructions provided that Sinopec Finance and Sinopec Finance Guangzhou Branch (as the case may be) have obtained the relevant approval from CBIRC.

Pricing basis

Sinopec Finance Guangzhou Branch has undertaken to adhere to the principles below in providing the aforementioned financial services to the Huade Group within the PRC:

- (i) the interest rates for the Huade Group's deposits with Sinopec Finance Guangzhou Branch shall be referenced to the deposit interest rates as announced by PBOC from time to time, and shall be no lower than the interest rates for deposits offered by other independent commercial banks to the members of the Sinopec Group;
- (ii) the interest rates for loans granted to the Huade Group by Sinopec Finance Guangzhou Branch shall be referenced to the base lending rates as announced by PBOC from time to time; and in compliance with the relevant laws and regulations, the interest rates shall not be higher than the interest rates for loans offered by other independent commercial banks to members of the Sinopec Group;
- (iii) the rates for discount services shall be referenced to the rediscount rates as announced by PBOC from time to time; and depending on market conditions, the rates shall not be higher than the discount rates offered by other independent commercial banks to the members of the Sinopec Group;
- (iv) the service fees for entrusted loans shall not be higher than the fees offered by other independent commercial banks to the members of the Sinopec Group; and
- (v) the service charges for the transfer and relevant settlement services and the planning of settlement schemes shall be free of charge. However, if any service charges relating to such services have been imposed by independent commercial banks on Sinopec Finance Guangzhou Branch, the Huade Group will then be charged the same by Sinopec Finance Guangzhou Branch.

Capital risk control measures

- (a) In accordance with PRC laws and regulations, Sinopec Finance Guangzhou Branch will ensure the safe and stable operation of its fund management information system, which has undergone the security test in respect of connections to online commercial banking platforms and has reached the national security standards for commercial banks.
- (b) Sinopec Finance Guangzhou Branch will ensure its compliance with the risk monitoring indicators for financial institutions issued by CBIRC and in accordance with PRC laws and regulations. Sinopec Group Company has also made a commitment to CBIRC for increasing the share capital of Sinopec Finance in case Sinopec Finance is in financial straits.

- (c) In accordance with PRC laws and regulations, Sinopec Finance Guangzhou Branch will allow Huade to check the status of its deposits with Sinopec Finance Guangzhou Branch each business day to enable Huade to monitor and ensure that the maximum outstanding balance at any time (including any interest accrued therefrom) for Huade Group's deposits with Sinopec Finance Guangzhou Branch does not exceed the relevant upper limit.
- (d) If there is a breach of laws or regulations, Sinopec Finance Guangzhou Branch will inform Huade immediately and ascertain the procedure and plan to ratify and mitigate the situation.
- (e) The annual financial statements of Sinopec Finance Guangzhou Branch will be provided to Huade upon request.

The Directors consider that the above capital risk control measures are adequate to cover the risks involved in depositing funds with Sinopec Finance Guangzhou Branch.

Historical amounts

The following table sets out the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits placed by the Huade Group with Sinopec Finance under the Existing Sinopec Finance Financial Services Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>		
Maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits placed by the Huade Group	RMB61,020,000 (HK\$69,560,000)	RMB63,400,000 (HK\$72,280,000)	RMB82,480,000 (HK\$94,030,000)

None of these amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps in respect of the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits estimated to be placed by the Huade Group with Sinopec Finance under the Existing Sinopec Finance Financial Services Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>		
Historical annual caps in respect of the maximum outstanding balance at anytime (including any interest accrued therefrom) for the deposits estimated to be placed by the Huade Group	RMB500,000,000 (HK\$570,000,000)	RMB500,000,000 (HK\$570,000,000)	RMB500,000,000 (HK\$570,000,000)

The following table sets out the annual caps in respect of the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits estimated to be placed by the Huade Group with Sinopec Finance Guangzhou Branch under the New Sinopec Finance Financial Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB400,000,000 (HK\$456,000,000)	RMB400,000,000 (HK\$456,000,000)	RMB400,000,000 (HK\$456,000,000)

In arriving at the aforesaid annual caps, the future business expansion plans, the expected increase of business volume, the expected increase of cash flow movement of the Huade Group and the following factors have been considered by Huade:

- (1) In order to strengthen the centralised management of funds and monitor the use of funds, the Sinopec Group (including the Group) will utilise the “funding pool” platform with the assistance of Sinopec Finance Guangzhou Branch. Such platform amasses the funds of the Sinopec Group (including the Group) and enables loans to be granted within the Sinopec Group (including the Group) by capitalising on the leeway arising from the difference in the time for receipt and payment of funds of members of the Sinopec Group (including the Group), with an aim to support the development of the Sinopec Group and the Group.
- (2) Sinopec Finance and Sinopec Finance Guangzhou Branch are under the supervision of CBIRC and they have been maintaining satisfactory operating results and financial positions with good risk controls and well-regulated management in the past three years. The safety standards of their settlement system reach the standards of domestic commercial banks. The collaboration between the Huade Group and Sinopec Finance Guangzhou Branch reduces finance costs, increases interest income of deposits, lowers settlement costs and controls risks.
- (3) There will be interest income from the deposits of the Huade Group with Sinopec Finance Guangzhou Branch at a rate no less favourable than those offered by other independent commercial banks in the PRC.
- (4) In respect of the Huade Group’s funds settlement business at Sinopec Finance Guangzhou Branch, settlement expenses will be undertaken by Sinopec Finance Guangzhou Branch while the Huade Group has no obligations to pay for the settlement expenses to Sinopec Finance Guangzhou Branch, save if other independent commercial banks charge Sinopec Finance Guangzhou Branch for such fees, Sinopec Finance Guangzhou Branch will charge the Huade Group the same accordingly.
- (5) Sinopec Finance Guangzhou Branch undertakes that its major shareholder shall not appropriate the Group’s funds.
- (6) Given that the PRC government is currently enhancing the control of outflow of capital out of mainland China, the time required for the Huade Group to obtain approval to distribute dividends to the Company will be longer, therefore the deposits placed by the Huade Group with Sinopec Finance Guangzhou Branch will increase for the three financial years ending 31 December 2022.

Loan services and conducting bill acceptance and discount services

In view that the loan services and conducting bill acceptance and discount services to be provided by Sinopec Finance Guangzhou Branch to the Huade Group will be on normal commercial terms or better than those offered by independent third parties for comparable services in the PRC, and will not be secured by the assets of the Huade Group, such services which also constitute financial assistance received by the Group are fully exempt under Rule 14A.90 of the Listing Rules from all reporting, annual review, announcement and Independent Shareholders' approval requirements. As such, no annual caps have been set for such services.

Entrustment loans and other services

Apart from the deposit services, the loan services and conducting bill acceptance and discount services, the other services which may be provided by Sinopec Finance Guangzhou Branch to the Huade Group are entrustment loans and other financial services which will be on normal commercial terms and on terms similar to or even better than those offered by independent third parties for comparable services in the PRC.

As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the total fees estimated to be paid by the Huade Group to Sinopec Finance Guangzhou Branch for the entrustment loans and other financial services on an annual basis will fall within the de minimis threshold of 0.1% as stipulated under Rule 14A.76(1)(a) of the Listing Rules, such transactions are fully exempt from all reporting, annual review, announcement and Independent Shareholders' approval requirements. The Company will comply with the reporting, annual review, announcement and/or Independent Shareholders' approval requirements of the Listing Rules if and when such relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed the relevant threshold.

Reasons for and benefits of the transactions

1. The interest rates on loans and deposits to be offered by Sinopec Finance Guangzhou Branch to the Huade Group will be no less favourable than those offered by other independent commercial banks in the PRC.
2. Sinopec Finance and Sinopec Finance Guangzhou Branch are regulated by PBOC and CBIRC and provide their services in accordance with the rules and operational requirements of these regulatory authorities.

3. Sinopec Finance Guangzhou Branch fully understands and is familiar with the business nature and needs of the Huade Group. As Sinopec Finance Guangzhou Branch and the Huade Group are both members of Sinopec Group, Sinopec Finance Guangzhou Branch can better foresee the funding needs of the Huade Group and can offer flexible and cost-effective services to the Huade Group.
4. It is beneficial for the settlement operations for members of the Sinopec Group (including the Group), strengthening the Huade Group's capital management and control in order to mitigate and avert operational risks.
5. It will reduce the time of capital in transit for the Huade Group. It will also accelerate the turnover of cash flow and reduce transaction costs and expenses, thereby further enhancing the quality and efficiency of capital utilisation.
6. This also provides diversified financial services in broader areas for the Huade Group, which is in line with the interests of the Company and the Shareholders as a whole. The financial services provided by Sinopec Finance Guangzhou Branch are in line with market norms and are on normal commercial terms, with reference to arrangements with other independent commercial banks in the PRC.
7. Pursuant to the relevant regulations of PBOC and CBIRC, the customers of Sinopec Finance Guangzhou Branch are limited to entities within the Sinopec Group (including the Group) and its subsidiaries, including the Group, thereby reducing the risks that Sinopec Finance Guangzhou Branch may otherwise be exposed to if its customers include other entities unrelated to the Sinopec Group (including the Group).

B. Non-exempt Existing Continuing Connected Transactions in relation to the Company

1. New Century Bright Financial Services Framework Master Agreement

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Century Bright Financial Services Framework Master Agreement which will expire on 31 December 2019, the Company entered into the New Century Bright Financial Services Framework Master Agreement with Century Bright, in order to regulate, among others, the provision of deposit services and settlement and similar services by Century Bright to the Group. Conditional upon the Independent Shareholders' approval in the SGM, the New Century Bright Financial Services Framework Master Agreement will commence on 1 January 2020 for a term of three years up to 31 December 2022.

Relationship with the connected person

Century Bright is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Century Bright is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

Century Bright will provide deposit services and settlement and similar services to the Company and its subsidiaries outside the PRC.

Pricing basis

In respect of deposit services, Century Bright will pay the Group interest accrued on the deposits calculated according to the deposit interest rates as announced by other independent commercial banks in Hong Kong (such as The Hongkong and Shanghai Banking Corporation Limited) from time to time. Such interest rates shall be (i) equal to or higher than the interest rates offered by Century Bright to Sinopec Group Company, Sinopec Corp. and other members of the Sinopec Group in similar deposit arrangements; and (ii) equal to or higher than the interest rates as announced by other independent commercial banks in Hong Kong (such as The Hongkong and Shanghai Banking Corporation Limited) from time to time, whichever is higher.

In respect of settlement and similar services, the Group will pay Century Bright according to the settlement and similar services charges as announced by other independent commercial banks in Hong Kong (such as The Hongkong and Shanghai Banking Corporation Limited) from time to time. Such settlement and similar services charges shall be (i) equal to or lower than the settlement and similar services charges offered by Century Bright to Sinopec Group Company, Sinopec Corp. and other members of the Sinopec Group in similar settlement services arrangements; and (ii) equal to or lower than the settlement and similar services charges as announced by other independent commercial banks in Hong Kong (such as The Hongkong and Shanghai Banking Corporation Limited) from time to time for settlement and similar services provided by Century Bright, whichever is lower.

Historical amounts

The following table sets out the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits placed by the Group with Century Bright under the Existing Century Bright Financial Services Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018 (approx. HK\$)	For the six months ended 30 June 2019
Maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits placed by the Group	HK\$7,430,000	HK\$353,810,000	HK\$17,970,000

None of these amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps in respect of the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits estimated to be placed by the Group with Century Bright under the Existing Century Bright Financial Services Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(HK\$)</i>		
Historical annual caps of the maximum outstanding balance at anytime (including any interest accrued therefrom) for the deposits estimated to be placed by the Group	HK\$500,000,000	HK\$500,000,000	HK\$500,000,000

The following table sets out the annual caps in respect of the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits estimated to be placed by the Group with Century Bright under the New Century Bright Financial Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(HK\$)</i>		
Annual caps	HK\$500,000,000	HK\$500,000,000	HK\$500,000,000

In arriving at the aforesaid annual caps, the Directors have taken into account, among other factors, the historical figures of the transactions, the Group's anticipated cash flow movements, the anticipated business volume of the Group, the financial control and treasury management of the Group, and the requirement to settle accounts receivables from members units of the Sinopec Group or any third party through the deposit accounts of the Group with Century Bright.

Reasons for and benefits of the transactions

1. The interest rates on deposits to be offered by Century Bright to the Group will be no less favourable than those offered by commercial banks in Hong Kong.
2. It reduces the time of capital transit for the Group, and also accelerates the turnover of cash flow and reduces transaction costs and expenses, thereby further enhancing the quality and efficiency of capital utilisation.
3. It provides diversified financial services in broader areas for the Group, which is in line with the interests of the Company and the Shareholders as a whole.

C. Non-exempt Existing Continuing Connected Transactions and the Exempt Existing Continuing Connected Transactions in relation to Yu Ji Pipeline Company

1. New Natural Gas Transmission Services Framework Master Agreement

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Natural Gas Transmission Services Framework Master Agreement and the Existing Changcheng Natural Gas Transmission Services Framework Master Agreement which will expire on 31 December 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Natural Gas Transmission Services Framework Master Agreement with Sinopec Natural Gas Branch Company, Shanxi Energy Company and Sinopec Changcheng Gas, in order to regulate, among others, the provision of natural gas transmission services by Yu Ji Pipeline Company to Sinopec Natural Gas Branch Company, Shanxi Energy Company and/or Sinopec Changcheng Gas. Conditional upon the Independent Shareholders' approval in the SGM, the New Natural Gas Transmission Services Framework Master Agreement will commence on 1 January 2020 for a term of three years up to 31 December 2022.

Relationship with the connected persons

Sinopec Natural Gas Branch Company is a branch company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Natural Gas Branch Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Shanxi Energy Company is an associate of Sinopec Natural Gas Limited Company, a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Shanxi Energy Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Sinopec Changcheng Gas is an indirect wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Changcheng Gas is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

Yu Ji Pipeline Company will provide natural gas transmission services to Sinopec Natural Gas Branch Company, Shanxi Energy Company and/or Sinopec Changcheng Gas by transmitting through the Yulin-Jinan Pipeline owned by Yu Ji Pipeline Company to the natural gas delivery point(s) designated by Sinopec Natural Gas Branch Company, Shanxi Energy Company and/or Sinopec Changcheng Gas.

Pricing basis

Under the New Natural Gas Transmission Services Framework Master Agreement, the pipeline transmission fees will be determined in accordance with the Notice of the National Development and Reform Commission on Adjustment of Cross-Provincial Natural Gas Pipeline Transmission Fee (National Development and Reform Commission Pricing [2019] No.561)(《國家發展改革委關於調整天然氣跨省管道運輸價格的通知》(發改價格[2019]561號)), which shall be subject to adjustments as announced by the State or the relevant local government authorities, and the actual distance for the transmission of natural gas.

Historical amounts

The following table sets out the transaction amounts received by Yu Ji Pipeline Company under the Existing Natural Gas Transmission Services Framework Master Agreement and the Existing Changcheng Natural Gas Transmission Services Framework Master Agreement (as the case may be) for the year ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>	
Transaction amounts received by Yu Ji Pipeline Company		
Existing Natural Gas Transmission Services Framework Master Agreement	RMB678,390,000 (HK\$773,360,000)	RMB339,120,000 (HK\$386,600,000)
Existing Changcheng Natural Gas Transmission Services Framework Master Agreement	RMB5,630,000 ^{Note} (HK\$6,420,000)	RMB2,840,000 (HK\$3,240,000)

Note: The term of the Existing Changcheng Natural Gas Transmission Services Framework Master Agreement commenced on 30 August 2018 and will expire on 31 December 2019.

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps of the transaction amounts estimated to be received by Yu Ji Pipeline Company under the Existing Natural Gas Transmission Services Framework Master Agreement and the Existing Changcheng Natural Gas Transmission Services Framework Master Agreement (as the case may be) for the year ended 31 December 2018 and the year ending 31 December 2019:

Historical annual caps of the estimated transaction amounts	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>	
Existing Natural Gas Transmission Services Framework Master Agreement	RMB1,800,000,000 (HK\$2,052,000,000)	RMB1,800,000,000 (HK\$2,052,000,000)
Existing Changcheng Natural Gas Transmission Services Framework Master Agreement	RMB8,000,000 ^{Note} (HK\$9,120,000)	RMB15,000,000 (HK\$17,100,000)

Note: The term of the Existing Changcheng Natural Gas Transmission Services Framework Master Agreement commenced on 30 August 2018 and will expire on 31 December 2019.

The following table sets out the annual caps of the transaction amounts estimated to be received by Yu Ji Pipeline Company under the New Natural Gas Transmission Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB900,000,000 (HK\$1,026,000,000)	RMB950,000,000 (HK\$1,083,000,000)	RMB1,000,000,000 (HK\$1,140,000,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account: (i) the historical figures of the transactions; (ii) the State-prescribed prices or government-approved prices (as the case may be); (iii) the estimated demand of the natural gas transmission services as suggested by the Group based on its business scale and operation plan after the completion of Yulin-Jinan Pipeline Compression Project; and (iv) the estimated demand of the natural gas transmission services resulting from the recent discovery of gas reserves in Erdos Basin by Sinopec Group Company. As such, the volume of the related business is expected to increase year by year in the coming three years.

Given the nature of these transactions, payment terms will be determined by the parties on a transaction-by-transaction basis, in accordance with market norms and on normal commercial terms, and with reference to the specifications and requirements, such as transmission volume and delivery point(s).

Reasons for and benefits of the transactions

1. The Yulin-Jinan Pipeline, which is designed solely for natural gas transmission, is the core principal asset of Yu Ji Pipeline Company. The provision of natural gas transmission services to Sinopec Natural Gas Branch Company, Shanxi Energy Company and/or Sinopec Changcheng Gas would utilise the commercial value of the Yulin-Jinan Pipeline.
2. Currently, the revenue from the core business of Yu Ji Pipeline Company is all generated from the provision of natural gas transmission services. Therefore the provision of such services to Sinopec Natural Gas Branch Company, Shanxi Energy Company and/or Sinopec Changcheng Gas can generate business revenue, which is in the interests of the Company and the Shareholders as a whole.
3. As the transactions contemplated under the Existing Natural Gas Transmission Services Framework Master Agreement and the Existing Changcheng Natural Gas Transmission Services Framework Master Agreement are similar in nature and as Shanxi Energy Company will require natural gas transmission services which are similar to those as provided by Yu Ji Pipeline thereunder, and as the business operations of Sinopec Natural Gas Branch Company, Shanxi Energy Company and Sinopec Changcheng Gas may from time to time be conducted closely and simultaneously, the New Natural Gas Transmission Services Framework Master Agreement was entered into by all the aforementioned parties, in order to simplify the administrative process and enhance the operating efficiency in the provision of natural gas transmission services by Yu Ji Pipeline Company. Such decision is in the interests of the Company and the Shareholders as a whole.

2. *New Comprehensive Outsourcing Framework Master Agreement*

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Services Outsourcing Framework Master Agreement which will expire on 31 December 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Comprehensive Outsourcing Framework Master Agreement with Sinopec Natural Gas Branch Company, in order to regulate, among others, the provision of a range of services and products from Sinopec Natural Gas Branch Company. Conditional upon the Independent Shareholders' approval in the SGM, the New Comprehensive Outsourcing Framework Master Agreement will commence on 1 January 2020 for a term of three years up to 31 December 2022.

Relationship with the connected person

Sinopec Natural Gas Branch Company is a branch company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Natural Gas Branch Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

Yu Ji Pipeline Company will procure a range of services, products and assistance from Sinopec Natural Gas Branch Company and/or other companies as outsourced by Sinopec Natural Gas Branch Company and mutually agreed by Yu Ji Pipeline Company and Sinopec Natural Gas Branch Company in relation to the operation of the Yulin-Jinan Pipeline, including:

- (i) daily operation of the Yulin-Jinan Pipeline;
- (ii) repair, maintenance and relevant technical supporting services for the operation of the Yulin-Jinan Pipeline;
- (iii) supervising and managing the production, safety, operation and other related works of Yu Ji Pipeline Company and carrying out operational organisation and coordination, risk management and personnel management works; and
- (iv) providing Yu Ji Pipeline Company with other services and products, including but not limited to the purchase of cushion gas in the normal operation of natural gas pipelines and the provision of property insurance relating to the operation and facilities of Yu Ji Pipeline Company from Sinopec Group Company through Sinopec Natural Gas Branch Company.

Pricing basis

The provision of outsourcing services by Sinopec Natural Gas Branch Company to Yu Ji Pipeline Company under the New Comprehensive Outsourcing Framework Master Agreement will continue to be conducted on arm's length negotiations between the parties and on normal commercial terms with reference to costs for the provision of services and products, and taxes.

Historical amounts

The following table sets out the transaction amounts paid by Yu Ji Pipeline Company under the Existing Services Outsourcing Framework Master Agreement for the year ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>	
Transaction amounts paid by Yu Ji Pipeline Company	RMB38,340,000 (HK\$43,710,000)	RMB15,100,000 (HK\$17,210,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps in respect of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the Existing Services Outsourcing Framework Master Agreement for the year ended 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>	
Historical annual caps of the estimated transaction amounts	RMB170,000,000 (HK\$193,800,000)	RMB170,000,000 (HK\$193,800,000)

The following table sets out the annual caps in respect of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the New Comprehensive Outsourcing Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB70,000,000 (HK\$79,800,000)	RMB75,000,000 (HK\$85,500,000)	RMB80,000,000 (HK\$91,200,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account: (i) the historical figures of the transactions and the estimated annual transaction amount for the year ending 2019; (ii) natural gas pipelines maintenance costs; (iii) the salaries and social security insurance contributions of the employees for the operation of the Yulin-Jinan Pipeline and the growth rate in wages in the PRC; (iv) the estimated increase in costs based on Yu Ji Pipeline Company's business scale and operation plan after the completion of the Yulin-Jinan Pipeline Compression Project; (v) the estimated amount of cushion gas and property insurance required; and (vi) the applicable tax rates. As such, the volume of the outsourcing services required is expected to increase year by year in the coming three years.

Reasons for and benefits of the transactions

1. The provision of outsourcing services including but not limited to pipeline operation, maintenance and support in relation to the Yulin-Jinan Pipeline by Sinopec Natural Gas Branch Company to Yu Ji Pipeline Company can utilise the advantages brought by the personnel and professional management of Sinopec Natural Gas Branch Company, so as to ensure the safe, steady and efficient operation of natural gas pipeline transmission, and to lower operating costs.
2. The services to be procured by Yu Ji Pipeline Company also include property insurance services relating to its operation and facilities. The petrochemical industry generally adopts captive insurance. Sinopec Group Company has obtained approval from the Ministry of Finance of the PRC to provide captive insurance services to its member companies. The natural gas pipeline transportation business of Yu Ji Pipeline Company is a high-risk business. Procuring insurance services from Sinopec Group Company through Sinopec Natural Gas Branch Company helps Yu Ji Pipeline Company control and diversify operation risks and enables it to obtain important insurance coverage and more convenient and faster insurance claim services compared to that of other general commercial insurance.
3. Yu Ji Pipeline Company relies entirely on external support for pipeline operation and maintenance, otherwise it will not be able to maintain normal operations in order to realize the business value of natural gas pipeline assets.
4. The historical relationship between Sinopec Natural Gas Branch Company and Yu Ji Pipeline Company has enabled Sinopec Natural Gas Branch Company to gain a comprehensive and deep understanding of Yu Ji Pipeline Company's business affairs and its general needs. Therefore, Yu Ji Pipeline Company is able to receive high quality outsourcing services from Sinopec Natural Gas Branch Company.
5. Sinopec Natural Gas Branch Company does not aim at earning a profit in providing outsourcing services to Yu Ji Pipeline Company, as the fees payable under the New Comprehensive Outsourcing Framework Master Agreement are referenced to costs and taxes. The entering into of the New Comprehensive Outsourcing Framework Master Agreement is therefore in the interests of the Company and the Shareholders as a whole.

3. *New Yu Ji Pipeline Financial Services Framework Master Agreement*

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Yu Ji Pipeline Financial Services Framework Master Agreement which will expire on 31 December 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Yu Ji Pipeline Financial Services Framework Master Agreement with Sinopec Finance, in order to regulate, among others, the provision of intra group financial services by Sinopec Finance to Yu Ji Pipeline Company. Conditional upon the Independent Shareholders' approval in the SGM, the New Yu Ji Pipeline Financial Services Framework Master Agreement will commence on 1 January 2020 for a term of three years up to 31 December 2022.

Relationship with the connected person

Sinopec Finance is owned as to 51% by Sinopec Group Company and 49% by Sinopec Corp. Sinopec Group Company is the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Finance is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

The intra group financial services to be provided by Sinopec Finance to Yu Ji Pipeline Company within the PRC include loan services, deposit services, conducting entrusted loan services, conducting bill acceptance and discount services, and conducting transfer and relevant settlement services and the planning of settlement schemes. Sinopec Finance has agreed to provide financial services other than those aforesaid services to Yu Ji Pipeline Company at its request or instructions provided that Sinopec Finance has obtained the relevant approval from CBIRC.

Pricing basis

Sinopec Finance has undertaken to adhere to the principles below in providing the aforementioned financial services to Yu Ji Pipeline Company within the PRC:

- (i) the interest rates for Yu Ji Pipeline Company's deposits with Sinopec Finance shall be referenced to the deposit interest rates as announced by PBOC from time to time, and shall be no lower than the interest rates for deposits offered by other independent commercial banks to the members of the Sinopec Group;
- (ii) the interest rates for loans granted to Yu Ji Pipeline Company by Sinopec Finance shall be referenced to the base lending rates as announced by PBOC from time to time; and in compliance with the relevant laws and regulations, the interest rates shall not be higher than the interest rates for loans offered by other independent commercial banks to members of the Sinopec Group;
- (iii) the rates for discount services shall be referenced to the rediscount rates as announced by PBOC from time to time; and depending on market conditions, the rates shall not be higher than the discount rates offered by other independent commercial banks to the members of the Sinopec Group;
- (iv) the service fees for entrusted loans shall not be higher than the fees offered by other independent commercial banks to the members of the Sinopec Group; and
- (v) the service charges for the transfer and relevant settlement services and the planning of settlement schemes shall be free of charge. However, if any service charges relating to such services have been imposed by independent commercial banks on Sinopec Finance, Yu Ji Pipeline Company will then be charged the same by Sinopec Finance.

Capital risk control measures

- (a) In accordance with PRC laws and regulations, Sinopec Finance will ensure the safe and stable operation of its fund management information system, which has undergone the security test in respect of connections to online commercial banking platforms and has reached the national security standards for commercial banks.
- (b) Sinopec Finance will ensure its compliance with the risk monitoring indicators for financial institutions issued by CBIRC and in accordance with PRC laws and regulations. Sinopec Group Company has also made a commitment to CBIRC for increasing the share capital of Sinopec Finance in case Sinopec Finance is in financial straits.
- (c) In accordance with PRC laws and regulations, Sinopec Finance will allow Yu Ji Pipeline Company to check the status of its deposits with Sinopec Finance each business day to enable Yu Ji Pipeline Company to monitor and ensure that the maximum outstanding balance at any time (including any interest accrued therefrom) for Yu Ji Pipeline Company's deposits with Sinopec Finance does not exceed the relevant upper limit.
- (d) If there is a breach of laws or regulations, Sinopec Finance will inform Yu Ji Pipeline Company immediately and ascertain the procedure and plan to ratify and mitigate the situation.
- (e) The annual financial statements of Sinopec Finance will be provided to Yu Ji Pipeline Company upon request.

The Directors consider that the above capital risk control measures are adequate to cover the risks involved in depositing funds with Sinopec Finance.

Historical amounts

The following table sets out the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits placed by Yu Ji Pipeline Company with Sinopec Finance under the Existing Yu Ji Pipeline Financial Services Framework Master Agreement for the year ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>	
Maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits placed by Yu Ji Pipeline Company	RMB302,130,000 (HK\$344,430,000)	RMB310,400,000 (HK\$353,860,000)

None of these amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps in respect of the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits estimated to be placed by Yu Ji Pipeline Company with Sinopec Finance under the Existing Yu Ji Pipeline Financial Services Framework Master Agreement for the year ended 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>	
Historical annual caps of the maximum outstanding balance at anytime (including any interest therefrom) for the deposits estimated to be placed by Yu Ji Pipeline Company	RMB800,000,000 (HK\$912,000,000)	RMB800,000,000 (HK\$912,000,000)

The following table sets out the annual caps in respect of the maximum outstanding balance at any time (including any interest accrued therefrom) for the deposits estimated to be placed by Yu Ji Pipeline Company with Sinopec Finance under the New Yu Ji Pipeline Financial Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB700,000,000 (HK\$798,000,000)	RMB700,000,000 (HK\$798,000,000)	RMB700,000,000 (HK\$798,000,000)

In arriving at the aforesaid annual caps, the future business expansion plans, the expected increase of business volume, the expected increase of cash flow movement of Yu Ji Pipeline Company and the following factors have been considered by Yu Ji Pipeline Company:

- (1) In order to strengthen the centralised management of funds and monitor the use of funds, the Sinopec Group (including the Group) will utilise the “funding pool” platform with the assistance of Sinopec Finance. Such platform amasses the funds of the Sinopec Group (including the Group) and enables loans to be granted within the Sinopec Group (including the Group) by capitalising on the leeway arising from the difference in the time for receipt and payment of funds of members of the Sinopec Group (including the Group), with an aim to support the development of the Sinopec Group and the Group.

- (2) Sinopec Finance is under the supervision of CBIRC and it has been maintaining satisfactory operating results and financial positions with good risk controls and well-regulated management in the past three years. The safety standards of its settlement system reach the standards of domestic commercial banks. The collaboration between Yu Ji Pipeline Company and Sinopec Finance reduces finance costs, increases interest income of deposits, lowers settlement costs and controls risks.
- (3) There will be interest income from the deposits of Yu Ji Pipeline Company with Sinopec Finance at a rate no less favourable than those offered by other independent commercial banks in the PRC.
- (4) In respect of Yu Ji Pipeline Company's funds settlement business at Sinopec Finance, settlement expenses will be undertaken by Sinopec Finance while Yu Ji Pipeline Company has no obligations to pay for the settlement expenses to Sinopec Finance, save if other independent commercial banks charge Sinopec Finance for such fees, Sinopec Finance will charge Yu Ji Pipeline Company the same accordingly.
- (5) Sinopec Finance undertakes that its major shareholder shall not appropriate the Group's funds.
- (6) Given that the PRC government is currently enhancing the control of outflow of capital out of mainland China, the time required for Yu Ji Pipeline Company to obtain approval to distribute dividends to the Company will be longer, therefore the deposits placed by Yu Ji Pipeline Company with Sinopec Finance will increase for the three financial years ending 31 December 2022.

Loan services and conducting bill acceptance and discount services

In view that the loan services and conducting bill acceptance and discount services to be provided by Sinopec Finance to Yu Ji Pipeline Company will be on normal commercial terms or better than those offered by independent third parties for comparable services in the PRC, and will not be secured by the assets of the Group, such services which also constitute financial assistance received by the Group are fully exempt under Rule 14A.90 of the Listing Rules from all reporting, annual review, announcement and Independent Shareholders' approval requirements. As such, no annual caps have been set for such services.

Entrustment loans and other services

Apart from the deposit services, the loan services and conducting bill acceptance and discount services, the other services which may be provided by Sinopec Finance to Yu Ji Pipeline Company are entrustment loans and other financial services which will be on normal commercial terms and on terms similar to or even better than those offered by independent third parties for comparable services in the PRC.

As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the total fees estimated to be paid by Yu Ji Pipeline Company to Sinopec Finance for the entrustment loans and other financial services on an annual basis will fall within the de minimis threshold of 0.1% as stipulated under Rule 14A.76(1)(a) of the Listing Rules, such transactions are fully exempt from all reporting, annual review, announcement and Independent Shareholders' approval requirements. The Company will comply with the reporting, annual review, announcement and/or Independent Shareholders' approval requirements of the Listing Rules if and when such relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed the relevant threshold.

Reasons for and benefits of the transactions

1. The interest rates on loans and deposits to be offered by Sinopec Finance to Yu Ji Pipeline Company will be no less favourable than those offered by other independent commercial banks in the PRC.
2. Sinopec Finance is regulated by PBOC and CBIRC and provides its services in accordance with the rules and operational requirements of these regulatory authorities.
3. Sinopec Finance fully understands and is familiar with the business nature and needs of Yu Ji Pipeline Company. As Sinopec Finance and Yu Ji Pipeline Company are both subsidiaries of Sinopec Group Company, Sinopec Finance can better foresee the funding needs of Yu Ji Pipeline Company and can offer flexible and cost-effective services to Yu Ji Pipeline Company.
4. It is beneficial for the settlement operations for members of the Sinopec Group (including the Group), strengthening Yu Ji Pipeline Company's capital management and control in order to mitigate and avert operational risks.
5. It will reduce the time of capital in transit for Yu Ji Pipeline Company. It will also accelerate the turnover of cash flow and reduce transaction costs and expenses, thereby further enhancing the quality and efficiency of capital utilisation.

6. This also provides diversified financial services in broader areas for Yu Ji Pipeline Company, which is in line with the interests of the Company and the Shareholders as a whole. The financial services provided by Sinopec Finance are in line with market norms and are on normal commercial terms, with reference to arrangements with other independent commercial banks in the PRC.
7. Pursuant to the relevant regulations of PBOC and CBIRC, the customers of Sinopec Finance are limited to entities within the Sinopec Group (including the Group) and its subsidiaries, including the Group, thereby reducing the risks that Sinopec Finance may otherwise be exposed to if its customers include other entities unrelated to the Sinopec Group (including the Group).

II. CONTINUING CONNECTED TRANSACTIONS REGARDING RENEWAL OF THE EXEMPT EXISTING CONTINUING CONNECTED TRANSACTIONS

References are made to the 11 November 2016 Announcement, the 18 May 2017 Announcement and the 30 August 2018 Announcement, in relation to, among others, the Exempt Existing Continuing Connected Transactions.

A. Exempt Existing Continuing Connected Transactions in relation to Yu Ji Pipeline Company

1. New Lands and Buildings Framework Master Lease Agreement

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Lands and Buildings Framework Master Lease Agreement which will expire on 31 December 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Lands and Buildings Framework Master Lease Agreement with Sinopec Natural Gas Branch Company. Pursuant to the New Lands and Buildings Framework Master Lease Agreement, given part of the Yulin-Jinan Pipeline and its facilities are built and constructed on lands that Sinopec Natural Gas Branch Company owns the land use rights for, Sinopec Natural Gas Branch Company has agreed to lease certain parcels of lands and buildings to Yu Ji Pipeline Company for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Sinopec Natural Gas Branch Company is a branch company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Natural Gas Branch Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

Sinopec Natural Gas Branch Company has agreed to lease certain parcels of lands and buildings where part of the Yulin-Jinan Pipeline and its facilities are built and constructed, located in Shaanxi, Shanxi, Henan and Shandong provinces, the PRC to Yu Ji Pipeline Company.

Pricing basis

Under the New Lands and Buildings Framework Master Lease Agreement, the lease of lands and buildings from Sinopec Natural Gas Branch Company to Yu Ji Pipeline Company will be conducted on arm's length basis between the parties and on normal commercial terms based on the costs of renting the lands and buildings, plus taxes with reference to the market rents for similar lands and buildings in the same or nearby areas of similar locations in the PRC, and will be adjusted subject to State policies.

Historical amounts

The following table sets out the transaction amounts paid by Yu Ji Pipeline Company under the Existing Lands and Buildings Framework Master Lease Agreement for the year ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>	
Transaction amounts paid by Yu Ji Pipeline Company	RMB5,590,000 (HK\$6,370,000)	RMB2,690,000 (HK\$3,070,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the Existing Lands and Buildings Framework Master Lease Agreement for the year ended 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>	
Historical annual caps of the estimated transaction amounts	RMB10,800,000 (HK\$12,310,000)	RMB12,960,000 (HK\$14,770,000)

The following table sets out the annual caps of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the New Lands and Buildings Framework Master Lease Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
		<i>(RMB (approx. HK\$))</i>	
Annual caps	RMB6,100,000 (HK\$6,950,000)	RMB6,700,000 (HK\$7,640,000)	RMB7,400,000 (HK\$8,440,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account: (i) the historical figures of the transactions and the estimated annual transaction amount for the year ending 2019; (ii) the costs of renting the relevant lands and buildings; (iii) the prevailing market rent for comparable lands and buildings in the vicinity and its expected growth rate; (iv) the applicable tax rate; and (v) the relevant State policies.

Reasons for and benefits of the transactions

The transactions contemplated under the New Lands and Buildings Framework Master Lease Agreement have facilitated and will continue to facilitate and develop the natural gas transmission business and operation of the Group, which is one of the core businesses of the Group. Therefore, it is in the interests of the Company and the Shareholders as a whole to enter into the New Lands and Buildings Framework Master Lease Agreement.

2. *New Internal Labour Technical Services Framework Master Agreement*

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Internal Labour Technical Services Framework Master Agreement which will expire on 31 December 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Internal Labour Technical Services Framework Master Agreement with Zhongyuan Natural Gas Technical Centre, in order to regulate, among others, the provision of technical services by Zhongyuan Natural Gas Technical Centre to Yu Ji Pipeline Company, for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Zhongyuan Natural Gas Technical Centre is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Zhongyuan Natural Gas Technical Centre is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

Zhongyuan Natural Gas Technical Centre will provide under the New Internal Labour Technical Services Framework Master Agreement technical services to Yu Ji Pipeline Company, including but not limited to maintenance and repair services and relevant technical supporting services for the operation of natural gas pipelines and facilities and the operation of natural gas meters.

Pricing basis

Pursuant to the New Internal Labour Technical Services Framework Master Agreement, the service fees payable by Yu Ji Pipeline Company to Zhongyuan Natural Gas Technical Centre will be calculated and adjusted on the following basis:

- (i) the tender price; or
- (ii) if no tender process is required, the price shall be agreed between the parties on arm's length basis through negotiations with reference to the actual costs for provision of technical services, the prevailing market rate for comparable services provided by independent third parties in the vicinity and the prevailing market rate for comparable services provided to the independent third parties by Zhongyuan Natural Gas Technical Centre (if any).

The fees payable by Yu Ji Pipeline Company to Zhongyuan Natural Gas Technical Centre will be the fair market price for the relevant services on normal commercial terms, or the terms offered to Yu Ji Pipeline Company shall be no less favourable than those entered into by Zhongyuan Natural Gas Technical Centre and independent third parties for comparable services.

The fees payable by Yu Ji Pipeline Company to Zhongyuan Natural Gas Technical Centre are inclusive of all expenses incurred by Zhongyuan Natural Gas Technical Centre upon the provision of technical services (including but not limited to the salaries and social security insurance costs for labour, operational maintenance costs, production safety fees and travelling expenses).

Historical amounts

The following table sets out the transaction amounts paid by Yu Ji Pipeline Company under the Existing Internal Labour Technical Services Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>		
Transaction amounts paid by Yu Ji Pipeline Company	RMB5,200,000 (HK\$5,930,000)	RMB5,200,000 (HK\$5,930,000)	RMB1,230,000 (HK\$1,400,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps in respect of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the Existing Internal Labour Technical Services Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>		
Historical annual caps of the estimated transaction amounts	RMB5,840,000 (HK\$6,660,000)	RMB7,000,000 (HK\$7,980,000)	RMB8,400,000 (HK\$9,580,000)

The following table sets out the annual caps in respect of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the New Internal Labour Technical Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB6,400,000 (HK\$7,300,000)	RMB6,700,000 (HK\$7,640,000)	RMB7,100,000 (HK\$8,090,000)

The aforesaid annual caps were arrived after taking into account, among other factors, (i) the operational needs of Yu Ji Pipeline Company; and (ii) the salaries and social security insurance contributions of the employees of Zhongyuan Natural Gas Technical Centre and the expected growth rate in wages in the PRC.

3. *New Power Technical Services Framework Master Agreement*

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Substation Power Technical Services Framework Master Agreement which will expire on 31 December 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Power Technical Services Framework Master Agreement with Zhongyuan Electricity Supply Centre, in order to regulate, among others, the provision of substation power station maintenance services by Zhongyuan Electricity Supply Centre to Yu Ji Pipeline Company, for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Zhongyuan Electricity Supply Centre is a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Zhongyuan Electricity Supply Centre is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of transactions

Zhongyuan Electricity Supply Centre will provide under the New Power Technical Services Framework Master Agreement substation power station maintenance services to Yu Ji Pipeline Company, including but not limited to maintenance services for substation power stations and the provision of technical training in relation to substation power stations.

Pricing basis

Pursuant to the New Power Technical Services Framework Master Agreement, the service fees payable by Yu Ji Pipeline Company to Zhongyuan Electricity Supply Centre will be calculated and adjusted on the following basis:

- (i) if tender process is required, the tender price; or
- (ii) if no tender process is required, the price shall be agreed between the parties on arm's length basis through negotiations with reference to the actual costs for provision of substation power station maintenance services, the prevailing market rate for comparable services provided by independent third parties in the vicinity and the market rate for comparable services provided to independent third parties by Zhongyuan Electricity Supply Centre (if any).

The fees payable by Yu Ji Pipeline Company to Zhongyuan Electricity Supply Centre will be the fair market price for the relevant services on normal commercial terms, or the terms offered to Yu Ji Pipeline Company shall be no less favourable than those entered into by Zhongyuan Electricity Supply Centre and independent third parties for comparable services.

The fees payable by Yu Ji Pipeline Company to Zhongyuan Electricity Supply Centre are inclusive of all costs incurred by Zhongyuan Electricity Supply Centre upon the provision of substation power station maintenance services.

Historical amounts

The following table sets out the transaction amounts paid by Yu Ji Pipeline Company under the Existing Substation Power Technical Services Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>		
Transaction amounts paid by Yu Ji Pipeline Company	RMB5,820,000 (HK\$6,630,000)	RMB4,080,000 (HK\$4,650,000)	RMB730,000 (HK\$830,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps in respect of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the Existing Substation Power Technical Services Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>		
Historical annual caps of the estimated transaction amounts	RMB8,000,000 (HK\$9,120,000)	RMB8,800,000 (HK\$10,030,000)	RMB9,680,000 (HK\$11,040,000)

The following table sets out the annual caps in respect of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the New Power Technical Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
		<i>(RMB (approx. HK\$))</i>	
Annual caps	RMB6,000,000 (HK\$6,840,000)	RMB6,000,000 (HK\$6,840,000)	RMB6,000,000 (HK\$6,840,000)

The aforesaid annual caps were arrived after taking into account, among other factors, (i) the operational needs of Yu Ji Pipeline Company and the costs of services by Zhongyuan Electricity Supply Centre; and (ii) the estimated increase in manpower required by Zhongyuan Electricity Supply Centre and related wages.

Reasons for and benefits of the transactions contemplated under the New Internal Labour Technical Services Framework Master Agreement and the New Power Technical Services Framework Master Agreement

With the expertise advantages of Zhongyuan Natural Gas Technical Centre and Zhongyuan Electricity Supply Centre, the transactions contemplated under each of the New Internal Labour Technical Services Framework Master Agreement and the New Power Technical Services Framework Master Agreement will facilitate and develop the natural gas transmission business and operation of the Group, in a safe, steady and efficient manner, which is one of the core businesses of the Group and these transactions will provide technical and supporting services to Yu Ji Pipeline Company in relation to gas pipelines, ancillary facilities, metering operations and troubleshooting. Moreover, due to the long-standing relationship between Zhongyuan Natural Gas Technical Centre and Zhongyuan Electricity Supply Centre with Yu Ji Pipeline Company, Yu Ji Pipeline Company is able to receive high quality services which caters to its needs. Therefore, it is in the interests of the Company and the Shareholders as a whole to enter into the New Internal Labour Technical Services Framework Master Agreement and the New Power Technical Services Framework Master Agreement.

4. *New Lease Framework Agreement*

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Lease Framework Agreement which will expire on 31 December 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Lease Framework Agreement with Shandong Natural Gas Pipeline Company, with a view to fully utilise the property held by Yu Ji Pipeline Company and enhance the income of Yu Ji Pipeline Company, for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Shandong Natural Gas Pipeline Company is a non-wholly owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Shandong Natural Gas Pipeline Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

Yu Ji Pipeline Company has agreed to lease the Property, being a building located in Shandong province, the PRC to Shandong Natural Gas Pipeline Company.

Pricing basis

Pursuant to the New Lease Framework Agreement, the rental shall be based on the actual costs incurred in respect of the Property plus taxes and with reference to the market rents for similar premises in the same or nearby areas or similar locations in the PRC, and will be adjusted subject to State policies, and the transaction conducted thereunder shall be on normal commercial terms.

Historical amounts

The following table sets out the transaction amounts received by Yu Ji Pipeline Company under the Existing Lease Framework Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>		
Transaction amounts received by Yu Ji Pipeline Company	RMB4,080,000 (HK\$4,650,000)	RMB3,700,000 (HK\$4,220,000)	RMB2,000,000 (HK\$2,280,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps of the transaction amounts estimated to be received by Yu Ji Pipeline Company under the Existing Lease Framework Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
		<i>(RMB (approx. HK\$))</i>	
Historical annual caps of the estimated transaction amounts	RMB5,500,000 (HK\$6,270,000)	RMB5,500,000 (HK\$6,270,000)	RMB5,500,000 (HK\$6,270,000)

The following table sets out the annual caps of the transaction amounts estimated to be received by Yu Ji Pipeline Company under the New Lease Framework Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
		<i>(RMB (approx. HK\$))</i>	
Annual caps	RMB5,000,000 (HK\$5,700,000)	RMB5,500,000 (HK\$6,270,000)	RMB6,000,000 (HK\$6,840,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account: (i) the historical figures of the transactions and the estimated annual transaction amount for the year ending 2019; (ii) the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC; (iii) the possible increase in rents in the PRC property market; and (iv) the utility charges as well as inflation.

Reasons for and benefits of the transactions

With a view to fully utilise the property held by Yu Ji Pipeline Company and enhance the income of Yu Ji Pipeline Company, Yu Ji Pipeline Company and Shandong Natural Gas Pipeline Company entered into the New Lease Framework Agreement, which the Directors consider to be a commercially effective arrangement for the Group.

5. *New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement*

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Natural Gas Pipeline Technical Services Framework Master Agreement which will expire on 31 December 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement with Sinopec Pipeline Services Company (for itself and on behalf of the Sinopec Pipeline Services Group), in order to regulate, among others, the provision of natural gas pipeline construction works and related technical services from Sinopec Pipeline Services Company to Yu Ji Pipeline Company, for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Sinopec Pipeline Services Company is a wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Pipeline Services Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of the transactions

Sinopec Pipeline Services Group has agreed to provide natural gas pipeline construction works and related technical services, including but not limited to external inspection of pipeline and water conservation construction works and related services for pipelines to Yu Ji Pipeline Company.

Pricing basis

Pursuant to the New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement, the service fees payable by Yu Ji Pipeline Company to Sinopec Pipeline Services Company will be calculated and adjusted on the following basis:

- (i) if tender process is required, the tender price; or
- (ii) if no tender process is required, the price shall be agreed between the parties on arm's length basis through negotiations with reference to the actual and direct costs for provision of the services, the prevailing market price for comparable services provided by independent third parties in the vicinity and the market price of comparable services provided to independent third parties by Sinopec Pipeline Services Company (if any).

The fees payable by Yu Ji Pipeline Company to Sinopec Pipeline Services Company shall be no less favourable than those offered by Sinopec Pipeline Services Company to independent third parties for comparable services or those offered to Yu Ji Pipeline Company by independent third parties for comparable services.

The fees payable by Yu Ji Pipeline Company to Sinopec Pipeline Services Company are inclusive of all costs incurred by Sinopec Pipeline Services Company upon the provision of the relevant services.

Historical amounts

The following table sets out the transaction amounts paid by Yu Ji Pipeline Company under the Existing Natural Gas Pipeline Technical Services Framework Master Agreement for the year ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>	
Transaction amounts paid by Yu Ji Pipeline Company	RMB4,990,000 (HK\$5,690,000)	RMB2,900,000 (HK\$3,310,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the Existing Natural Gas Pipeline Technical Services Framework Master Agreement for the year ended 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>	
Historical annual caps of the estimated transaction amounts	RMB10,000,000 (HK\$11,400,000)	RMB8,000,000 (HK\$9,120,000)

The following table sets out the annual caps of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
		<i>(RMB (approx. HK\$))</i>	
Annual caps	RMB15,000,000 (HK\$17,100,000)	RMB15,000,000 (HK\$17,100,000)	RMB15,000,000 (HK\$17,100,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account:

- (i) the historical transaction amounts in respect of the same or similar services procured by Yu Ji Pipeline Company and the estimated annual transaction amount for the year ending 2019;
- (ii) the expected volume of service needs after the completion of the Yulin-Jinan Pipeline Compression Project; and
- (iii) the applicable tax rates.

Reasons for and benefits of the transactions

The natural gas pipeline construction & related technical services procured by Yu Ji Pipeline Company include but are not limited to the external inspection of pipelines and water conservation construction in relation to the Yulin-Jinan Pipeline, which are necessary in order to ensure the safe, steady and efficient operation of natural gas pipeline transmission. In view of the experience, expertise and professional personnel of Sinopec Pipeline Services Group as well as the understanding by Sinopec Pipeline Services Group of the needs of Yu Ji Pipeline Company, and for the purpose of effective operating cost management, Yu Ji Pipeline Company entered into the New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement to maximise the Group's interests in the Yulin-Jinan Pipeline while reducing the time and costs of the Group in pipeline maintenance and technical support.

B. Exempt Existing Continuing Connected Transactions in relation to Sinomart

1. New Oil Terminal Entrusted Management Framework Master Agreement

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Oil Terminal Entrusted Management Framework Master Agreement which will expire on 31 December 2019, Sinomart, a wholly-owned subsidiary of the Company, entered into the New Oil Terminal Entrusted Management Framework Master Agreement with Sinopec Pipeline Storage Company in relation to the management of the Six Oil Terminal Companies in which Sinomart has shareholdings, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Sinopec Pipeline Storage Company is a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Pipeline Storage Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of transactions

Sinopec Pipeline Storage Company will on behalf of Sinomart fulfill Sinomart's obligations as shareholder of each of the Six Oil Terminal Companies, by monitoring, facilitating and guiding the daily management of the Six Oil Terminal Companies (including the aspects of HSE (Health, Safety and Environment), production operation and corporate social responsibility etc.).

Pricing basis

The provision of entrusted management services by Sinopec Pipeline Storage Company to Sinomart will be conducted on arm's length basis between the parties and on normal commercial terms with reference to costs of entrusted management and taxes.

Historical amounts

The following table sets out the transaction amounts paid by Sinomart under the Existing Oil Terminal Entrusted Management Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>		
Transaction amounts paid by Sinomart	RMB8,000,000 (HK\$9,120,000)	RMB8,800,000 (HK\$10,030,000)	RMB4,840,000 (HK\$5,520,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps of the transaction amounts estimated to be paid by Sinomart under the Existing Oil Terminal Entrusted Management Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>		
Historical annual caps of the estimated transaction amounts	RMB8,000,000 (HK\$9,120,000)	RMB8,800,000 (HK\$10,030,000)	RMB9,680,000 (HK\$11,040,000)

The following table sets out the annual caps of the transaction amounts estimated to be paid by Sinomart under the New Oil Terminal Entrusted Management Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB9,680,000 (HK\$11,040,000)	RMB9,680,000 (HK\$11,040,000)	RMB9,680,000 (HK\$11,040,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account: (i) the costs of services; and (ii) the fair market price for the relevant services with reference to the prevailing market price of similar services provided by independent third parties.

Reasons for and benefits of the transactions

Sinopec Pipeline Storage Company is experienced in managing the crude oil terminal business. By relying on the expertise of Sinopec Pipeline Storage Company, the Six Oil Terminal Companies have successfully achieved favourable operating performance in consecutive years and Sinomart will be able to ensure that the businesses of the Six Oil Terminal Companies will comply with the applicable laws and regulations and thereby increase their operational efficiency.

C. Exempt Existing Continuing Connected Transactions in relation to Huade

1. New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement

On 21 October 2019, having considered that the Group will renew the transactions contemplated under the Existing Sinopec Fuel Oil Sales Company Limited Framework Master Agreement which will expire on 31 December 2019, Huade, a wholly-owned subsidiary of the Company, entered into the New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement with Sinopec Fuel Oil, in order to regulate, among others, the provision of fuel oil jetty and storage services by Huade to Sinopec Fuel Oil, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Sinopec Fuel Oil is a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Fuel Oil is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of transactions

Huade will provide under the New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement the following services and facilities to Sinopec Fuel Oil through the Huizhou Jetty:

- (i) services concerning the unloading of fuel oil, and berthing and docking of oil tankers in the Huizhou Jetty; and
- (ii) fuel oil storage services concerning the storage of fuel oil in oil tanks at the Huizhou Jetty, and the provision of blending and heating services.

Pricing basis

Pursuant to the New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement, Huade will enter into separate fuel oil jetty and storage service agreements with Sinopec Fuel Oil, by which the parties will negotiate with reference to, among other factors, laws and regulations, market conditions, normal commercial terms, trade customs and the principle of fairness and will conclude the detailed terms and provisions in such agreements.

Pursuant to the New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement, the service fees payable by Sinopec Fuel Oil to Huade are based on the following calculations and adjustments:

- (i) if such service fees are regulated by State-prescribed prices, it shall be charged on the basis of State-prescribed prices; and
- (ii) if such service fees are government-approved prices, Huade can adjust the service fees with the approval of the relevant government departments upon the negotiation between both parties, and Sinopec Fuel Oil shall provide assistance as required by Huade.

If the service fees were previously charged on the basis of State-prescribed prices or government-approved prices, but (1) the applicable State-prescribed prices or government-approved prices are not available; or (2) such State-prescribed prices or government-approved prices were cancelled or abolished, the service fees payable shall be (a) the fair market price for the relevant service (to be determined by the parties after consultation with each other); or (b) if no market price is available or agreed between the parties, the previous applicable State-prescribed prices or government approved prices (as the case may be) plus a margin not exceeding the rate of increase of the consumer price index for the PRC during the immediately preceding calendar year. The consumer price index can be obtained from the National Statistics Bureau of the PRC.

The fair market price shall be agreed between the parties on arm's length basis through negotiations with reference to the actual and direct costs for provision of the services, the prevailing market price for comparable services provided by independent third parties in the vicinity and the market price of comparable services provided to independent third parties by Huade (if any).

Historical amounts

The following table sets out the transaction amounts received by Huade under the Existing Sinopec Fuel Oil Sales Company Limited Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>(approx. RMB (approx. HK\$))</i>		
Transaction amounts received by Huade	RMB30,900,000 (HK\$35,230,000)	RMB43,220,000 (HK\$49,270,000)	RMB20,120,000 (HK\$22,940,000)

None of these transaction amounts have exceeded the relevant annual caps for the corresponding financial years.

Annual caps

The following table sets out the historical annual caps of the transaction amounts estimated to be received by Huade under the Existing Sinopec Fuel Oil Sales Company Limited Framework Master Agreement for each of the two years ended 31 December 2017 and 31 December 2018 and the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>(RMB (approx. HK\$))</i>		
Historical annual caps of the estimated transaction amounts	RMB80,000,000 (HK\$91,200,000)	RMB80,000,000 (HK\$91,200,000)	RMB80,000,000 (HK\$91,200,000)

The following table sets out the annual caps of the transaction amounts estimated to be received by Huade under the New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
		<i>(RMB (approx. HK\$))</i>	
Annual caps	RMB70,000,000 (HK\$79,800,000)	RMB70,000,000 (HK\$79,800,000)	RMB70,000,000 (HK\$79,800,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account: (i) the significant enhancement in business capacity after the completion of reconstruction and expansion of the fuel oil jetty owned by the Group; and (ii) in light of the demand for petroleum products especially for fuel oil that is in compliance with the requirements of IMO 2020 in the PRC market, Sinopec Fuel Oil is expected to import more fuel oil, and therefore will require more fuel oil jetty and storage services and its facilities.

The payment terms of these transactions will be determined by the parties on a transaction-by-transaction basis, in accordance with market norms and on normal commercial terms, and with reference to prescriptions by and approvals of the PRC government.

Reasons for and benefits of the transactions

Aiming to expand the storage and logistics business and increase the service income as well as enhance the economic benefits and profitability, Huade had invested in the reconstruction and expansion of Huizhou fuel oil jetty and the project is expected to be completed in 2020.

Sinopec Fuel Oil is a company specialised in fuel oil trading, which has a huge demand for fuel oil storage services. The provision of fuel oil storage services to Sinopec Fuel Oil by Huade is conducive to capturing business opportunities and bringing in operating income, which are in the interests of the Company and the Shareholders as a whole.

III. NEW EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. New Exempt Continuing Connected Transactions in relation to Yu Ji Pipeline Company

1. *New Labour Technical Services Framework Master Agreement*

On 21 October 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Labour Technical Services Framework Master Agreement with Shandong Natural Gas Services Jinan Branch Company, in order to regulate, among others, the provision of technical services by Shandong Natural Gas Services Jinan Branch Company to Yu Ji Pipeline Company, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Shandong Natural Gas Services Jinan Branch Company is an associate of Sinopec Natural Gas Limited Company, a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Shandong Natural Gas Services Jinan Branch Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of transactions

Shandong Natural Gas Services Jinan Branch Company will provide under the New Labour Technical Services Framework Master Agreement labour and technical services to Yu Ji Pipeline Company, including but not limited to natural gas pipeline operation, safety management, maintenance and repair services and other relevant technical supporting services.

Pricing basis

Pursuant to the New Labour Technical Services Framework Master Agreement, the service fees payable by Yu Ji Pipeline Company to Shandong Natural Gas Services Jinan Branch Company will be calculated and adjusted on the following basis:

- (i) if tender process is required, the tender price; or
- (ii) if no tender process is required, the price shall be agreed between the parties on an arm's length basis through negotiations with reference to the actual and direct costs for provision of the services, the prevailing market price for comparable services provided by independent third parties in the vicinity and the prevailing market price of comparable services provided to independent third parties by Shandong Natural Gas Services Jinan Branch Company (if any).

The fees payable by Yu Ji Pipeline Company to Shandong Natural Gas Services Jinan Branch Company shall be no less favourable than those offered by Shandong Natural Gas Services Jinan Branch Company to independent third parties for comparable services or those offered to Yu Ji Pipeline Company by independent third parties for comparable services.

The fees payable by Yu Ji Pipeline Company to Shandong Natural Gas Services Jinan Branch Company are inclusive of all costs incurred by Shandong Natural Gas Services Jinan Branch Company upon the provision of the relevant services, including but not limited to salaries and social insurance costs for the relevant personnel, operation and maintenance costs, safe production costs and travel expenses.

Annual caps

The following table sets out the annual caps of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the New Labour Technical Services Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB40,000,000 (HK\$45,600,000)	RMB42,000,000 (HK\$47,880,000)	RMB45,000,000 (HK\$51,300,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account: (i) the operational needs of Yu Ji Pipeline Company; (ii) the salaries and social security insurance contributions of the employees of Shandong Natural Gas Services Jinan Branch Company and the expected growth in wages in the PRC; and (iii) the estimated increase in costs based on Yu Ji Pipeline Company's business scale and operation plan after the completion of the Yulin-Jinan Pipeline Compression Project.

Reasons for and benefits of the transactions

The transactions contemplated under New Labour Technical Services Framework Master Agreement will facilitate and develop the natural gas transmission business and operation of the Group, which is one of the core businesses of the Group and these transactions will provide maintenance and supporting services to Yu Ji Pipeline Company. With its expertise, experience and deep understanding in the operation of natural gas pipelines, Shandong Natural Gas Services Jinan Branch Company will be able to provide high quality services to Yu Ji Pipeline Company which caters to its needs. Therefore, it is in the interests of the Company and the Shareholders as a whole to enter into the New Labour Technical Services Framework Master Agreement.

2. New Natural Gas Pipeline & Station Construction Works Framework Master Agreement

On 21 October 2019, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement with Sinopec Construction Company, in order to regulate, among others, the provision of construction and emergency protection services by Sinopec Construction Company to Yu Ji Pipeline Company, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

Sinopec Construction Company is an indirect wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Construction Company is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of transactions

Sinopec Construction Company will provide under the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement construction and emergency protection services to Yu Ji Pipeline Company, including but not limited to emergency protection service for natural gas pipelines, valve rooms and supporting facilities and providing the relevant training, and the expansion of natural gas transmission stations etc..

Pricing basis

Pursuant to the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement, the service fees payable by Yu Ji Pipeline Company to Sinopec Construction Company will be calculated and adjusted on the following basis:

- (i) if tender process is required, the tender price; or
- (ii) if no tender process is required, the price shall be agreed between the parties on arm's length basis through negotiations with reference to the actual and direct costs for provision of the services, the prevailing market price for comparable services provided by independent third parties in the vicinity and the market price of comparable services provided to independent third parties by Sinopec Construction Company (if any).

The fees payable by Yu Ji Pipeline Company to Sinopec Construction Company shall be no less favourable than those offered by Sinopec Construction Company to independent third parties for comparable services or those offered to Yu Ji Pipeline Company by independent third parties for comparable services. In addition to the aforesaid factors, Yu Ji Pipeline Company and Sinopec Construction Company shall also negotiate to provide a reasonable profit margin to Sinopec Construction Company, taking into account the need for the organisation of personnel by Sinopec Construction Company, configuration of machinery, local labour costs, costs and depreciation of machinery.

The fees payable by Yu Ji Pipeline Company to Sinopec Construction Company are inclusive of all costs incurred by Sinopec Construction Company upon the provision of the relevant services.

Annual caps

The following table sets out the annual caps of the transaction amounts estimated to be paid by Yu Ji Pipeline Company under the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
		<i>(RMB (approx. HK\$))</i>	
Annual caps	RMB10,000,000 (HK\$11,400,000)	RMB10,000,000 (HK\$11,400,000)	RMB10,000,000 (HK\$11,400,000)

In arriving at the aforesaid annual caps, the following factors have been taken into account: (i) the emergency protection needs arising from the unexpected natural disasters during the operations of Yu Ji Pipeline Company; (ii) the actual costs and salaries of staff employed by Sinopec Construction Company; and (iii) the estimated increase in relevant costs based on Yu Ji Pipeline Company's business scale and operation plan after the completion of the Yulin-Jinan Pipeline Compression Project.

Reasons for and benefits of the transactions

The services to be procured by Yu Ji Pipeline Company from Sinopec Construction Company under the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement include emergency protection and construction services in relation to the Yulin-Jinan Pipeline, which is necessary to ensure the safe, steady and efficient operation of natural gas pipeline transmission. In view of the experience, expertise, punctuality in providing services and professional personnel of Sinopec Construction Company as well as the understanding by Sinopec Construction Company of the needs of Yu Ji Pipeline Company, and for the purpose of effective operating cost management, Yu Ji Pipeline Company entered into the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement to maximise the Group's interests in the Yulin-Jinan Pipeline while reducing the time and costs of the Group in emergency protection and construction services.

B. New Exempt Continuing Connected Transactions in relation to Huade

1. New Oil Product Purchase Framework Master Agreement

On 21 October 2019, Huade, a wholly-owned subsidiary of the Company, entered into the New Oil Product Purchase Framework Master Agreement with China Shipping & Sinopec Shenzhen, in order to regulate, among others, the sale of diesel from China Shipping & Sinopec Shenzhen to Huade, with a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Relationship with the connected person

China Shipping & Sinopec Shenzhen is owned as to 50% by each of China Shipping & Sinopec Suppliers and Sinopec Fuel Oil. China Shipping & Sinopec Suppliers is a joint venture owned by Sinopec Corp. and China Shipping Corp. Sinopec Fuel Oil is a wholly-owned subsidiary of Sinopec Corp. Sinopec Corp. indirectly wholly-owns SKI, the controlling shareholder of the Company. China Shipping & Sinopec Shenzhen is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of transactions

China Shipping & Sinopec Shenzhen has agreed to sell diesel to Huade as boiler fuel and bunker fuel for tugboats for the Huizhou Jetty.

Pricing basis

Pursuant to the New Oil Product Purchase Framework Master Agreement, the transaction price shall be determined in accordance with the State-prescribed prices of diesel published by the National Development and Reform Commission, and shall not be higher than the prevailing market price of comparable services provided to independent third parties by China Shipping & Sinopec Shenzhen. The terms offered to Huade shall be no less favourable than those offered by China Shipping & Sinopec Shenzhen to independent third parties for comparable services.

Annual caps

The following table sets out the annual caps of the transaction amounts estimated to be paid by Huade under the New Oil Product Purchase Framework Master Agreement for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>(RMB (approx. HK\$))</i>		
Annual caps	RMB10,000,000 (HK\$11,400,000)	RMB10,000,000 (HK\$11,400,000)	RMB10,000,000 (HK\$11,400,000)

In arriving at the aforesaid annual caps, the following factors were taken into account: (i) the State-prescribed prices for diesel; (ii) the estimated business volume of Huade; and (iii) the expected growing demand for blending and heating services of fuel oil in order to adapt IMO 2020 regulation.

The payment terms of these transactions will be determined by the parties on a transaction-by-transaction basis, in accordance with market norms and on normal commercial terms, and with reference to prescriptions by and approvals of the PRC government.

Reasons for and benefits of the transactions

Diesel is used as fuel for tugboats or other mechanical equipment in the oil and petrochemical terminal business. Huade has entered into the New Oil Product Purchase Framework Master Agreement for the purchase of marine fuel oil products from China Shipping & Sinopec Shenzhen to ensure that there will be a stable supply of diesel in the vicinity of its jetty.

IV. CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION REGARDING THE YULIN-JINAN PIPELINE COMPRESSION PROJECT

New Yu Ji Compression Project Framework Master Agreement

Reference is made to the 11 November 2016 Announcement and the 2 December 2016 Circular in relation to, among others, the Previous Yu Ji Compression Project Framework Master Agreement entered into between Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, and Sinopec Petroleum Engineering, in respect of the provision of equipment procurement, design and construction services by Sinopec Petroleum Engineering, in respect of compression projects in connection with the Yulin-Jinan Pipeline, to Yu Ji Pipeline Company. As disclosed therein, the compression projects in relation to the Yulin-Jinan Pipeline contemplated thereunder were expected to be completed in or around the end of 2018. However, the approval from the local government in Henan Province, the PRC for agreeing to the use of land for such compression projects was only obtained in October 2018. Yu Ji Pipeline Company has carried out land acquisition works thereafter and the Yulin-Jinan Pipeline Compression Project will commence after such land acquisition is completed.

On 21 October 2019, due to reasons including inflation and having considered that the estimated maximum fees payable by Yu Ji Pipeline Company to Sinopec Petroleum Engineering of around RMB135,000,000 (approximately HK\$153,900,000) under the Previous Yu Ji Compression Project Framework Master Agreement will be insufficient to cover the fees contemplated to be paid by Yu Ji Pipeline Company based on recent estimations, Yu Ji Pipeline Company entered into the New Yu Ji Compression Project Framework Master Agreement with Sinopec Petroleum Engineering whereby the new estimated maximum fees payable by Yu Ji Pipeline Company were determined. Such agreement will become effective upon obtaining the Independent Shareholders' approval in the SGM. Save as aforementioned, all other terms and conditions under the Previous Yu Ji Compression Project Framework Master Agreement have been incorporated into the New Yu Ji Compression Project Framework Master Agreement.

Relationship with the connected person

Sinopec Petroleum Engineering is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp., which indirectly wholly owns SKI, the controlling shareholder of the Company. Sinopec Petroleum Engineering is therefore an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules.

Nature of transactions

Sinopec Petroleum Engineering has agreed to provide equipment procurement, design and construction services in respect of the Yulin-Jinan Pipeline Compression Project for the construction of the Anyang compression station, to Yu Ji Pipeline Company.

Pricing basis

It is estimated that the maximum fees payable by Yu Ji Pipeline Company to Sinopec Petroleum Engineering under the New Yu Ji Compression Project Framework Master Agreement will be RMB155,000,000 (approximately HK\$176,700,000), which are determined with reference to the following pricing basis:

- (a) if tender process is required, the tender price; or
- (b) if there is no tender process, the price shall be agreed between the parties on arm's length basis through negotiations with reference to the scope and the duration of the respective compression projects, after taking into account the actual costs of provision of services for the relevant projects, the prevailing market price for comparable services provided by independent third parties in the vicinity and the prevailing market price of comparable services provided to independent third parties by Sinopec Petroleum Engineering.

The price payable by Yu Ji Pipeline Company to Sinopec Petroleum Engineering will be the fair market price for the relevant services on normal commercial terms, and the terms offered to Yu Ji Pipeline Company shall be no less favourable than those entered into by Sinopec Petroleum Engineering and independent third parties for comparable services.

Pursuant to the New Yu Ji Compression Project Framework Master Agreement, Yu Ji Pipeline Company will separately enter into compression project agreements with Sinopec Petroleum Engineering, by which the parties will negotiate and conclude the terms and conditions thereof with reference to, among other factors, laws and regulations, market conditions, normal commercial terms, trade customs and the principle of fairness.

Reasons for and benefits of the transactions

The construction of the Anyang compression station is the most economical and optimal way to further enhance the natural gas transmission capacity of the Yulin-Jinan Pipeline, which will as a result further improve the profitability and economic efficiency of the Yulin-Jinan Pipeline. Given the recent discovery of gas reserves in Erdos Basin by Sinopec Group Company, it is expected that there will be an increase in the volume of gas supply through the Yulin-Jinan Pipeline.

Yu Ji Pipeline Company intends to invite Sinopec Petroleum Engineering to participate in the Yulin-Jinan Pipeline Compression Project, which will facilitate the communication between the project owners and the compression project construction units and is also beneficial to the compression project management and coordination.

Sinopec Petroleum Engineering possesses extensive professional experience in compression facilities of natural gas. The invitation of Sinopec Petroleum Engineering to participate in the Yulin-Jinan Pipeline Compression Project will help to meet the progress of compression projects and ensure that the project will come into operation on time as well as safeguard the quality of the compression project.

The entering into of the New Yu Ji Compression Project Framework Master Agreement can provide the Group an option in relation to the Yulin-Jinan Pipeline Compression Project. Having considered the experience of Sinopec Petroleum Engineering in natural gas engineering, the entering into of the New Yu Ji Compression Project Framework Master Agreement is in the interests of the Company and the Shareholders as a whole.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Sinopec Group Company holds approximately 68.31% of the issued share capital of Sinopec Corp. Sinopec Corp. holds the entire issued share capital of Unipecc, which holds the entire issued share capital of SKI, and is the indirect controlling shareholder of the Company, indirectly holding approximately 60.33% of the issued share capital of the Company.

Under the Listing Rules, for so long as SKI remains a substantial shareholder of the Company and both Sinopec Corp and Sinopec Group Company remain as holding companies of SKI, they and any 30%-controlled company held by them, or any of their subsidiaries or branch companies, including but not limited to Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company, Sinopec Pipeline Storage and Transportation Branch Company, Sinopec Finance Guangzhou Branch, Sinopec Finance, Century Bright, Sinopec Natural Gas Branch Company, Shanxi Energy Company, Sinopec Changcheng Gas, Zhongyuan Natural Gas Technical Centre, Zhongyuan Electricity Supply Centre, Shandong Natural Gas Pipeline Company, Sinopec Pipeline Services Company, Sinopec Pipeline Storage Company, Sinopec Fuel Oil, Shandong Natural Gas Services Jinan Branch Company, Sinopec Construction Company, China Shipping & Sinopec Shenzhen and Sinopec Petroleum Engineering, will remain as connected persons of the Company, and the transactions contemplated under each of the New Non-exempt Framework Master Agreements, the New Exempt Framework Master Agreements, the New Labour Technical Services Framework Master Agreement, the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement and the New Oil Product Purchase Framework Master Agreement will constitute continuing connected transactions of the Company. The transactions contemplated under New Yu Ji Compression Project Framework Master Agreement will also constitute a connected transaction and a discloseable transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the transactions contemplated under each of the New Non-exempt Framework Master Agreements are more than 5%, such agreements are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will also disclose the relevant details in its next published annual report in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

In addition, in respect of the New Sinopec Finance Financial Services Framework Master Agreement, the New Century Bright Financial Services Framework Master Agreement and the New Yu Ji Pipeline Financial Services Framework Master Agreement, the provision of deposit services to the Group from Sinopec Finance Guangzhou Branch, Sinopec Finance and Century Bright (as the case may be) thereunder also constitutes the provision of financial assistance by the Group to Sinopec Finance Guangzhou Branch, Sinopec Finance and Century Bright (as the case may be) under Rule 14.04(1)(e) of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the aggregate transaction amounts for such transactions on an annual basis under such agreements (if required to be aggregated) are more than 5% but all of which are below 25%, such transactions also constitute discloseable transactions of the Company, and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Under the New Sinopec Finance Financial Services Framework Master Agreement:

- (i) in view that the loan services and conducting bill acceptance and discount services to be provided by Sinopec Finance Guangzhou Branch to the Huade Group will be on normal commercial terms or better than those offered by independent third parties for comparable services in the PRC, and will not be secured by the assets of the Huade Group, such services which also constitute financial assistance received by the Group are fully exempt under Rule 14A.90 of the Listing Rules from all reporting, annual review, announcement and Independent Shareholders' approval requirements. As such, no annual caps have been set for such services; and
- (ii) apart from the deposit services, the loan services and conducting bill acceptance and discount services, the other services which may be provided by Sinopec Finance Guangzhou Branch to the Huade Group are entrustment loans and other financial services which will be on normal commercial terms and on terms similar to or even better than those offered by independent third parties for comparable services in the PRC. As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the total fees estimated to be paid by the Huade Group to Sinopec Finance Guangzhou Branch for the entrustment loans and other financial services on an annual basis will fall within the de minimis threshold of 0.1% as stipulated under Rule 14A.76(1)(a) of the Listing Rules, such transactions are fully exempt from all reporting, annual review, announcement and Independent Shareholders' approval requirements. The Company will comply with the reporting, annual review, announcement and/or Independent Shareholders' approval requirements of the Listing Rules if and when such relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed the relevant threshold.

Under the New Yu Ji Pipeline Financial Services Framework Master Agreement:

- (i) in view that the loan services and conducting bill acceptance and discount services to be provided by Sinopec Finance to Yu Ji Pipeline Company will be on normal commercial terms or better than those offered by independent third parties for comparable services in the PRC, and will not be secured by the assets of the Group, such services which also constitute financial assistance received by the Group are fully exempt under Rule 14A.90 of the Listing Rules from all reporting, annual review, announcement and Independent Shareholders' approval requirements. As such, no annual caps have been set for such services; and
- (ii) apart from the deposit services, the loan services and conducting bill acceptance and discount services, the other services which may be provided by Sinopec Finance to Yu Ji Pipeline Company are entrustment loans and other financial services which will be on normal commercial terms and on terms similar to or even better than those offered by independent third parties for comparable services in the PRC. As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the total fees estimated to be paid by Yu Ji Pipeline Company to Sinopec Finance for the entrustment loans and other financial services on an annual basis will fall within the de minimis threshold of 0.1% as stipulated under Rule 14A.76(1)(a) of the Listing Rules, such transactions are fully exempt from all reporting, annual review, announcement and Independent Shareholders' approval requirements. The Company will comply with the reporting, annual review, announcement and/or Independent Shareholders' approval requirements of the Listing Rules if and when such relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed the relevant threshold.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the transactions contemplated under each of the New Exempt Framework Master Agreements (save for the New Internal Labour Technical Services Framework Master Agreement) are more than 0.1% but less than 5%, the transactions contemplated under these agreements are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the transactions contemplated under each of the New Labour Technical Services Framework Master Agreement (when aggregated with the New Internal Labour Technical Services Framework Master Agreement), the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement and the New Oil Product Purchase Framework Master Agreement are more than 0.1% but less than 5%, the transactions contemplated under such agreements are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transaction amounts under the New Yu Ji Compression Project Framework Master Agreement are more than 5%, such agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as one or more of the said applicable percentage ratios are more than 5% but are less than 25%, the transactions contemplated under the New Yu Ji Compression Project Framework Master Agreement also constitute a discloseable transaction of the Company, and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Since SKI is considered to have a material interest in the transactions contemplated under the New Non-exempt Framework Master Agreements and the New Yu Ji Compression Project Framework Master Agreement, it will abstain from voting on the resolution(s) to approve the entering into of such agreements at the SGM.

In addition, as certain executive Directors, including Mr. Chen Bo, Mr. Xiang Xiwen, Mr. Dai Liqi, Mr. Li Jianxin and Mr. Wang Guotao are considered to have a material interest in the transactions contemplated under the New Non-exempt Framework Master Agreements, the New Exempt Framework Master Agreements, the New Labour Technical Services Framework Master Agreement, the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement, the New Oil Product Purchase Framework Master Agreement and the New Yu Ji Compression Project Framework Master Agreement due to their other executive posts within the Sinopec Group, they have abstained from voting on the board resolutions(s) to approve such agreements.

The Company has established an Independent Board Committee comprising the four independent non-executive Directors, namely Ms. Tam Wai Chu, Maria, Mr. Fong Chung, Mark, Dr. Wong Yau Kar, David and Ms. Wong Pui Sze, Priscilla, to consider and advise the Independent Shareholders on, among others, (i) the New Non-exempt Framework Master Agreements and the terms and conditions thereof (including the annual caps thereunder); (ii) the New Yu Ji Compression Project Framework Master Agreement and the terms and conditions thereof; and (iii) how to vote in the SGM. The Company has appointed Somerley Capital Limited as the Independent Financial Adviser to advise and make recommendations to the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (1) further details of the New Non-exempt Framework Master Agreements and the New Yu Ji Compression Project Framework Master Agreement; (2) a letter from the Independent Board Committee; (3) a letter of advice from the Independent Financial Adviser; and (4) a notice of the SGM, is expected to be despatched to the Shareholders on or before 11 November 2019.

VI. THE DIRECTORS' VIEWS

The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the New Non-exempt Framework Master Agreements and the New Yu Ji Compression Project Framework Master Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business of the Group on arm's length basis, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the factors stated in this announcement.

The Directors (including the independent non-executive Directors) are of the view that the New Exempt Framework Master Agreements and the New Exempt Continuing Connected Transactions Agreements are on normal commercial terms and entered into in the ordinary and usual course of business of the Group on arm's length basis, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the factors stated in this announcement.

VII. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. The principal activities of the Group (including but not limited to Huade, Sinomart and Yu Ji Pipeline Company) include, among others, the provision of natural gas pipeline transmission services, the operation of crude oil and oil products terminals and their ancillary facilities and the provision of logistics services including storage, logistics, transportation and terminal services on a global basis.

Sinopec Guangzhou Branch is principally engaged in the business of oil refining and petrochemical productions. Its marketing distribution network covers the whole South China area with some of the products exported to Southeast Asian countries.

Sinopec Petroleum Reserve Company is principally engaged in the sale and storage of crude oil, the import and export of petrochemical products and the construction of oil reserve facilities.

Sinopec Pipeline Storage and Transportation Branch Company is principally engaged in the wholesale of crude oil and the storage and distribution of crude oil, petroleum, natural gas and other oil products.

Sinopec Finance Guangzhou Branch is a branch company of Sinopec Finance. Sinopec Finance Guangzhou Branch and Sinopec Finance were established in the PRC as non-banking financial institutions and are regulated by PBOC and CBIRC. Sinopec Finance Guangzhou Branch and Sinopec Finance are principally engaged in the provision of services, including but not limited to deposit services, loan services, entrusted loan services and entrusted investment services, in accordance with the rules and operational requirements of these regulatory authorities.

Century Bright is principally engaged in providing settlement and similar services and taking deposits from members of the Sinopec Group outside the PRC, and conducting intra group loan transactions. It is a money lender registered under the Money Lending Ordinance (Chapter 163 of the Laws of Hong Kong) and is a licensed money service operator under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong).

Sinopec Natural Gas Branch Company is principally engaged in the construction and operation of natural gas transmission pipelines, liquefied natural gas terminals, compressed natural gas refuelling stations and gas storage facilities, and the development of long distance pipelines market and liquefied natural gas projects as well as the sale of natural gas.

Shanxi Energy Company is principally engaged in the construction and operation of natural gas and coalbed methane pipelines and liquefied natural gas and compressed natural gas refuelling stations, as well as the sale of natural gas and coalbed methane.

Sinopec Changcheng Gas is principally engaged in the sale of natural gas, the provision of heating services, the sale of petrochemical products, the provision of natural gas storage and transmission technological development, consultation and services, as well as the provision of project investment and asset management services.

Zhongyuan Natural Gas Technical Centre is principally engaged in the provision of technical services in relation to natural gas.

Zhongyuan Electricity Supply Centre is principally engaged in the provision of electricity and related technical services.

Shandong Natural Gas Pipeline Company is principally engaged in the provision of natural gas pipeline transmission services.

Sinopec Pipeline Services Company is principally engaged in the provision of maintenance, repair and construction services for pipelines and ancillary facilities as well as the provision of pipeline technical development, consultation and risk management services.

Sinopec Pipeline Storage Company is principally engaged in the transportation and storage of crude oil and natural gas for the Sinopec Group, and the operation of the oil pipeline network which connects upstream and downstream the petro-chemical enterprises affiliated to Sinopec Group.

Sinopec Fuel Oil is principally engaged in the marketing and distribution of refined petroleum products. It also optimises markets and resources domestically and internationally, which broadens resource channels, and promotes fuel oil purchase and distribution. Its extensive marketing network includes branch companies in coastal provinces and municipalities of Tianjin, Shandong, Shanghai, Jiangsu, Zhejiang, Fujian and Guangdong in the PRC as well as regional companies and sales subsidiaries.

Shandong Natural Gas Services Jinan Branch Company is principally engaged in the provision of operation and technical services in natural gas.

Sinopec Construction Company is principally engaged in the provision of various construction services, equipment installation, electricity related engineering, metering services, emergency protection services and maintenance and repair services in the petrochemical industry.

China Shipping & Sinopec Shenzhen is principally engaged in the provision of various marine fuels, the sale of petrochemical equipment and related advisory services.

Sinopec Petroleum Engineering is principally engaged in the development and construction of petroleum projects.

VIII. DEFINITIONS

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

“11 November 2016 Announcement”	the announcement of the Company dated 11 November 2016 in relation to, among others, the Exempt Existing Continuing Connected Transactions, Non-exempt Existing Continuing Connected Transactions and the Previous Yu Ji Compression Project Framework Master Agreement
“18 May 2017 Announcement”	the announcement of the Company dated 18 May 2017 in relation to the Existing Lease Framework Agreement
“2 December 2016 Circular”	the circular of the Company dated 2 December 2016 in relation to, among others, the Non-exempt Existing Continuing Connected Transactions and the Previous Yu Ji Compression Project Framework Master Agreement
“30 August 2018 Announcement”	the announcement of the Company dated 30 August 2018 in relation to the Existing Changcheng Natural Gas Transmission Services Framework Master Agreement and the Existing Natural Gas Pipeline Technical Services Framework Master Agreement
“30%-controlled company”	has the meaning ascribed to it in the Listing Rules
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)

“Century Bright”	Sinopec Century Bright Capital Investment Limited 中石化盛駿國際投資有限公司, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Sinopec Group Company
“China Shipping & Sinopec Shenzhen”	中石化中海深圳船舶燃料有限公司 (China Shipping & Sinopec Shenzhen Marine Bunker Co., Ltd.*), a limited liability established in the PRC and owned as to 50% by each of China Shipping & Sinopec Suppliers and Sinopec Fuel Oil
“China Shipping & Sinopec Suppliers”	中國石化中海船舶燃料供應有限公司 (China Shipping & Sinopec Suppliers Co., Ltd.*), a limited liability established in the PRC and owned by Sinopec Corp and China Shipping Corp.
“China Shipping Corp.”	China Shipping (Group) Company, which was merged with China Ocean Shipping (Group) Company (COSCO) and is now known as China COSCO SHIPPING Company Limited, a PRC state-owned enterprise with limited liability
“Company”	Sinopec Kantons Holdings Limited (中石化冠德控股有限公司*), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Exempt Existing Continuing Connected Transactions”	the continuing connected transactions contemplated under the Existing Lands and Buildings Framework Master Lease Agreement, the Existing Sinopec Fuel Oil Sales Company Limited Framework Master Agreement, the Existing Internal Labour Technical Services Framework Master Agreement, the Existing Substation Power Technical Services Framework Master Agreement, the Existing Oil Terminal Entrusted Management Framework Master Agreement, the Existing Lease Framework Agreement, the Existing Changcheng Natural Gas Transmission Services Framework Master Agreement and the Existing Natural Gas Pipeline Technical Services Framework Master Agreement
“Existing Century Bright Financial Services Framework Master Agreement”	the agreement dated 11 November 2016 entered into between the Company and Century Bright, details of which are disclosed in the 11 November 2016 Announcement

“Existing Changcheng Natural Gas Transmission Services Framework Master Agreement”	the agreement dated 30 August 2018 entered into between Yu Ji Pipeline Company and Sinopec Changcheng Gas, details of which are disclosed in the 30 August 2018 Announcement
“Existing Internal Labour Technical Services Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Yu Ji Pipeline Company and Zhongyuan Natural Gas Technical Centre, details of which are disclosed in the 11 November 2016 Announcement
“Existing Lands and Buildings Framework Master Lease Agreement”	the agreement dated 11 November 2016 entered into between Yu Ji Pipeline Company and Sinopec Natural Gas Branch Company, details of which are disclosed in the 11 November 2016 Announcement
“Existing Lease Framework Agreement”	the agreement dated 18 May 2017 entered into between Yu Ji Pipeline Company and Shandong Natural Gas Pipeline Company, details of which are disclosed in the 18 May 2017 Announcement
“Existing Natural Gas Transmission Services Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Yu Ji Pipeline Company and Sinopec Natural Gas Branch Company, details of which are disclosed in the 11 November 2016 Announcement
“Existing Natural Gas Pipeline Technical Services Framework Master Agreement”	the agreement dated 30 August 2018 entered into between Yu Ji Pipeline Company and Sinopec Pipeline Services Company, details of which are disclosed in the 30 August 2018 Announcement
“Existing Oil Terminal Entrusted Management Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Sinomart and Sinopec Pipeline Storage Company, details of which are disclosed in the 11 November 2016 Announcement
“Existing Services Outsourcing Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Yu Ji Pipeline Company and Sinopec Natural Gas Branch Company, details of which are disclosed in the 11 November 2016 Announcement
“Existing Sinopec Finance Financial Services Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Haude and Sinopec Finance, details of which are disclosed in the 11 November 2016 Announcement

“Existing Sinopec Fuel Oil Sales Company Limited Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Huade and Sinopec Fuel Oil, details of which are disclosed in the 11 November 2016 Announcement
“Existing Sinopec Guangzhou Branch Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Huade and Sinopec Guangzhou Branch, details of which are disclosed in the 11 November 2016 Announcement
“Existing Substation Power Technical Services Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Yu Ji Pipeline Company and Zhongyuan Electricity Supply Centre, details of which are disclosed in the 11 November 2016 Announcement
“Existing Yu Ji Pipeline Financial Services Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Yu Ji Pipeline Company and Sinopec Finance, details of which are disclosed in the 11 November 2016 Announcement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“holding company”	has the meaning ascribed to it in the Listing Rules
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huade”	惠州市大亞灣華德石化有限公司 (Huizhou Daya Bay Huade Petrochemical Company Limited*), a company established under the laws of the PRC with limited liability. Huade is a wholly-owned subsidiary of Kantons International Investment, which is a wholly-owned subsidiary of the Company
“Huade Group”	Huade and its subsidiaries from time to time
“Huizhou Jetty”	the Huizhou Crude Oil Jetty Complex, including its oil tanker handling, crude oil unloading, storage and pipeline transmission facilities, which are located on Mabianzhou Island (馬鞭洲島) in the Daya Bay Economic and Technological Development Zone (大亞灣經濟技術開發區) in Huizhou (惠州), Guangdong Province, the PRC and which is owned and operated by the Group through Huade
“IMO”	International Maritime Organization

“Independent Board Committee”	the independent board committee of the Company comprising Ms. Tam Wai Chu, Maria, Mr. Fong Chung, Mark, Dr. Wong Yau Kar, David and Ms. Wong Pui Sze, Priscilla, the independent non-executive Directors
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation under the SFO licensed to carry out type 1 (dealing in securities), and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders
“Independent Shareholders”	Shareholders other than SKI and, if any, any other Shareholder(s) who has a material interest and is required to abstain from voting on the relevant resolution(s) at the SGM pursuant to the Listing Rules
“Kantons International Investment”	Kantons International Investment Limited (冠德國際投資有限公司), a company incorporated under the laws of British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Century Bright Financial Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between the Company and Century Bright, details of which are disclosed in Section I of this announcement
“New Comprehensive Outsourcing Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Sinopec Natural Gas Branch Company, details of which are disclosed in Section I of this announcement
“New Crude Oil Jetty and Storage Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Huade and Sinopec Guangzhou Branch, Sinopec Petroleum Reserve Company and Sinopec Pipeline Storage and Transportation Branch Company, details of which are disclosed in Section I of this announcement
“New Exempt Continuing Connected Transactions”	the transactions contemplated under the New Labour Technical Services Framework Master Agreement, the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement and the New Oil Product Purchase Framework Master Agreement

“New Exempt Continuing Connected Transactions Agreements”	collectively, the New Labour Technical Services Framework Master Agreement, the New Natural Gas Pipeline & Station Construction Works Framework Master Agreement and the New Oil Product Purchase Framework Master Agreement
“New Exempt Framework Master Agreements”	collectively, the New Lands and Buildings Framework Master Lease Agreement, the New Internal Labour Technical Services Framework Master Agreement, the New Power Technical Services Framework Master Agreement, the New Lease Framework Agreement, the New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement, the New Oil Terminal Entrusted Management Framework Master Agreement and the New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement
“New Internal Labour Technical Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Zhongyuan Natural Gas Technical Centre, details of which are disclosed in Section II of this announcement
“New Labour Technical Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Shandong Natural Gas Services Jinan Branch Company, details of which are disclosed in Section III of this announcement
“New Lands and Buildings Framework Master Lease Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Sinopec Natural Gas Branch Company, details of which are disclosed in Section II of this announcement
“New Lease Framework Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Shandong Natural Gas Pipeline Company, details of which are disclosed in Section II of this announcement
“New Natural Gas Pipeline Construction & Related Technical Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Sinopec Pipeline Services Company, details of which are disclosed in Section II of this announcement
“New Natural Gas Pipeline & Station Construction Works Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Sinopec Construction Company, details of which are disclosed in Section III of this announcement

“New Natural Gas Transmission Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company, Sinopec Natural Gas Branch Company, Shanxi Energy Company and Sinopec Changcheng Gas, details of which are disclosed in Section I of this announcement
“New Non-exempt Framework Master Agreements”	collectively, the New Crude Oil Jetty and Storage Services Framework Master Agreement, the New Sinopec Finance Financial Services Framework Master Agreement, the New Century Bright Financial Services Framework Master Agreement, the New Natural Gas Transmission Services Framework Master Agreement, the New Comprehensive Outsourcing Framework Master Agreement and the New Yu Ji Pipeline Financial Services Framework Master Agreement
“New Oil Terminal Entrusted Management Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Sinomart and Sinopec Pipeline Storage Company, details of which are disclosed in Section II of this announcement
“New Oil Product Purchase Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Huade and China Shipping & Sinopec Shenzhen, details of which are disclosed in Section III of this announcement
“New Power Technical Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Zhongyuan Electricity Supply Centre, details of which are disclosed in Section II of this announcement
“New Sinopec Finance Financial Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Huade and Sinopec Finance Guangzhou Branch, details of which are disclosed in Section I of this announcement
“New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Huade and Sinopec Fuel Oil, details of which are disclosed in Section II of this announcement
“New Yu Ji Compression Project Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Sinopec Petroleum Engineering, details of which are disclosed in Section IV of this announcement
“New Yu Ji Pipeline Financial Services Framework Master Agreement”	the agreement dated 21 October 2019 entered into between Yu Ji Pipeline Company and Sinopec Finance, details of which are disclosed in Section I of this announcement

“Non-exempt Existing Continuing Connected Transactions”	the continuing connected transactions contemplated under the Existing Sinopec Guangzhou Branch Framework Master Agreement, the Existing Sinopec Finance Financial Services Framework Master Agreement, the Existing Century Bright Financial Services Framework Master Agreement, the Existing Natural Gas Transmission Services Framework Master Agreement, the Existing Services Outsourcing Framework Master Agreement and the Existing Yu Ji Pipeline Financial Services Framework Master Agreement
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference purposes (unless otherwise indicated) excludes Taiwan, Macau and Hong Kong
“Previous Yu Ji Compression Project Framework Master Agreement”	the agreement dated 11 November 2016 entered into between Yu Ji Pipeline Company and Sinopec Petroleum Engineering, details of which are disclosed in the 11 November 2016 Announcement
“Property”	part of a building situated at the north to Tianchen Road and the west to Fenghuang Road at Gaoxin District, Ji’nan City, Shandong Province, the PRC with a total gross floor area of approximately 5,560.36 square metres
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be convened for the purpose of considering, and if thought fit, passing ordinary resolutions regarding the entering into of the New Non-exempt Framework Master Agreements and the New Yu Ji Compression Project Framework Master Agreement and all matters contemplated thereunder
“Shandong Natural Gas Pipeline Company”	山東省天然氣管道有限責任公司 (Shandong Natural Gas Pipeline Company Limited*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Sinopec Corp.

“Shandong Natural Gas Services Jinan Branch Company”	山東省中遠天然氣技術服務有限責任公司濟南分公司 (Shandong Natural Gas Technical Services Jinan Branch Company Limited*), an associate of Sinopec Natural Gas Limited Company, a wholly-owned subsidiary of Sinopec Corp.
“Shanxi Energy Company”	山西國化能源有限責任公司 (Shanxi Energy Company Limited*), an associate of Sinopec Natural Gas Limited Company, a wholly-owned subsidiary of Sinopec Corp.
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Sinomart”	Sinomart KTS Development Limited 經貿冠德發展有限公司, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sinopec Changcheng Gas”	中石化長城燃氣投資有限公司 (Sinopec Changcheng Gas Investment Company Limited*), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Sinopec Corp.
“Sinopec Construction Company”	中石化中原油建工程有限公司 (Sinopec Zhongyuan Oil Construction Company Limited*), an indirect wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company
“Sinopec Corp.”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司) (Stock Code: 386), a joint-stock limited liability company incorporated in the PRC, the shares of which are listed on the Stock Exchange and the stock exchanges of Shanghai, New York and London
“Sinopec Finance”	中國石化財務有限責任公司 (Sinopec Finance Company Limited*), a company incorporated under the laws of the PRC with limited liability and a subsidiary of Sinopec Group Company
“Sinopec Finance Guangzhou Branch”	中國石化財務有限責任公司廣州分公司 (Sinopec Finance Company Limited Guangzhou Branch*), a branch company of Sinopec Finance
“Sinopec Fuel Oil”	中國石化燃料油銷售有限公司 (Sinopec Fuel Oil Sales Company Limited*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinopec Corp.

“Sinopec Group”	Sinopec Group Company, its subsidiaries and its associated companies and affiliates, or where the context so requires, any two or more members of such group and the words “member of the Sinopec Group” shall mean any one of them, and for the purpose of this announcement, excludes the Group
“Sinopec Group Company”	China Petrochemical Corporation (中國石油化工集團公司, formerly known as 中國石油化工總公司), an enterprise established under the laws of the PRC, being the controlling shareholder of Sinopec Corp. (by virtue of its holding of approximately 68.31% in the issued share capital in Sinopec Corp.) and the ultimate controlling shareholder of the Company (by virtue of Sinopec Corp.’s indirect holding of approximately 60.33% in the issued share capital of the Company)
“Sinopec Guangzhou Branch”	中國石油化工股份有限公司廣州分公司 (China Petroleum & Chemical Corporation Guangzhou Branch*), a branch company of Sinopec Corp.
“Sinopec Natural Gas Branch Company”	中國石油化工股份有限公司天然氣分公司 (Sinopec Natural Gas Branch Company*), a branch company of Sinopec Corp.
“Sinopec Natural Gas Limited Company”	中國石化天然氣有限責任公司 (Sinopec Natural Gas Limited Company*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinopec Corp.
“Sinopec Oilfield Service Corporation”	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company established in the PRC and its A shares are listed on the Shanghai Stock Exchange and its H shares are listed on the Main Board of the Stock Exchange (Stock Code: 1033)
“Sinopec Petroleum Engineering”	中石化石油工程設計有限公司 (Sinopec Petroleum Engineering Corporation*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinopec Group Company
“Sinopec Petroleum Reserve Company”	中國石化集團石油商業儲備有限公司 (Sinopec Petroleum Reserve Company Limited)*, a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinopec Group Company

“Sinopec Pipeline Services Company”	中石化管道技術服務有限公司(Sinopec Pipeline Technical Services Company Limited*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company
“Sinopec Pipeline Services Group”	Sinopec Pipeline Services Company, its subsidiaries, its joint venture companies and its associated companies
“Sinopec Pipeline Storage Company”	中國石化管道儲運有限公司 (Sinopec Pipeline Storage and Transportation Company Limited*), a wholly-owned subsidiary of Sinopec Corp.
“Sinopec Pipeline Storage and Transportation Branch Company”	中國石化管道儲運有限公司原油銷售分公司 (Sinopec Pipeline Storage and Transportation Company Limited Crude Oil Sales Branch Company)*, a branch company of a wholly-owned subsidiary of Sinopec Corp.
“Six Oil Terminal Companies”	six joint venture companies of which Sinomart has shareholdings as at the date of this announcement, including 青島實華原油碼頭有限公司(Qingdao Shihua Crude Oil Terminal Company Ltd.*), 日照實華原油碼頭有限公司(Rizhao Shihua Crude Oil Terminal Company Ltd.*), 寧波實華原油碼頭有限公司(Ningbo Shihua Crude Oil Terminal Company Ltd.*), 曹妃甸實華原油碼頭有限公司(Tangshan Caofeidian Shihua Crude Oil Terminal Company Ltd.*), 天津港實華原油碼頭有限公司(Tianjin Port Shihua Crude Oil Terminal Company Ltd.*) and 湛江港石化碼頭有限責任公司(Zhanjiang Port Petrochemical Jetty Co*)
“SKI”	Sinopec Kantons International Limited, a company incorporated with limited liability in the British Virgin Islands, being the controlling Shareholder of the Company
“State”	the government of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Unipec”	中國國際石油化工聯合有限公司(China International United Petroleum and Chemicals Co. Ltd.*), a company established under the laws of the PRC with limited liability, which holds the entire issued share capital of SKI

“Yu Ji Pipeline Company”	中石化榆濟管道有限責任公司(Sinopec Yu Ji Pipeline Company Limited*), a limited liability company incorporated in the PRC which owns the Yulin-Jinan Pipeline and a wholly-owned subsidiary of the Company
“Yulin-Jinan Pipeline”	Yulin, Shaanxi Province to Jinan, Shandong Province Natural Gas Transmission Pipelines of about 944.93 kilometres long, which pass through four provinces including Shaanxi Province, Shanxi Province, Henan Province and Shandong Province, the PRC, and the ancillary facilities
“Yulin-Jinan Pipeline Compression Project”	compression projects in relation to the Yulin-Jinan Pipeline contemplated under the New Yu Ji Compression Project Framework Master Agreement
“Zhongyuan Electricity Supply Centre”	中國石油化工股份有限公司中原油田分公司供電服務中心 (Sinopec Zhongyuan Oilfield Company Electricity Supply Centre*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinopec Corp.
“Zhongyuan Natural Gas Technical Centre”	中國石化集團中原油油勘探局天然氣技術服務中心(Sinopec Zhongyuan Oilfield Natural Gas Technical Centre*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinopec Group Company
“%”	per cent

Conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.14 and is for illustrative purposes only. Such conversion does not constitute or should not be construed as representations that the relevant amounts have been, could have been, or could be converted at such rate or any other rate or at all.

* *The English translation of the names of companies incorporated or established in the PRC referred to in this announcement is for reference only. The official names of those companies are in Chinese.*

By order of the Board
Sinopec Kantons Holdings Limited
Chen Bo
Chairman

Hong Kong, 21 October 2019

As at the date of this announcement, the Board comprises the following:

Executive Directors:

Mr. Chen Bo (*Chairman*)

Mr. Xiang Xiwen (*Deputy Chairman*)

Mr. Dai Liqi

Mr. Li Jianxin

Mr. Wang Guotao

Mr. Ye Zhijun (*Managing Director*)

Independent non-executive Directors:

Ms. Tam Wai Chu, Maria

Mr. Fong Chung, Mark

Dr. Wong Yau Kar, David

Ms. Wong Pui Sze, Priscilla