

CHINA PETROLEUM & CHEMICAL CORP
Form 6-K
August 29, 2012

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the month of August, 2012

CHINA PETROLEUM & CHEMICAL CORPORATION
22 Chaoyangmen North Street,
Chaoyang District, Beijing, 100728
People's Republic of China
Tel: (8610) 59960114

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-_____.)

N/A

This Form 6-K consists of:

A circular regarding renewal of continuing connected transactions and proposed amendments to the articles of association of China Petroleum & Chemical Corporation (the “Registrant”), including a notice, a form of proxy and a reply slip each in connection with the extraordinary general meeting the Registrant, which circular is dated August 24, 2012.

Document 1

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Petroleum & Chemical Corporation, you should at once hand this circular together with the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for delivery to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is solely for the purpose of providing shareholders with certain information in connection with an extraordinary general meeting of China Petroleum & Chemical Corporation and is not an offer to sell or a solicitation of an offer to buy any securities. Any sale of China Petroleum & Chemical Corporation's securities in the United States will be made only by means of a prospectus relating to such securities.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0386)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**Independent Financial Adviser to the
Independent Board Committee and Independent Shareholders**

Sinopec Corp. will hold the EGM at Crowne Plaza Beijing Parkview Wuzhou hotel, 8 North Si Huan Zhong Road, Chaoyang District, Beijing on Tuesday, 16 October 2012 at 9 a.m., and the Notice is set out in this circular. A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the relevant forms of proxy enclosed herewith in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM. Completion and return of the forms of proxy shall not preclude you from attending and voting in person at

the EGM or at any adjourned EGM should you so wish.

24 August 2012

CONTENTS

Page		
Definitions		1
Letter from the Board		6
1.	Introduction	6
2.	Renewal of Continuing Connected Transactions	7
2.1	Background	7
2.2	Historical Figures and Existing Caps	11
2.3	Estimated Cap Amounts of the Continuing Connected Transactions	13
2.4	The HK Listing Rules and the SH Listing Rules Requirements	16
2.5	Reasons for the Continuing Connected Transactions	16
2.6	Approval by the Board and Independent Shareholders	17
2.7	General Information	18
3.	Amending the Articles of Association	18
3.1	The Amendments	18
3.2	Details of the Amendments	18
3.3	Effect of the Amendments	21
4.	Zhong Ke Guangdong Refinery Integration Project	21
5.	Recommendation	22
5.1	Proposed Renewal of Continuing Connected Transactions	22
5.2	Proposed Amendments to the Articles of Association	22
5.3	Proposed Zhong Ke Guangdong Refinery Integration Project	22
6.	Extraordinary General Meeting	22
Letter from the Independent Board Committee		24

Letter from CMB International	26
Appendix — General Information	51
Notice of Extraordinary General Meeting	56

DEFINITIONS

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

"amended Continuing Connected Transactions Agreements"	collectively refer to the Mutual Supply Agreement and Cultural, Educational, Hygiene and Community Services Agreement amended by the Continuing Connected Transactions Third Supplemental Agreement dated 24 August 2012, and the Land Use Rights Leasing Agreement amended by the Land Use Rights Leasing Agreement Third Amendment Memo dated 24 August 2012;
"amended Mutual Supply Agreement"	the Mutual Supply Agreement amended by the Continuing Connected Transactions Third Supplemental Agreement dated 24 August 2012;
"Amendments"	proposed amendments to the Articles of Association as referred to in the announcement of Sinopec Corp. dated 24 August 2012;
"Articles of Association"	the articles of association of Sinopec Corp. as amended, revised or supplemented from time to time;
"associates"	has the meaning ascribed to it in the HK Listing Rules;
"Board"	the board of directors of Sinopec Corp.;
"China Petrochemical Corporation"	China Petrochemical Corporation, being the controlling shareholder of Sinopec Corp.;
"CMB International" or "Independent Financial Adviser"	CMB International Capital Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 regulated activities (dealing in securities) and Type 6 regulated activities (advising on corporate finance), has been appointed as Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the fairness and reasonableness of the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps) and whether such transactions are in the interests of Sinopec Corp. and its Shareholders as a whole, and to advise the

Independent Shareholders on how to vote. The Independent Financial Adviser will also advise on the duration of the Land Use Rights Leasing Agreement, the SPI Fund Document and the Properties Leasing Agreement;

"Company"

Sinopec Corp. and its subsidiaries;

- 1 -

DEFINITIONS

"Computer Software Licence Agreement"	the computer software licence agreement dated 3 June 2000 (as amended) regarding the granting of licence by the Sinopec Group to the Company to use certain computer software of the Sinopec Group;
"Continuing Connected Transactions"	the transactions under the Exempted Continuing Connected Transactions, the Non-Major Continuing Connected Transactions and the Major Continuing Connected Transactions;
"Continuing Connected Transactions Second Supplemental Agreement"	the agreement dated 21 August 2009 entered into between Sinopec Corp. (on behalf of itself and its subsidiaries) and China Petrochemical Corporation (on behalf of itself and its members of the Sinopec Group) regarding the amendments of the terms of the Continuing Connected Transactions;
"Continuing Connected Transactions Third Supplemental Agreement"	the agreement dated 24 August 2012 entered into between Sinopec Corp. (on behalf of itself and its subsidiaries) and China Petrochemical Corporation (on behalf of itself and members of the Sinopec Group) regarding the amendments of the terms of the Continuing Connected Transactions;
"CSRC"	China Securities Regulatory Commission;
"Cultural, Educational, Hygiene and Community Services Agreement"	the cultural, educational, hygiene and community services agreement dated 3 June 2000 and the supplemental agreement dated 26 September 2000 (as amended) regarding the provision of, inter alia, certain cultural, educational, hygiene and community services by the Sinopec Group to the Company;
"Directors"	the directors of Sinopec Corp.;
"EGM"	the first extraordinary general meeting of 2012 of Sinopec Corp. to be held, among other things, for Independent Shareholders of Sinopec Corp. to consider and to approve the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps) and, also in accordance with the requirements of the Shanghai Stock

Exchange, the Non-Major Continuing Connected Transactions (including the relevant proposed caps);

"Exempted Continuing Connected Transactions"

the transactions contemplated under the Intellectual Property Licence Agreements;

DEFINITIONS

"HK Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Independent Board Committee"	an independent board committee of the Board comprising all the independent non-executive Directors, namely Chen Xiaojin, Ma Weihua, Jiang Xiaoming, Andrew Y. Yan, Bao Guoming;
"Independent Shareholders"	the shareholders of Sinopec Corp. other than China Petrochemical Corporation and its associates;
"Intellectual Property Licence Agreements"	the Trademarks Licence Agreement, the Computer Software Licence Agreement and the Patents and Proprietary Technology Licence Agreement;
"Land Use Rights Leasing Agreement"	the land use rights leasing agreement dated 3 June 2000 (as amended) regarding the leasing of certain land use rights by the Sinopec Group to the Company;
"Land Use Rights Leasing (Additional) Agreement"	the land use rights leasing agreement dated 22 August 2003 regarding the leasing of certain land use rights by the Sinopec Group to the Company;
"Land Use Rights Leasing Agreement Amendment Memo"	the memo dated 22 August 2008 regarding the amendments to the Land Use Rights Leasing Agreement;
"Land Use Rights Leasing Agreement Second Amendment Memo"	the memo dated 21 August 2009 regarding the amendments to the Land Use Rights Leasing Agreement;
"Land Use Rights Leasing Agreement Third Amendment Memo"	the memo dated 24 August 2012 regarding the amendments to the Land Use Rights Leasing Agreement;
"Latest Practicable Date"	23 August 2012
"Major Continuing Connected Transactions"	the transactions relating to the sales, purchases of the products and services and deposit of money under the Mutual Supply Agreement, subject to the Independent Shareholders' approval under the HK Listing Rules;

"Mutual Supply Agreement"

the mutual supply agreement dated 3 June 2000 and the supplemental agreement dated 26 September 2000 (as amended) regarding the provision of a range of products and services from time to time (1) by the Sinopec Group to the Company; and (2) by the Company to the Sinopec Group;

- 3 -

DEFINITIONS

"Non-Major Continuing Connected Transactions"	the continuing connected transactions relating to the SPI Fund Document, the Land Use Rights Leasing Agreement, the Cultural, Educational, Hygiene and Community Services Agreement and the Properties Leasing Agreement;
"Notice"	"Notice on Further Settling the Issues Concerning the Payment of Cash Dividends by Listed Companies" (Zheng Jian Fa [2012] No. 37) issued by CSRC;
"Patents and Proprietary Technology Licence Agreement"	the patents and proprietary technology licence agreement dated 3 June 2000 (as amended) regarding the granting of licence by the Sinopec Group to the Company to use certain patents and proprietary technology of the Sinopec Group;
"PRC" or "China"	the People's Republic of China, for the purpose of this circular, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
"Properties Leasing Agreement"	the properties leasing agreement dated 3 June 2000 (as amended) regarding the leasing of certain properties by the Sinopec Group to the Company;
"Refinery Project"	Zhong Ke Guangdong Refinery Integration Project;
"Renewal of Continuing Connected Transactions"	Renewal of the Continuing Connected Transactions in respect of 2013 to 2015;
"Renewal of Major Continuing Connected Transactions"	Renewal of the Major Continuing Connected Transactions in respect of 2013 to 2015;
"RMB"	the lawful currency of the PRC;
"SH Listing Rules"	the Share Listing Rules of Shanghai Stock Exchange;
"Shanghai Stock Exchange"	the Shanghai Stock Exchange;
"Shareholders"	the shareholders of Sinopec Corp.;

"Sinopec Corp."	China Petroleum & Chemical Corporation, a joint stock limited company incorporated in the PRC with limited liability;
"Sinopec Group"	China Petrochemical Corporation, its subsidiaries and its associates (other than the Company);

DEFINITIONS

"SPI Fund Document"	<p>a document jointly issued in 1997 by the Ministry of Finance of the PRC and the ministerial level enterprise of China Petrochemical Corporation and its associates before the industry reorganisation in 1998 (Cai Gong Zi 1997 No. 268) relating to the payment of insurance premium by Sinopec Corp. to the China Petrochemical Corporation. Under the SPI Fund Document, Sinopec Corp. is required to pay twice a year an insurance premium. Each time Sinopec Corp. shall pay 0.2% of the historical value of the fixed assets and the average month-end inventory value of the Company of the previous six months; after China Petrochemical Corporation has received the premium from Sinopec Corp., the China Petrochemical Corporation will refund 20% of the paid premium to Sinopec Corp. if Sinopec Corp. pays the semi-annual premium on time according to the SPI Fund Document ("Refund"). The Refund would be 17% of the paid premium if Sinopec Corp. failed to pay the semi-annual premium on time. The Refund shall be used by Sinopec Corp. in the following manner: 60% shall be used in dealing with accidents and potential risks and safety measures; 20% shall be used in safety education and training and 20% shall be used in preventing major accidents and potential risks and as awards to units and individuals who have made a special contribution to safety production;</p>
"Stock Exchange"	<p>The Stock Exchange of Hong Kong Limited;</p>
"Sinopec Century Bright"	<p>Sinopec Century Bright Capital Investment Limited, a wholly-owned subsidiary of China Petrochemical Corporation;</p>
"Sinopec Finance"	<p>Sinopec Finance Co., Ltd, a subsidiary of China Petrochemical Corporation jointly established with Sinopec Corp.; and</p>
"Trademarks Licence Agreement"	<p>the trademarks licence agreement dated 3 June 2000 (as amended) regarding the granting of licence by the Sinopec Group to the Company to use certain trademarks of the Sinopec Group.</p>

LETTER FROM THE BOARD

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0386)

Executive Directors:

Wang Tianpu
Zhang Jianhua
Wang Zhigang
Cai Xiyou
Dai Houliang

Registered Office:

22 Chaoyangmen North Street
Chaoyang District
Beijing 100728
The People's Republic of China

Non-Executive Directors:

Fu Chengyu
Zhang Yaocang
Cao Yaofeng
Li Chunguang
Liu Yun

Independent Directors:

Chen Xiaojin
Ma Weihua
Jiang Xiaoming
Andrew Y. Yan
Bao Guoming

24 August 2012

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1.

INTRODUCTION

On 24 August 2012, Sinopec Corp. announced that it had signed the Continuing Connected Transaction Third Supplemental Agreement and proposed to continue the Continuing Connected Transactions with the Sinopec Group.

The Renewal of Major Continuing Connected Transactions (including the relevant proposed caps) and Non-Major Continuing Connected Transactions (including the relevant proposed caps) are subject to the Independent Shareholders' approval.

- 6 -

LETTER FROM THE BOARD

Reference is made to the announcement made by Sinopec Corp. on 24 August 2012 on the Renewal of Continuing Connected Transactions and the announcement by Sinopec Corp. on 24 August 2012 on the proposed amendments to the Articles of Association and the announcement on the resolutions of the Board dated 24 August 2012.

The purpose of this circular is to provide you with (1) further information in relation to the Renewal of Continuing Connected Transactions, the recommendation from the Independent Board Committee and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (2) further information in relation to the proposed amendments to the Articles of Association; (3) further information in relation to the Refinery Project.

2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

2.1 Background

Reference is made to Corp.'s circular dated 31 August 2009 in relation to the Continuing Connected Transactions between the Company and the Sinopec Group. At the first extraordinary general meeting of 2009, the Independent Shareholders approved, among other things, the Major Continuing Connected Transactions, the caps for the three years ended 31 December 2012 for the Major Continuing Connected Transactions and the Non-major Continuing Connected Transactions.

Sinopec Corp. anticipates that the Continuing Connected Transactions with the Sinopec Group will continue after 31 December 2012.

In respect of the Continuing Connected Transactions commencing from 1 January 2013, Sinopec Corp. and China Petrochemical Corporation entered into the Continuing Connected Transactions Third Supplemental Agreement on 24 August 2012, pursuant to which adjustments were made to the terms of certain Continuing Connected Transactions. Set out below are the summaries of the amended Continuing Connected Transactions Agreements and the transactions contemplated thereunder:

The Continuing Connected Transactions are summarised below:

(1) Mutual Supply Agreement

China Petrochemical Corporation and Sinopec Corp. entered into a mutual supply agreement on 3 June 2000 and the Continuing Connected Transactions Second Supplemental Agreement on 21 August 2009, term of which will expire on 31 December 2012. Pursuant to the Continuing Connected Transactions Third Supplemental Agreement dated 24 August 2012, the term of the amended Mutual Supply Agreement is extended to 31 December 2015. The following transactions are contemplated under the Mutual Supply Agreement:

- (a) The products and services which are contemplated to be supplied by the Company, including: crude oil, natural gas, refined and petrochemical products and by-products, semi-finished products, coal and steel; water, electricity, gas, heat, measurements, quality inspection, provision of other related or similar products and services and guarantee.

LETTER FROM THE BOARD

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

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

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

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

LETTER FROM THE BOARD

(2) Land Use Rights Leasing Agreement

China Petrochemical Corporation and Sinopec Corp. entered into a land use rights leasing agreement on 3 June 2000, the Land Use Rights Leasing Agreement Second Amendment Memo on 21 August 2009 and the Land Use Rights Leasing Agreement Third Amendment Memo on 24 August 2012, pursuant to which, members of the Sinopec Group agreed to lease to the Company certain parcels of land with an area of approximately 417,800,000 square metres. The parcels of land leased will mainly be used for main production facilities, ancillary production facilities of the Company and certain petrol stations operated by Sinopec Corp.

The parcels of land leased can be divided into the following two types

- (i) Authorised land for operation; and
- (ii) Assigned land.

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

Regarding authorised land for operation owned by members of the Sinopec Group, land for industrial use are leased to the Company for a term of 50 years and land for commercial use for a term of 40 years. Regarding land over which members of the Sinopec Group have been granted land use rights with consideration, they are leased for a term up to the date of expiry of the respective land use rights certificates. The term of the lease in each case commenced from 1 January 2000. The Company may require members of the Sinopec Group to renew the term of the lease by giving them notice twelve months before the expiry of the lease. Members of the Sinopec Group shall, upon receipt of the said notice and before the expiration of the term of the lease, make best efforts to procure all the government approvals and complete all the procedures with relevant governmental authorities required for the renewal of the lease.

(3) Cultural, Educational, Hygiene and Community Services Agreement

China Petrochemical Corporation and Sinopec Corp. entered into a cultural, educational, hygiene and community services agreement on 3 June 2000 and further entered the Continuing Connected Transactions Second Supplemental Agreement on 21 August 2009, the term of which will expire on 31 December 2012. Pursuant to the Continuing Connected Transactions Third Supplemental Agreement dated 24 August 2012, the term of the Cultural, Educational, Hygiene and Community Services Agreement was extended to 31 December 2015. The following services are contemplated to be acquired by the Company under the Cultural, Educational, Hygiene and Community Services Agreement:

- (a) Culture, educational and hygiene services: education and training centres, cadre schools, technical universities, technical schools, staff polytechnic schools, medical care and sanitation, culture and physical education, newspapers and magazines, broadcasting and television, printing and other related or similar services.

LETTER FROM THE BOARD

(b) Community services: living services (including management centres), property management, environmental sanitation, greening, nurseries, kindergartens, sanatoriums, canteens, collective quarters, public transport, resignation and retirement management, settlement of land occupiers, re-employment service centres and other related or similar services.

The Cultural, Educational, Hygiene and Community Services Agreement has identical pricing mechanism contemplated under the amended Mutual Supply Agreement which is set out in section 2.1(1) above.

(4) Safety Production Insurance Fund (the "SPI Fund")

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

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

After the receipt by China Petrochemical Corporation of the premium from Sinopec Corp., China Petrochemical Corporation will refund 20% of the paid premium to Sinopec Corp. if Sinopec Corp. pays the semi-annual premium on time according to the SPI Fund Document (the "Refund"). The Refund would equal to 17% of the paid premium if Sinopec Corp. fails to pay the semi-annual premium on time. The Refund shall be used by Sinopec Corp. in dealing with accidents and potential risks and safety measures, in safety education and training, in preventing major accidents and potential risks, and as rewards to units and individuals who have made a special contribution to safety production.

(5) Properties Leasing Agreement

On 3 June 2000, China Petrochemical Corporation and Sinopec Corp. entered into a properties leasing agreement which term commenced on 1 January 2000. Properties leased shall mainly be used for ancillary production facilities, offices premises and petrol stations operated by the Company. Under the Properties Leasing Agreement, members of the Sinopec Group have agreed to lease to the Company certain properties with a gross floor area of approximately 2,608,000 square metres. The rent payable under the Properties Leasing Agreement is based on factors including the area of the properties involved, their locations and the nature and purpose of use of the properties. The rent may be reviewed once a year and any revised rent shall not be higher than the prevailing market rent as confirmed by an independent valuer. Property taxes, land use fees and other statutory taxes or fees in relation to the properties shall be borne by the Sinopec Group.

The properties have been leased by the Sinopec Group to the Company for a term of 20 years since 1 January 2000. The Company may require members of the Sinopec Group to renew the term of the lease by giving them written notice six months before the expiry of the lease.

LETTER FROM THE BOARD

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

(6) Intellectual Property Licence Agreements

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

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

2.2 Historical Figures and Existing Caps

The historical figures for the past three financial years and the six months ended 30 June 2012 and existing caps of the above Continuing Connected Transactions are set out below:

Transactions	Caps for 2012	2009	2010	2011	Figures for the six months ended 30 June 2012
Mutual Supply Agreement					
(i) Annual revenue generated by the Company for the sale of products and services (except provision of guarantee) to the Sinopec Group	RMB91.4 billion	RMB49.621 billion	RMB61.268 billion	RMB83.081 billion	RMB53.529 billion
(ii) Annual expenditures of the Company for the purchase of products and services (except financial services) from the Sinopec Group	RMB142.6 billion	RMB96.179 billion	RMB95.318 billion	RMB134.547 billion	RMB61.296 billion

LETTER FROM THE BOARD

Transactions	Caps for 2012	2009	2010	2011	Figures for the six months ended 30 June 2012
(iii) The aggregate of the average month-end balance of deposits (including accrued interests)	RMB9.5 billion	RMB3.25 billion	RMB6.444 billion	RMB6.79 billion	RMB4.528 billion
(iv) The maximum daily amount of deposits (including accrued interests)	N/A	RMB11.6 billion	RMB27.1 billion	RMB41.6 billion	RMB30.3 billion
Land Use Rights Leasing Agreement					
Annual rental payable by the Company	RMB6.8 billion	RMB4.225 billion	RMB6.731 billion	RMB6.725 billion	RMB3.384 billion
Cultural, Educational, Hygiene and Community Services Agreement	RMB4.1 billion	RMB3.329 billion	RMB3.693 billion	RMB3.856 billion	RMB2.063 billion
Annual expenditures of the Company for the purchase of services from the Sinopec Group					
SPI Fund Document					
Annual premium payable by the Company	RMB3.0 billion	RMB1.612 billion	RMB1.783 billion	RMB1.966 billion	RMB1.072 billion
Properties Leasing Agreement					
Annual rental payable	RMB730	RMB419	RMB350	RMB377	RMB213

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Notes:

1. The aggregate of the average month-end balance of deposits (including accrued interests) shall be calculated by dividing the aggregation of the month-end balance of deposits (including accrued interests) of each of the twelve months in a calendar year by twelve;
2. The maximum daily amount of deposits (including accrued interests) shall be calculated by the maximum amount of deposits (including accrued interests) at any point of time during a day;
3. There is no cap set over the maximum daily amount of deposits (including accrued interests) for the three years from 2010 to 2012. As such, as at the date of this circular, the caps over the aggregate of the average month-end balance of deposits (including accrued interests) had not been exceeded.

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

LETTER FROM THE BOARD

2.3 Estimated Cap Amounts of the Continuing Connected Transactions

Sinopec Corp. estimates the annual caps for the applicable Continuing Connection Transactions for the years from 2013 to 2015 to be as follows:

Major Continuing Connected Transactions

(1) Annual revenues under the Mutual Supply Agreement: The products and services sold by the Company to the Sinopec Group under the Mutual Supply Agreement principally consist of raw materials and petrochemical products such as crude oil, natural gas, refined oil products and petrochemical products. Over the past three years, international prices of raw materials such as crude oil have experienced significant fluctuation. The Brent crude oil price increased from approximately US\$83.9 per barrel three years ago to the highest of approximately US\$126.7 per barrel as of the date 8 April 2011.

The annual revenues received by the Company in respect of products and services provided to the Sinopec Group under the Mutual Supply Agreement from 2009 to 2011 and the six months ended 30 June 2012, were RMB49.621 billion, RMB61.268 billion, RMB83.081 billion and RMB53.529 billion, respectively.

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

- 2013 — RMB165.8 billion
- 2014 — RMB172.4 billion
- 2015 — RMB179.2 billion

(2) Annual expenditures of the Company under the Mutual Supply Agreement: The product and services bought by the Company from the Sinopec Group under the Mutual Supply Agreement principally consist of raw materials, certain ancillary raw materials and services required by the major operating business of Sinopec Corp.

The annual expenditures in respect of products and services bought by the Company from the Sinopec Group under the Mutual Supply Agreement from 2009 to 2011 and the six months ended 30 June 2012 were RMB96.179 billion, RMB95.318 billion, RMB134.547 billion, and RMB61.296 billion, respectively.

Taking into account the historical figures for the past three years and material uncertainties such as possible price fluctuation in raw materials, possible increase of equity production

LETTER FROM THE BOARD

oil and increase of the petroleum ,refinery and public projects construction services, etc. provided by the Sinopec Group in the next three years, and in view of the necessity of purchasing products and services from the Sinopec Group under the Mutual Supply Agreement for the Company's continued operation, Sinopec Corp. is of the view that flexibility should be built into the caps for such transactions. The proposed caps for the purchase of products and services by Sinopec Corp. under the Mutual Supply Agreement are as follows:

- 2013 — RMB216.6 billion
- 2014 — RMB227.9 billion
- 2015 — RMB257.2 billion

(3)The total amount of deposits (including accrued interests) under the Mutual Supply Agreement: The maximum daily amount of deposits (including accrued interests) of the Company with the Sinopec Group's financial institutions (i.e., Sinopec Finance and Sinopec Century Bright) under the Mutual Supply Agreement from 2009 to 2011 and the six months ended 30 June 2012 were RMB11.6 billion, RMB27.1 billion, RMB41.6 billion and RMB30.3 billion, respectively.

Sinopec Corp. is of the view that the Sinopec Group's financial institutions can generally offer Sinopec Corp. more favourable terms and interest rates as compared to other financial institutions or banks. Under normal circumstances, the financial institutions offer higher deposit rates and lower lending rates than commercial banks. As such, Sinopec Corp. is of the view that provided that the potential risks associated can be contained, depositing with the Sinopec Group's financial institutions on a continuing basis will bring commercial advantages and better returns to Sinopec Corp. and its Shareholders as a whole.

Deposit amounts with the Sinopec Group's financial institutions may occasionally vary significantly due to the Company's operation demands. For instance, the Company may incur high cash deposit with the Sinopec Group's financial institutions but low cash payments during public holidays in the PRC. Historically, the Company set caps over the aggregate of the average month-end balance of deposits (including accrued interests) which reflected the usual operation demands over the year. However, in order to strengthen monitoring continuing connected transactions, Sinopec Corp. will set caps over the maximum daily amount of deposits (including accrued interests) for the following years in future. Taking into account the historical figures, the future business development and the indebtedness of Sinopec Corp., the estimated cash flow situation of Sinopec Corp. in the future development, the expected increase operation scale and cash flow, increase in numbers of service stations and average throughput per station, expected increase in oil price and general increase in oil products supplied by the Company, which cause daily cash and deposit balance in the future, the proposed caps regarding the maximum daily amount of deposits (including accrued interests) with the Sinopec Group's financial institutions under the Mutual Supply Agreement are as follows:

- 2013 — RMB38 billion
- 2014 — RMB38 billion
- 2015 — RMB38 billion

LETTER FROM THE BOARD

Non-Major Continuing Connected Transactions

(4) Land Use Rights Leasing Agreement: during 2009 to 2011 and the six months ended 30 June 2012, the rent payable under the Land Use Rights Leasing Agreement (and its amendment memos) was RMB4.225 billion, RMB6.731 billion, RMB6.725 billion and RMB3.384 billion, respectively. According to the Land Use Rights Leasing Agreement, China Petrochemical Corporation and Sinopec Corp. may agree to adjust the rent every three years.

Taking into account the significant increase in the domestic land rent in the recent years and the possible payment of additional rent as a result of potential business expansion, Sinopec Corp. estimates that the total annual rent payable under the Land Use Rights Leasing Agreement (including the rent previously included under the Land Use Rights Leasing (Addition) Agreement), and in respect of the land leased by the Sinopec Group to the Company, will be RMB10.8 billion for each year from 2013 to 2015. The revised rent has been considered by a PRC qualified property valuer to be lower than the current market value.

(5) Cultural, Educational, Hygiene and Community Services Agreement: The annual fees paid under the Cultural, Educational, Hygiene and Community Services Agreement from 2009 to 2011 and the six months ended 30 June 2012, were RMB3.329 billion, RMB3.693 billion, RMB3.856 billion, and RMB2.063 billion, respectively. Taking into account the historical figures and the extra needs of cultural, education, hygiene and community services derived from the increase in raw materials and labour costs in future, Sinopec Corp. proposes that the annual caps for the Cultural, Educational, Hygiene and Community Services Agreement from 2013 to 2015 shall be adjusted to RMB6.8 billion.

(6) SPI Fund Document: The premium paid under the SPI Fund Document from 2009 to 2011 and the six months ended 30 June 2012 were RMB1.612 billion, RMB1.783 billion, RMB1.966 billion and RMB1.072 billion, respectively. Due to the Company's continuous business development, acquisition of the Sinopec Group's assets and the increase in the investment in fixed assets and inventories, the relevant insured amount increased. With the said increase of the insured amount and taking into account the historical figures, it is proposed that the annual cap for the SPI Fund Document from 2013 to 2015 shall be adjusted to RMB3.3 billion.

(7) Properties Leasing Agreement: The rent paid under the Properties Leasing Agreement from 2009 to 2011 and the six months ended 30 June 2012, were RMB419 million, RMB350 million, RMB377 million and RMB213 million, respectively. Taking into account the historical figures, the properties leasing rentals increase in the recent years and the potential rental increase in the PRC real estate market in future, and in view of the necessity of the properties leasing from the Sinopec Group under the Properties Leasing Agreement for the Company's continued operation, Sinopec Corp. proposes to maintain an annual cap of RMB730 million for the rent payable under the Properties Leasing Agreement from 2013 to 2015.

LETTER FROM THE BOARD

Exempted Continuing Connected Transactions

(8) Intellectual Property Licence Agreements: Based on the historical figures, Sinopec Corp. estimates that the annual fee payable by the Company to the Sinopec Group under the Intellectual Property License Agreements will be less than 0.1% of each of the percentage ratios (other than the profit ratio). As such, the relevant transactions will be exempt from reporting, announcement and independent shareholders' approval requirements pursuant to the exemption for de minimis transactions under rule 14A.33 of the HK Listing Rules.

2.4 The HK Listing Rules and the SH Listing Rules Requirements

Pursuant to the HK Listing rules and the SH Listing Rules, China Petrochemical Corporation, holding approximately 75.79% of the total issued share capital of Sinopec Corp., and its associates will constitute connected persons of Sinopec Corp. As such, the continuing transactions between the Company and the Sinopec Group constitute continuing connected transactions of Sinopec Corp. under Chapter 14A of the HK Listing Rules. Sinopec Corp. shall comply with the reporting, announcement and Independent Shareholders' approval (if necessary) requirements in respect of such continuing connected transactions.

Pursuant to Rule 14A.34 of the HK Listing Rules, the proposed annual caps of each of the transactions under 2.3(4) to (7) above (i.e. the Non-Major Continuing Connected Transactions) are less than 5% of the percentage ratios (other than the profit ratio), but more than 0.1%. Such transactions (including the relevant proposed caps) are therefore subject to the reporting, announcement but exempted from independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

Pursuant to Rule 14A.35 of the HK Listing Rules, the proposed annual caps of each of the transactions under 2.3(1) to (3) above (i.e. Major Continuing Connected Transactions) exceed 5% of the percentage ratios (other than the profit ratio). Such transactions (including the relevant proposed caps) are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

The transactions under 2.3(1) to (7) above (including the relevant proposed caps) will be subject to the announcement and independent shareholders' approval requirements in accordance with Chapter 10 of the SH Listing Rules.

2.5 Reasons for the Continuing Connected Transactions

The Sinopec Group operated with the Company as an integrated organization prior to the reorganization of China Petrochemical Corporation and the establishment of Sinopec Corp., and a number of internal transactions were conducted every year. After the reorganization and the listing of the shares of Sinopec Corp. on both the Stock Exchange and the Shanghai Stock Exchange, a number of transactions conducted or to be conducted between the Company and China Petrochemical Corporation and/or its associates have constituted continuing connected transactions under the HK Listing Rules and the SH Listing Rules.

The Continuing Connected Transactions of the Company are conducted in the ordinary and usual course of business of the Company. Such transactions will continue to be conducted on an arm's length basis and on terms that are fair

and reasonable to the Company. Owing to the long-term co-operation relationship among the Company, the Sinopec Group and the companies jointly held by the Company and the Sinopec Group and the advantages, good reputation and gigantic scale of the Sinopec Group in various aspects, the Board is of the opinion that the entering into such transactions on an continuing

- 16 -

LETTER FROM THE BOARD

basis is essential to the continuation of Sinopec Corp.'s business and will be beneficial to the Company as the Continuing Connected Transactions facilitate and will facilitate the business operation and growth of the Company and reduce the unnecessary risks which might incur during the course of operation.

2.6 Approval by the Board and Independent Shareholders

On 24 August 2012, the second meeting of the fifth session of the Board was convened by way of a video conference, at which the non-connected Directors approved the resolution on Renewal of Major Continuing Connected Transactions (including the relevant proposed caps), and the Non-Major Continuing Connected Transactions (including the relevant proposed caps). Each of Fu Chengyu, Wang Tianpu, Zhang Yaocang, Cao Yaofeng, Li Chunguang and Liu Yun abstained from voting due to their position as connected Directors. Save as disclosed above, none of the Directors has any material interest in the transactions abovementioned.

According to the requirements of the HK Listing Rules, an Independent Board Committee has been formed and will advise the Independent Shareholders in respect of the fairness and the reasonableness of the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps), and whether such transactions are in the interests of Sinopec Corp. and its Shareholders as a whole. Furthermore, the Independent Board Committee will advise Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Continuing Connected Transactions.

CMB International, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, the fairness and reasonableness of the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps) and whether such transactions are in the interests of Sinopec Corp. and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote. The Independent Financial Adviser will also advise on the duration of the Land Use Rights Leasing Agreement, the Properties Leasing Agreement and the SPI Fund Document in accordance with 14A.35(1) of the HK Listing Rules.

Sinopec Corp. will convene the EGM for the Independent Shareholders to consider and approve (if think fit), among other things, the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps), and, also in accordance with the requirements of the Shanghai Stock Exchange, the Non-Major Continuing Connected Transactions (including the relevant proposed caps). China Petrochemical Corporation and its associates will abstain from voting at the EGM in respect of the ordinary resolution to approve the above matters.

LETTER FROM THE BOARD

2.7

General Information

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

China Petrochemical Corporation was established in July 1998, and it is an authorized investment organization with a current registered capital of RMB231.620585 billion. Its controlling shareholder is the state. Upon reorganization in 2000, China Petrochemical Corporation transferred its principal petrochemical business to Sinopec Corp., while China Petrochemical Corporation continues to operate the remaining petrochemical facilities and small-scale oil refineries. It also provides services in well-drilling, well-measuring, under-well operation, production equipments manufacturing and maintenance, engineering construction as well as the utility projects such as water, electricity, and social services, etc.

Your attention is drawn to the texts of the letter from the Independent Board Committee and from CMB International, the Independent Financial Adviser, containing their recommendations regarding, among other things, the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps).

3.

AMENDING THE ARTICLES OF ASSOCIATION

3.1

The Amendments

Sinopec Corp. proposes to amend the Articles of Association in accordance with the requirements contained in the Notice issued by CSRC. The amendments are based on the framework of its existing Articles of Association and take into account of the actual situation of Sinopec Corp.

3.2

Details of the Amendments

- (1) Sinopec Corp. proposes to amend Article 175 of the Articles of Association.

The current Article 175:

When allocating the after-tax profits of the current year, the Company shall allocate (10) ten percent of its profit to the statutory common reserve fund. In the event that the accumulated statutory common reserve fund of the Company has reached more than (50) fifty percent of the registered capital of the Company, no allocation is needed.

In the event that the statutory common reserve fund of the Company is insufficient to make up the losses of the Company on the previous year, before allocating the statutory common reserve fund in accordance with the stipulations of the previous paragraph, the Company shall first make up the losses by using the profits of the current year.

LETTER FROM THE BOARD

After allocating the statutory common reserve fund from the after-tax profits of the Company, the Company can allocate the arbitrary common reserve fund according to the resolution of shareholders' general meeting.

The profits distributable to the shareholders, upon the approval in the shareholders' general meeting, shall be distributed in accordance with the proportion of shares held by the shareholders.

The profits distribution policy of the Company shall be durative and stable.

is hereby proposed to be amended as follows:

When allocating the after-tax profit of the current year, the Company shall allocate ten (10) percent of its profit to the statutory surplus reserve. In the event that the statutory surplus reserve balance reaches fifty (50) percent of the registered capital of the Company, no allocation is needed.

In the event that the statutory surplus reserve of the Company is insufficient to make up the losses of the Company occurred in the previous year, before allocating the statutory surplus reserve aforementioned, the Company shall firstly make up the losses by using the profits of the current year.

After allocating the statutory surplus reserve from the after-tax profits of the Company, the Company can allocate the discretionary surplus reserve according to the resolution at the shareholders' meeting.

The profits distributable to the shareholders of the Company, upon the approval in the shareholders' meeting, shall be distributed in accordance with the proportion of shares held by the shareholders.

(2) Sinopec Corp. proposes to amend Article 179 of the Articles of Association.

The current Article 179:

The Company may distribute dividends in the form of:

(1) cash;

(2) shares.

(3) other means provided by laws, administrative rules, regulations of competent authorities and regulatory provisions in the place where the Company's shares is listed.

LETTER FROM THE BOARD

is hereby proposed to be amended as follows:

- (1)The Company should place emphasis on delivering reasonable return on investments to the investors. The Company shall pay due attention to the opinions of minority shareholders through various channels when allocating its profits. The profits distribution policy of the Company shall be durative and stable, taking into account of the long-term interests of the Company, the overall interests of all shareholders and the Company's sustainable development.
- (2)The Company may distribute dividends in the following forms: cash, shares or other forms provided by laws, administrative rules, regulations of competent authorities and regulatory provisions in the place where the Company's shares are listed. The Company shall give priority to the distribution of dividends in cash. The Company may make interim dividends distribution.
- (3)The Company shall distribute cash dividends when the Company's net profit and retained earnings, in separate financial statement are positive and the Company has adequate cash inflows over the requirements of cash outflows of operation and sustainable development. The cash dividends per annum should not be less than thirty (30) percent of the net profit of the Company in the current year.
- (4)The Company may adjust its profits distribution policy referred to in sub-paragraphs (2) and (3) of this Article in case of war, natural disasters and other force majeure, or where changes to the external environment of the Company result in material impact on the production and operation of the Company, or where there are significant changes in the Company's own operations or financial conditions, or where the Company's board of directors considers it necessary. Independent directors shall issue independent opinions on the adjustment of profits distribution policy whilst the board of directors shall discuss the rationality of such adjustment in detail and form a resolution which shall be submitted to shareholders' meeting for approval by special resolution. The convening of shareholders' meeting shall comply with regulatory provisions in the place where the Company's shares are listed.
- (5)The management of the Company shall formulate the annual profits distribution plan and submit such plan to the board of directors for consideration. Independent directors shall issue independent opinions on such plan and the board of directors shall form a resolution which shall be submitted for approval by shareholders' meeting. If the conditions for the distribution of cash dividends have been satisfied and the Company does not propose a cash dividends distribution plan or does not propose such plan in compliance with the sub-paragraph (3) of this Article, independent directors shall issue independent opinions whilst the board of directors shall give specific explanation regarding such arrangement and form a resolution which shall be submitted to shareholders' meeting for approval and make relevant disclosures. The plan for half-yearly dividends distribution of the Company shall comply with Article 182 of the Articles of Association.

LETTER FROM THE BOARD

3.3

Effect of the Amendments

The amendments to the current Article 175 and Article 179 reflect the requirements regarding the articles of association of the domestically listed companies contained in the Notice issued by CSRC. As the shares of Sinopec Corp. are also listed on the Shanghai Stock Exchange and regulated by CSRC, Sinopec Corp. should also fulfill the requirements contained in the Notice.

Specifically, the Notice requires the listed companies to amend their articles of association, specifying dividends distribution policy and procedures, especially the distribution of dividends in cash. The Amendments are based on the regulatory requirements with reference to the amendment recommendations contained in the "Notice Regarding Further Improvement of Cash Dividends Distribution of Listed Companies" (Jing Zheng Gong Si Fa [2012] No.101) issued by CSRC Beijing Bureau and the practices of both domestically and overseas listed companies, and Sinopec Corp. also pays due consideration to the investor returns in combination with the actual situation of Sinopec Corp. As such, Sinopec Corp. proposes to add terms in respect of the principle of dividends distribution by Sinopec Corp. (sub-paragraph (1) and (2) of the amended Article 179), a term in respect of the conditions and percentage requirements for the distribution of dividends in cash (sub-paragraph (3) of the amended Article 179), a term in respect of the adjustment of profits distribution policy (sub-paragraph (4) of the amended Article 179), a term in respect of the procedures to approve the profits distribution plan (sub-paragraph (5) of the amended Article 179).

To avoid duplication, it is proposed to delete sub-paragraph (5) of the current Article 175, which will be contained in sub-paragraph (1) of the amended Article 179.

The Amendments will be beneficial in terms of enhancing the transparency of dividends distribution in cash by Sinopec Corp. and offering a steady expectation of return to the investors.

4.

ZHONG KE GUANGDONG REFINERY INTEGRATION PROJECT

Reference is made to Sinopec Corp.'s announcement on the resolutions of the Board dated 24 August 2012. Sinopec Corp. plans to construct the Refinery Project either through self-development or through co-funding development with other parties, with an investment of approximately RMB 59 billion. The scale of the Refinery Project will be determined on the basis of producing 15 million tonnes per annum refined oil and 1 million tonnes per annum ethylene. It is currently estimated that the construction of the Refinery Project will include refining operations, chemical equipment, utility systems and the auxiliary facilities, and the project outside the plant. The Refinery Project is still at the preliminary planning stage and Sinopec Corp. is still in the process of optimising the details of the Refinery Project. As at the date of the circular, there is no legally binding cooperation agreement signed between Sinopec Corp. (or any of its subsidiaries) and any independent third party in respect of the Refinery Project. The Refinery Project does not constitute the "transaction" under Chapter 14 of the HK Listing Rules. However, since its estimated total amount of investment exceeds 5% of the total net assets value of Sinopec Corp. as of 31 December 2011, according to the Articles of Association and the Rules and Procedures for Shareholders' General Meetings of Sinopec Corp., the Refinery Project will be subject to the Shareholders' approval at the general meeting of Sinopec Corp. Should there be any significant changes to the Refinery Project, e.g., Sinopec Corp. decides to develop the Refinery Project by way of joint venture cooperation with other parties, Sinopec Corp. shall fulfil the regulatory requirements of the places where the shares of Sinopec Corp. are listed.

LETTER FROM THE BOARD

5. RECOMMENDATION

5.1 Proposed Renewal of Continuing Connected Transactions

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

Accordingly, the Board recommends that the Shareholders vote in favour of all resolution(s) which will be proposed at the EGM in relation to the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps) and the Non-Major Continuing Connected Transactions (including the relevant proposed caps). As mentioned above, CMB International has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having taken into account the advice of CMB International, considers that the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps) and the Non-Major Continuing Connected Transactions are fair and reasonable, on normal commercial terms and in the interests of Sinopec Corp. and the Shareholders as a whole so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders vote in favour of the relevant ordinary resolution which will be proposed at the EGM.

The text of the letter from Independent Board Committee is set out on pages 24 to 25 of this circular and the text of the letter from CMB International containing its advice is set out on pages 26 to 50 of this circular.

5.2 Proposed Amendments to the Articles of Association

The Board considers that the Amendments are in the interests of Sinopec Corp. and its shareholders and accordingly recommend the shareholders to vote in favour of the relevant special resolution which will be proposed at the EGM.

5.3 Proposed Zhong Ke Guangdong Refinery Integration Project

The Board considers that the Refinery Project is in the interests of Sinopec Corp. and its shareholders and accordingly recommends the shareholders to vote in favour of the relevant ordinary resolution which will be proposed at the EGM.

6. EXTRAORDINARY GENERAL MEETING

You will find on pages 56 to 57 of this circular a notice of the EGM to be held at Crowne Plaza Beijing Parkview Wuzhou hotel, 8 North Si Huan Zhong Road, Chaoyang District, Beijing on Tuesday, 16 October 2012 at 9 a.m.

LETTER FROM THE BOARD

A form of proxy for use in connection with the EGM has already been dispatched to shareholders. Whether or not you are able to attend the meeting, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned EGM should you so wish.

China Petrochemical Corporation and its associates will abstain from voting on the ordinary resolution in respect of the Renewal of Continuing Connected Transactions at the EGM.

Shareholders (or their proxies) will vote by poll.

- 23 -

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Directors

Chen Xiaojin

Ma Weihua

Jiang Xiaoming

Andrew Y. Yan

Bao Guoming

24 August 2012

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular (the "Circular") dated 24 August 2012 issued by Sinopec Corp. to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We are writing to you to set out our recommendation whether or not the Renewal of Major Continuing Connected Transactions (including the relevant proposed caps) are fair and reasonable so far as the Independent Shareholders are concerned. The terms, caps and the reasons for the Major Continuing Connected Transaction are summarised in the letter from the Board set out on pages 6 to 23 of the Circular. In considering the fairness and reasonableness, the Independent Board Committee have been advised by CMB International. You are strongly urged to read CMB International's letter to the Independent Board Committee which is set out on pages 24 to 25 of the Circular.

RECOMMENDATION

We have discussed with the management of Sinopec Corp. the reasons for the Renewal of Major Continuing Connected Transaction (including the relevant proposed caps), the mechanism for the determination of the price for the Major Continuing Connected Transaction, the terms of thereof, and the basis upon which their terms have

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

been determined. We have also considered the key factors taken into account by CMB International in arriving at its opinion regarding the Renewal of Major Continuing Connected Transaction (including the relevant proposed caps) as set out in the letter from CMB International on pages 26 to

50 of the Circular, which we urge you to read carefully.

The Independent Board Committee concurs with the views of CMB International and consider that the Renewal of Major Continuing Connected Transaction (including the relevant proposed caps) to be in the best interest of Sinopec Corp. and its Shareholders and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders vote in favour of the ordinary resolution relating to the matters set out in the Circular which is contained in the notice of the EGM at the end of the Circular.

Yours faithfully,

Chen Xiaojin Ma Weihua Jiang Xiaoming Andrew Y. Yan Bao Guoming

Independent Non-executive Directors

LETTER FROM CMB INTERNATIONAL

The following is the text of a letter from CMB International Capital Limited for the purpose of incorporation in this circular in connection with its advice to the Independent Board Committee and Independent Shareholders in connection with the terms of the proposed caps in respect of the Major

Continuing Connected Transactions.

CMB International Capital Limited
Units 1803-04, 18/F,
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

24 August 2012

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2013 TO 2015
- (2) EXPLANATION OF DURATION OF THE LAND USE RIGHTS LEASING AGREEMENT, SPI FUND DOCUMENT AND PROPERTIES LEASING AGREEMENT FOR LONGER THAN THREE YEARS

Introduction

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Major Continuing Connected Transactions (including the relevant proposed caps) with respect to the amended Mutual Supply Agreement between Sinopec Corp. and China Petrochemical Corporation. Pursuant to the HK Listing Rules, the Major Continuing Connected Transactions are subject to, among other things, the approval of the Independent Shareholders at the Extraordinary General Meeting of Sinopec Corp.. Also, we are engaged by Sinopec Corp. to opine on the duration of the Land Use Rights Leasing Agreement, the SPI Fund Document and the Properties Leasing Agreement between Sinopec Corp. and China Petrochemical Corporation for longer than three years. Details of the Continuing Connected Transactions (including the Major Connected Transactions and the relevant proposed caps) are set out in the circular to its Shareholders dated 24 August 2012 (the "Circular") issued by Sinopec Corp., of which this letter forms part. Unless otherwise stated, terms used herein shall have the same meanings as those defined in the Circular.

On 31 August 2009, Sinopec Corp. released the announcement and circular of the Continuing Connected Transactions between Sinopec Corp. and China Petrochemical Corporation and/or its associates. The Major Continuing Connected Transactions and the relevant annual caps for the three years ending 31 December 2012 were approved by independent shareholders in the extraordinary annual general meeting held on 15 October 2009. Sinopec Corp. expects to continue the Continuing Connected Transactions after 31 December 2012.

LETTER FROM CMB INTERNATIONAL

China Petrochemical Corporation is a controlling shareholder of Sinopec Corp.. By virtue of the above, China Petrochemical Corporation is a connected person of Sinopec Corp. under the HKEx Listing Rule. Accordingly, transactions between Sinopec Corp. and China Petrochemical Corporation constitute connected transactions of Sinopec Corp. under the Chapter 14A of the HK Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements under the HK Listing Rules.

Sinopec Corp. announced that the Board has approved the Renewal of Continuing Connected Transactions for 2013 to 2015. As Sinopec Corp. would continue the Continuing Connected Transactions after 31 December 2012 and therefore will, in accordance with the HK Listing Rules, comply with the provisions of Chapter 14A of the HK Listing Rules in relation to the Continuing Connected Transactions for the next three years (i.e. from 1 January 2013 to 31 December 2015), including disclosing further information in the announcement and seeking approvals from the Independent Shareholders for the Major Continuing Connected Transactions (including the relevant proposed caps).

As advised by the Company management, the Audit Committee of the Board has reviewed the terms under the Connected Transaction Agreement and the proposed caps of the Major Continuing Connected Transactions, and is of the view that such transactions are in the ordinary course of business of the Company, and have been entered into on normal commercial terms or terms no less favourable to the Company than those with independent third parties. It is also of the view that such transactions are fair and reasonable to, and in the interest of, the Company and the Shareholders as a whole. On such basis, the Audit Committee suggested the independent directors of Sinopec Corp. and the Independent Shareholders to consent to such transactions.

An Independent Board Committee has been formed by Sinopec Corp. to advise the Independent Shareholders in connection with the terms of the proposed caps in respect of the Major Continuing Connected Transactions. We, CMB International Capital Limited ("CMB International"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Major Continuing Connected Transactions are entered into on normal commercial terms or terms no less favourable to the Company than those with independent third parties, in the ordinary and usual course of business, and the terms of such transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of, the Company and the Shareholders as a whole, and whether the proposed caps in respect of the Major Continuing Connected Transactions are reasonably determined. We are also engaged to explain whether the longer period of the Land Use Rights Leasing Agreement, SPI Fund Document and Properties Leasing Agreement is of a normal business practice for contracts of this type to be of such duration.

CMB International is a licensed corporation to carry out regulated activities of dealing in securities and advising on corporate finance under the SFO. CMB International and its affiliates, whose ordinary business involves the trading of, dealing in and the holding of securities, may be involved in the trading of, dealing in, and the holding of the securities of Sinopec Corp. for client accounts.

LETTER FROM CMB INTERNATIONAL

Basis of our opinion

In formulating our recommendation, we have relied, without assuming any responsibility for independent verification, on the information, opinions and facts supplied and representations made to us by the Directors and management of the Company, who have assumed full responsibility for the accuracy of the information contained in the Circular, and that any information and representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representation provided to us by the Company. We have discussed with the management of the Company regarding their plans and prospects of the Company. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have studied the relevant market and other conditions and trends relevant to the pricing of the Major Continuing Connected Transactions. We have also assumed that statements and representations made or referred to in the Circular were accurate at the time they were made and continue to be accurate at the date of the Circular.

We consider that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided to us nor have we conducted any form of independent in-depth investigation into the business affairs or assets and liabilities of Sinopec Corp., China Petrochemical Corporation, or any of their respective subsidiaries or associated companies. Additionally, we did not conduct any physical inspection of the properties or facilities of Sinopec Corp., China Petrochemical Corporation, or any of their respective subsidiaries or associated companies. It is not within our terms of engagement to comment on the commercial feasibility of the Major Continuing Connected Transactions, which remains the responsibility of the Directors. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiations in respect of the terms of the Major Continuing Connected Transactions. Our opinion with regard to the terms thereof has been made on the assumption that all obligations to be performed by each of the parties to the Major Continuing Connected Transactions will be fully performed in accordance with the terms thereof.

Our opinion is necessarily based upon the financial, economic, market, regulatory, and other conditions as they exist on, and the facts, information, and opinions made available to us as of the date of this letter. We have no obligation to update this opinion to take into account events occurring after the date that this opinion is delivered to the Independent Board Committee and the Independent Shareholders. This letter is for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Major Continuing Connected Transactions (including the relevant proposed caps), the duration of the Land Use Rights Leasing Agreement, SPI Fund Document and Properties Leasing Agreement, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

LETTER FROM CMB INTERNATIONAL

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have taken into consideration the principal factors and reasons set out below. None of these factors or reasons considered by us was assigned a greater significance than any other. We did not form a conclusion as to whether any individual factors or reasons, considered in isolation, supported or failed to support our opinion, although we are not aware of any matter which would have rendered our opinion differently by results of our analyses of any such individual factors or reasons. Rather, in reaching our conclusion, we have considered the results of the analyses in light of each other and ultimately reached our opinion based on the results of all analyses taken as a whole.

1. BACKGROUND OF CONTINUING CONNECTED TRANSACTIONS

1.1 Amended Mutual Supply Agreement

China Petrochemical Corporation and Sinopec Corp. entered into the Mutual Supply Agreement on 3 June 2000. China Petrochemical Corporation and Sinopec Corp. entered into the Continuing Connected Transactions Second Supplemental Agreement on 21 August 2009, term of which will end on 31 December 2012.

Reference is made to Sinopec Corp.'s circular dated 31 August 2009 in relation to the Continuing Connected Transactions between the Company and the Sinopec Group. At the first extraordinary general meeting of 2009, the Independent Shareholders approved, among other things, the Major Continuing Connected Transactions, the caps for the three years ended 31 December 2012 for the Major Continuing Connected Transactions and the Non-major Continuing Connected Transactions.

In order to satisfy the products and services required by China Petrochemical Corporation and Sinopec Corp., Sinopec Corp. would continue the Continuing Connected Transactions after 31 December 2012 and therefore will, in accordance with the HK Listing Rules, comply with the provisions of Chapter 14A of the HK Listing Rules in relation to the Continuing Connected Transactions for the next three years (i.e. from 1 January 2013 to 31 December 2015), including disclosing further information in the announcement and seeking approvals from the Independent Shareholders for the Major Continuing Connected Transactions (including the relevant proposed caps).

LETTER FROM CMB INTERNATIONAL

Details of the Major Continuing Connected Transactions under the Continuing Connected Transactions Third Supplemental Agreement are set out as follows:

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

LETTER FROM CMB INTERNATIONAL

Sinopec Group has extensive experience in exploration and development of oil and natural gas projects in the world, offering a premier refinery and technical services to the Company. Sinopec Group is also one of the few companies in the PRC which provide quality petrochemical related construction and technical services. Sinopec Group offers advantages including safety, reliability, technical expertise, understanding of existing facilities and experience in providing construction and technical services.

1.1.1

Basis for Pricing

According to the amended Mutual Supply Agreement, the transactions under such agreement shall be priced in accordance with the following terms:

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

Based on the above, the priority is set from (a) to (d) such that the price mechanism in (b) to (d) would only apply where the preceding price mechanism(s) are inapplicable. Pricing mechanism (a) and (b) are based on government-prescribed price or government-guidance price; while (c) is based on market price, we are of the opinion that using government-prescribed price, government-guidance price or market price are the fair pricing mechanisms references as they are either under government direction or market forces. As such, we are of the opinion that price mechanism in (a) to (c) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

For the Major Continuing Connected Transactions under the amended Mutual Supply Agreement, we understand from the Company management that majority of the pricing of (1) products and services to be provided by the Company to Sinopec Group and (2) production services to be provided by Sinopec Group to the Company, and the storage and transportation services and the ancillary production service are mainly based on pricing principles (a), (b) or (c) mentioned above according to the amended Mutual Supply Agreement.

As for price mechanism (d) which are mainly applicable to products and services such as water, electricity, gas, heat and regular maintenance services, the Directors advised that the 6% Margin in respect to the categories of products stated above is what they believed to be the normal practice in the PRC across respective industries. Such margin has taken into account, among other things, the costs, selling expenses, administrative expenses and other miscellaneous expenses incurred for providing such products or services, as well as the margin required for providing such products and services.

LETTER FROM CMB INTERNATIONAL

In order to assess the fairness and reasonableness of the 6% Margin set out in the pricing mechanism (d) above, we have identified the Company's operating margin for the past 5 years and the trend. Based on our review on the published financial statements of the Company, we have noted that the operating profit margin for the years ended 31 December 2007, 2008, 2009, 2010 and 2011 were approximately 7.3%, -1.2%, 8.0%, 6.3% and 4.3% respectively, with an average over five years of approximately 4.9%. The decrease in operating margin of 2008 was mainly due to the drastic changes in global markets, such as the soaring international crude oil prices from January 2008 to July 2008, and China's tightened control over domestic prices of refined oil, which has resulted in a substantial reduction of the Company's operating margin. Excluding the exception of 2008, the average operating margin from 2007 to 2011 was 6.5%, which approximates the 6% Margin, in pricing mechanism (d) with immaterial variance; we are of the opinion that the 6% Margin in pricing mechanism (d) is reasonable.

Pursuant to the Mutual Supply Agreement, the depository services have been ongoing since 3 June 2000, the Company receives depository services and receives interests in respect of the depository services provided by the Sinopec Finance, a company is 51% owned by the China Petrochemical Corporation and 49% owned by Sinopec Corp, as well as Sinopec Century Bright, a wholly owned subsidiary of China Petrochemical Corporation (together known as the "Finance Companies") of the Sinopec Group. The scope of businesses of the Finance Companies include without limitation, amongst other things, depository services, the loans services and the clearing and settlement services provided to members of the Sinopec Group and the Company. The services will be provided to the Company based on the pricing policies of the Finance Companies, the interest rates provided by the Finance Companies to the Group will be no less favorable than the interest rates offered by third party banks. Such depository service provided by the Finance Companies to the Company pursuant to the Mutual Supply Agreement and the Continuing Connected Transactions Third Supplemental Agreement is for a term of three years from 1 January 2013 and ending on 31 December 2015 renewable upon the approval of Stock Exchange and Shanghai Stock Exchange.

We also noted that the interest rates of depository services provided under the Mutual Supply Agreement, the Continuing Connected Transactions Second Supplemental Agreement and the Continuing Connected Transactions Third Supplemental Agreement are determined in accordance with the relevant interest rates for the same period published by the People's Bank of China in the PRC for Sinopec Finance; and for Sinopec Century Bright, the interest rate is determined with reference to the market deposit interest rate in its offshore locations and its own cost of funding. The interest rates, fee rates and other terms offered by the Finance Companies are no less favourable than the interest rates, fee rates and other terms for the provision of funds and services for the same period offered by independent third party commercial banks to the Company.

Based on the above, we are of the opinion that the pricing mechanism of amended Mutual Supply Agreement is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LETTER FROM CMB INTERNATIONAL

1.2 Land Use Rights Leasing Agreement

China Petrochemical Corporation and Sinopec Corp. entered into the Land Use Rights Leasing Agreement on 3 June 2000, the Land Use Rights Leasing Agreement Amendment Memo on 22 August 2008, the Land Use Rights Leasing Agreement Second Amendment Memo on 21 August 2009 and the Land Use Rights Leasing Agreement Third Amendment Memo on 24 August 2012, pursuant to which, members of the Sinopec Group agreed to lease to the Company certain parcels of land with an area of approximately 417,800,000 square meters. The parcels of land leased will mainly be used for main production facilities, ancillary production facilities and certain petrol stations operated by Sinopec Corp. According to the Land Use Rights Leasing Agreement, the Land Use Rights Leasing Agreement Amendment Memo and the Land Use Rights Leasing Agreement Second Amendment Memo, the rent may be reviewed every three years commencing from 2000 and any such revised rent shall not be higher than the prevailing market rent as confirmed by an independent valuer.

The parcels of land leased can be divided into the following two types

- (i) Authorised land for operation; and
- (ii) Assigned land.

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

Regarding authorised land for operation owned by members of the Sinopec Group, land for industrial use are leased to the Company for a term of 50 years and land for commercial use for a term of 40 years. Regarding land over which members of the Sinopec Group have been granted land use rights with consideration, they are leased for a term up to the date of expiry of the respective land use rights certificates. The term of the lease in each case commenced from 1 January 2000. The Company may require members of the Sinopec Group to renew the term of the lease by giving them notice twelve months before the expiry of the lease. Members of the Sinopec Group shall, upon receipt of the said notice and before the expiration of the term of the lease, make best efforts to procure all the government approvals and complete all the procedures with relevant governmental authorities required for the renewal of the lease.

LETTER FROM CMB INTERNATIONAL

We have assessed the duration of lease term for 40 to 50 years, whether it is normal business practice that has commercial justification and whether it is necessary for the Company to pursue its long term business development based on the following factors:

- (a) We have discussed with the management the rationale for the duration of the Land Use Rights Leasing and we are given to understand that the relevant land leases are of material significance to the Company's operation. Therefore having entered into the long lease term is to the benefit of the Company and would minimize any potential disruption to the Company's business operations arising from the expiry of a short lease term;
- (b) We believe that the certain assets of the Company are located on the lands leased from China Petrochemical Corporation, and the continued operation of such assets would depend on the Company's ability to continue to lease the relevant land;
- (c) According to the Land Use Rights Leasing Agreement, the rent may be reviewed every three years. The revised rent shall be determined with reference to local market price and shall not be higher than the average prevailing market rent as confirmed by an independent valuer, in this case, Beijing Zhongdi Huaxia Valuation Consultation Centre Company Limited. Beijing Zhongdi Huaxia Valuation Consultation Centre Company Limited is a professional property valuer incorporated in the PRC, and is a third party companies independent of the Company and its connected persons;
- (d) According to the Land Use Rights Leasing Agreement, the Company may, by giving six months' written notice, terminate the lease of all or part of the leased lands; and
- (e) We have searched publicly available information regarding the lease of land use rights which involves contracts with lease term of exceeding three years:
 - i) We noted from the circular of Petrochina Company Limited ("Petrochina") (Stock Code: 857.HK) dated 5 September 2011 that Petrochina entered into a land use rights leasing agreement with China National Petroleum Corporation and its subsidiaries (collectively known as the "CNPC Group") in March 2000 pursuant to which Petrochina agreed to lease certain land use rights from CNPC Group. CNPC Group has leased parcels of land situate at 16 different provinces/municipalities throughout the PRC to Petrochina in connection with and for the purpose of all aspects of the operations and business of Petrochina covering an aggregate area of approximately 1,782.6 million square meters for a term of 50 years.
 - ii) We also noted from the circulars of Aluminium Corporation of China Limited ("Chalco") (Stock Code: 2600.HK) dated 13 November 2009 and 27 December 2006 respectively, Chalco had entered into a land use rights leasing agreement with Aluminium Corporation of China ("Chinalco") in November 2001 regarding the lease of certain land use rights in the PRC by Chalco from Chinalco with an aggregate area

LETTER FROM CMB INTERNATIONAL

of approximately 58.3 million square meters. The lease term for each piece of allocated land is 50 years and the lease term for each piece of land over which Chinalco has been granted land use rights is until the date of expiry of the relevant land use rights certificates.

Based on our research from publicly available information with reference to other land use rights leases, we consider that it is normal business practice for agreements of a similar nature to the Land Use Rights Leasing Agreement and the Land Use Rights Leasing Agreement Amendment Memo, to be of such duration. Based on the above, we are of the view that it is fair and reasonable, it is normal business practice that has commercial justification and necessary for the Company to entered into the Land Use Rights Leasing Agreement and the Land Use Rights Leasing Agreement Amendment Memo, to be of a longer period than three years.

1.3 SPI Fund Document

According to the Letter from the Board, with the approval of the Ministry of Finance, China Petrochemical Corporation has established the SPI Fund which currently provides insurance cover on a consolidated basis on certain assets used in the operations of the Company, effective on 1 January 1997.

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

After the receipt by China Petrochemical Corporation of the premium from the Company, China Petrochemical Corporation will refund 20% of the paid premium to the Company, if the Company pays the semi-annual premium on time according to the SPI Fund Document ("Refund"). The Refund would equal to 17% of the paid premium if the Company fails to pay the semi-annual premium on time. The Refund shall be used by the Company in dealing with accidents and potential risks and safety measures, in safety education and training, in preventing major accidents and potential risks, and awards to units and individuals who have made a special contribution to safety production.

The establishment of the SPI Fund was approved by the State Council and the SPI Fund Document was issued by Ministry of Finance. The SPI Fund document is continued to be effective unless otherwise indicated by the State Council or Ministry of Finance. Any amendment or execution of supplemental agreement to the SPI Fund Document must be approved by the Ministry of Finance. It is impracticable to request the Ministry of Finance to renew the SPI Fund Document every three years in accordance with the requirement of the Listing Rules. As such, we are of the view that it is normal business practice for contracts similar to the SPI Fund Document with a term exceeding three years.

1.4 Properties Leasing Agreement

On 3 June 2000, China Petrochemical Corporation and the Sinopec Corp. entered into the Properties Leasing Agreement which term commenced on 1 January 2000. Properties leased are mainly used for ancillary production facilities, office premises and petrol stations operated by the Company.

LETTER FROM CMB INTERNATIONAL

Under the agreement, members of the Sinopec Group have agreed to lease to the Company certain properties with aggregate gross floor area of approximately 2,608,000 square meters. The rent as listed in properties Leasing Agreement is determined by house floorage, location, utility, and so on. The rent may be reviewed once a year and any revised rent shall not be higher than the prevailing market rent. Property taxes and land use fees in relation to the properties shall be borne by China Petrochemical Corporation.

According to Properties Leasing Agreement, if China Petrochemical Corporation intends to sell the properties leased to the Company to a third party, the Company shall have the preemptive right to purchase the properties with the same terms and conditions.

The properties are leased for a term of 20 years commencing from 1 January 2000.

We are of the opinion that it is fair and reasonable and is normal business practice for Properties Leasing Agreement with a leasing term of 20 years, based on the following reasons:

- (a) we believe the long lease term is to the benefit of the Company and would help to minimize any potential disruption to the Company's business operations arising from the expiry of a short lease term;
- (b) as we are aware of certain assets of the Company are located on the buildings leased from China Petrochemical Corporation, and the continued operation of such assets would depend on the Company's ability to continue to lease the relevant buildings;
- (c) based on the Properties Leasing Agreement, the rent will be reviewed once a year and any such revised rent shall not be higher than the prevailing market rent; and
- (d) according to the Properties Leasing Agreement, the Company may, by giving six months' written notice, terminate the lease of all or part of the leased properties.

2. REASONS FOR AND BENEFITS OF THE MAJOR CONTINUING CONNECTED TRANSACTIONS

The Major Continuing Connected Transactions are subject to the proposed caps whereby for each of the three years ending 31 December 2013, 2014 2015, the monetary value of the Major Continuing Connected Transactions will not exceed the applicable annual amounts as stated in the Letter from the Board contained in the Circular. As mentioned in the Letter from the Board, the Continuing Connected Transactions are and will be conducted in the ordinary and usual course of business of the Company and will continue to be agreed on an arm's length basis with terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Given the Company has maintained long-term relationship with the Sinopec Group, it is beneficial to the Company to continue to enter into the Major Continuing Connected Transactions as they have facilitated and will facilitate the operation and growth of the Company's business. Also, the Major Continuing Connected Transactions will be conducted on normal commercial terms or on terms no less favorable than those available to the Company from independent third parties.

LETTER FROM CMB INTERNATIONAL

3. PROPOSED CAPS OF MAJOR CONTINUING CONNECTED TRANSACTIONS

In assessing the fairness and reasonableness of the proposed caps, we have discussed with the management of the Company about the basis and underlying assumptions used in the determination of the proposed caps.

The table below sets out (i) the historical transaction figures for the three years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012; (ii) annual caps under the existing waiver for the years ended 31 December 2011 and the year ending 31 December 2012; and (iii) the proposed caps for each of the three years ending 31 December 2013, 2014 and 2015 of the Major Continuing Connected Transactions.

Historical figures (in RMB billion)			For the 6 months ended 30 June 2012	Annual caps (in RMB billion)			Proposed caps (in RMB billion)		
For the years ended 31 December				2011	2012	2013	For the years ending 31 December		
2009	2010	2011					2014	2015	