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## **Sinopec Shanghai Petrochemical Company Limited**

**中國石化上海石油化工股份有限公司**

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

**(Stock Code: 00338)**

### **Connected Transaction Entrustment Contract**

On 12 November 2024, the Board considered and approved that the Company (as the entrusted party) proposed to enter into the Entrustment Contract with Baling New Materials (as the entrusting party), pursuant to which, the Company shall provide personnel secondment services to Baling New Materials at a consideration of RMB84.80 million (including tax in total). The Entrustment Contract will be signed before 21 November 2024.

As at the date of this announcement, Sinopec Corp. holds approximately 51.14% of the Company's issued share capital and is the controlling shareholder of the Company. Baling New Materials is 50% owned by Hunan Petrochemical and thus is an associate of Sinopec Corp. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, Baling New Materials is a connected person of the Company and the Entrustment Contract constitutes a connected transaction of the Company.

As the highest applicable percentage ratio of the Entrustment Contract exceeds 0.1% but is less than 5%, it is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

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## **ENTRUSTMENT CONTRACT**

The key terms of the Entrustment Contract are summarized as follows:

- Parties:** Entrusting party: Baling New Materials  
Entrusted party: the Company
- Entrusted work:** Baling New Materials entrusts the Company to assign staff to Baling New Materials for the construction of its thermoplastic elastomer project.
- Consideration and payment:** Entrustment fees include labour emoluments, social insurance and other labor costs for the staff assigned by the Company, and expenses incurred during the internship training period of 57 new employees entrusted to the Company by Baling New Materials.
- The total estimated consideration of the Entrustment Contract is RMB84.80 million (including tax in total), which is calculated based on the proposed 16-month secondment period of the staff.
- The total consideration of the Entrustment Contract will be paid in a lump sum by 31 December 2024.
- Term of the entrusted work** From the date of assignment of the Company's staff to the date of the staff's return to the Company or the date when the staff's working relationship is transferred to Baling New Materials.
- Default liabilities:** In the event of any of the following circumstances, Baling New Materials shall be entitled to terminate the Entrustment Contract, and the Company shall bear the default penalty and return the entrustment fee received:
- (1) Baling New Materials has evidence that the Company is unable to complete the entrusted work due to the Company's own fault;
  - (2) The Company is unable to complete the entrusted work on time;

- (3) Baling New Materials suffered losses as a result of the Company's misconduct, breach of contract or violation of laws in carrying out the entrusted work, unless such conduct is expressly confirmed by Baling New Materials.

In the event of any of the following circumstances, the Company shall be entitled to terminate the Entrustment Contract and require Baling New Materials to bear the reasonable expenses actually incurred by the Company in carrying out the entrusted work:

- (1) Baling New Materials fails to pay the entrustment fee as agreed and fails to pay after reasonable notice by the Company;
- (2) The entrusted work cannot be completed due to the reason caused by Baling New Materials.

If one of the parties to the Entrustment Contract terminates the Entrustment Contract in advance, it shall propose in writing two weeks in advance, which shall be implemented after mutual negotiation and agreement. The fees payable by Baling New Materials shall be calculated on an actual basis up to the date of termination of the Entrustment Contract.

**Effectiveness:**

The Entrustment Contract shall become effective when signed by electronic signature by both parties.

**BASIS FOR THE CONSIDERATION**

The price of the Entrustment Contract is determined based on the market price and is calculated by the salary, social insurance premiums, provident fund, labor protection fees and other labor costs incurred by the assigned staff. The pricing of the Entrustment Contract is objective and fair, and is not prejudicial to the interests of the Company or shareholders.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTMENT CONTRACT**

Baling New Materials is a joint venture owned 50% by the Company and 50% by Hunan Petrochemical. In consideration of the location of the 250,000 tons/year thermoplastic elastomer project and the cost and convenience of the personnel allocation for construction, entrusting the Company to assign staff to carry out the construction of the project will be conducive to successful implementation of the 250,000 tons/year thermoplastic elastomer project, thereby fully utilizing the Company's existing resources such as butadiene, developing the product line of styrenic thermoplastic

elastomers, facilitating the Company's transformation and development into "Chemical + Materials" "Basic + High-end" and realizing the transformation of the products in the traditional application fields to high-end new material application fields.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As at the date of this announcement, Sinopec Corp. holds approximately 51.14% of the Company's issued share capital and is the controlling shareholder of the Company. Baling New Materials is 50% owned by Hunan Petrochemical and thus is an associate of Sinopec Corp. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, Baling New Materials is a connected person of the Company and the Entrustment Contract constitutes a connected transaction of the Company.

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## **APPROVAL OF THE BOARD**

On 12 November 2024, the Board considered and approved the proposed entering into the Entrustment Contract. The Directors Mr. Guo Xiaojun, Mr. Du Jun and Mr. Xie Zhenglin due to their positions in the connected persons, abstained from voting at the meeting of the Board.

The Board (including independent non-executive Directors) is of the view that the transaction under the Entrustment Contract are carried out in the ordinary and usual course of business of the Company on normal commercial terms upon fair negotiation between the parties, and the relevant transaction terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

According to the Shanghai Listing Rules, relevant information on the entering into the Entrustment Contract has been submitted to a special meeting of independent non-executive Directors prior to the approval of the Board, for convenience in terms of its review and approval. At the 6th special meeting of independent Directors of the 11th session of the Board, all independent non-executive Directors including Mr. Tang Song, Mr. Chen Haifeng, Mr. Yang Jun, Ms. Zhou Ying and Mr. Huang Jiangdong unanimously agreed on the Entrustment Contract and approved that the relevant proposal could be submitted to the Board for consideration.

## **GENERAL INFORMATION**

### **The Company**

Located at Jinshanwei in the southwest of Shanghai, the People's Republic of China, the Company is a highly integrated petrochemical enterprise which mainly processes crude oil into a broad range of petroleum products and chemical products.

## **Baling New Materials**

Baling New Materials is a limited liability company incorporated in the People's Republic of China, which is owned 50% by the Company and 50% by Hunan Petrochemical, a non-wholly owned subsidiary of Sinopec Corp. Its principal activities are goods import and export; technology import and export; (for projects that must be approved legally, the business activities can be carried out only after approval from relevant authorities, and the specific business projects are subject to the approval documents or licences of the relevant departments); the production and sale of thermoplastic elastomer; the sale of high-performance fiber and composite materials; the sale of synthetic materials; the sale of high-quality synthetic rubber; the sale of rubber products (except for items that require approval in accordance with the law, business activities are carried out independently with business licenses in accordance with the law).

## **DEFINITIONS**

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

“Company”	Sinopec Shanghai Petrochemical Company Limited, a joint stock company incorporated in the People's Republic of China and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00338) as well as in the Shanghai Stock Exchange (stock code: 600688), with the ultimate beneficial owner being the State-owned Assets Supervision and Administration Commission of the State Council
“Sinopec Corp.”	China Petroleum & Chemical Corporation, a joint stock company incorporated in the People's Republic of China and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00386) as well as in the Shanghai Stock Exchange (stock code: 600028), with the ultimate beneficial owner being the State-owned Assets Supervision and Administration Commission of the State Council
“Baling New Materials”	Shanghai Jinshan Baling New Materials Co., Ltd., a limited liability company incorporated in the People's Republic of China, with the ultimate beneficial owner being the State-owned Assets Supervision and Administration Commission of the State Council
“Hunan Petrochemical”	Sinopec Hunan Petrochemical Co., Ltd., a non-wholly-owned subsidiary of Sinopec Corp.
“Entrustment Contract”	the Entrustment Contract to be entered into by the Company with Baling New Materials

“Board”	the board of Directors of the Company
“Director(s)”	director(s) of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Shanghai Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

By Order of the Board  
**Sinopec Shanghai Petrochemical Company Limited**  
**Liu Gang**  
*Joint Company Secretary*

Shanghai, the PRC, 12 November 2024

*As at the date of this announcement, the executive Directors of the Company are Guo Xiaojun, Guan Zemin, Du Jun and Huang Xiangyu; the non-executive Directors of the Company are Xie Zhenglin and Qin Zhaohui; and the independent non-executive Directors of the Company are Tang Song, Chen Haifeng, Yang Jun, Zhou Ying and Huang Jiandong.*