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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)

Announcement on Continuing Connected Transactions Technology R&D Framework Agreement

The 13th meeting of the eleventh session of the Board of the Company was convened on 14 January 2025, and considered and approved the Technology R&D Framework Agreement to be signed by the Company and Sinopec Corp., as well as the Annual Caps for the year ending 31 December 2025 thereunder.

As at the date of this announcement, Sinopec Corp. with its associates directly and indirectly holds approximately 51.56% of the issued share capital of the Company in aggregation and is the controlling Shareholder of the Company. According to the Shanghai Listing Rules and Chapter 14A of the Hong Kong Listing Rules, Sinopec Corp. is a connected (related) person of the Company. Therefore, the Technology R&D Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

In accordance with Rule 14A.76(2) of the Hong Kong Listing Rules, as one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the Annual Caps for the Technology R&D Framework Agreement will exceed 0.1% but will be less than 5%, the transactions under the Technology R&D Framework Agreement are subject to the reporting and announcement requirements, but are exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In accordance with Rule 6.3.7 of the Shanghai Listing Rules, the transactions under the Technology R&D Framework Agreement are not subject to approval at general meeting of the Company.

1. INTRODUCTION

The 13th meeting of the eleventh session of the Board of the Company was convened on 14 January 2025, and considered and approved the Technology R&D Framework Agreement to be signed by the Company and Sinopec Corp., as well as the Annual Caps for the year ending 31 December 2025 thereunder.

Pursuant to the Technology R&D Framework Agreement, the Group and Sinopec Corp. Group shall collaborate mutually or one party shall provide the other party with technology research and development services, including technology development, technology consulting, technology services, technology licensing, as well as application for, maintenance, licensing and transfer of patents, etc.

2. TECHNOLOGY R&D FRAMEWORK AGREEMENT

The principal terms of the Technology R&D Framework Agreement are set out below:

Parties

- (1) Sinopec Corp. acts on behalf of its subsidiaries and associates with full authority, excluding the Company and its subsidiaries (other than connected subsidiaries);
- (2) the Company acts on behalf of its subsidiaries with full authority.

Subject Matter and Term

The Group and Sinopec Corp. Group shall collaborate mutually or one party shall provide the other party with technology research and development services, including technology development, technology consulting, technology services, technology licensing, as well as application for, maintenance, licensing and transfer of patents, etc. The Company and Sinopec Corp. agree that one party is not required to obtain technology research and development services solely from the other party.

The Group and Sinopec Corp. Group shall enter into separate specific technology research and development agreements (the “**Specific Technology R&D Agreement(s)**”) on the basis of the terms of the Technology R&D Framework Agreement as necessary for the transactions that will actually happen. Each of the Specific Technology R&D Agreements shall be made in the ordinary and usual course of business and entered into on common commercial terms, shall set out the requisite content and comply in any material respect with the terms of the Technology R&D Framework Agreement. In the course of the execution of the Specific Technology R&D Agreements, if necessary and with the consent of the Group and Sinopec Corp. Group, both parties may adjust the Specific Technology R&D Agreements, provided that such adjustments shall be subject to normal business practices and comply with the principles of the Technology R&D Framework Agreement.

The Technology R&D Framework Agreement is valid from the completion date of the signature, which is expected to be on 14 February 2025, to 31 December 2025.

Pricing Principles

The pricing of the various technology services under the Technology R&D Framework Agreement shall be determined in accordance with the following principles and order:

- (1) government price and government guidance price: if the government price is applicable to any particular technology service, such service shall be supplied at the applicable government price. Where a government guidance fee standard is available, the price will be agreed within the range of the government guidance price. For example, the government price and government guidance price applicable to patent application and maintenance shall refer to the detailed price list for patent application and maintenance published by the State Intellectual Property Office of PRC on its official website. (https://www.cnipa.gov.cn/module/download/down.jsp?i_ID=155983&colID=1518)
- (2) market price: it shall be determined according to the normal commercial terms and the following basis: the price of the same or similar services provided by an independent third party during the ordinary course of business on normal commercial terms. The management of the Company shall consider at least two comparable transactions with the independent third parties for the same period when determining whether the price for any service under the Technology R&D Framework Agreement is market price.
- (3) agreement price: it shall be determined by adding a reasonable profit over a reasonable cost. The management of the Company shall consider at least two comparable transactions with the independent third parties for the same period when determining the reasonable profit of any service under the Technology R&D Framework Agreement. For the services provided by Sinopec Corp. Group to the Group, the reasonable profit shall not be higher than 50% of the cost; while with respect to the services provided by the Group to Sinopec Corp. Group, this reasonable profit shall not be less than 30% of the cost.

3. ANNUAL CAPS AND CALCULATION BASIS

Connected transactions	Annual Caps for 2025 (RMB in millions)	Calculation basis of the Annual Caps
Provision of technology research and development services by the Group to Sinopec Corp. Group	180	In determining the Annual Cap, the Company has considered the following: (i) it is expected that the Group will undertake approximately 20 technology research and development projects in 2025 from Sinopec Corp. Group, and the average contract price of each project is expected to be in line with the historical average price of RMB6 million to RMB9 million for similar projects; (ii) the amount of historical similar transactions between the Group and Sinopec Corp. Group.
Provision of technology research and development services by Sinopec Corp. Group to the Group	350	In determining the Annual Cap, the Company has considered the following: (i) the Company plans to invest in the construction of the comprehensive technological transformation and quality upgrading project, where Sinopec Corp. Group is expected to provide sets of technical services to the Company in 2025; (ii) the price of each project is determined with reference to the prices quoted externally by Sinopec Corp. Group for similar projects.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE TECHNOLOGY R&D FRAMEWORK AGREEMENT

Connected transactions	Reasons and benefits
Provision of technology research and development services by the Group to Sinopec Corp. Group	The Group provides technology research and development services in relation to technologies in the petroleum chemical industry to Sinopec Corp. Group, which is in line with normal industry practice as the Group has in-depth understanding of Sinopec Corp. Group' needs when providing petrochemical technology research and development services to it. Sinopec Corp. Group, as the Group's client, is expected to require the technology research and development services provided by the Group from time to time during the term of the Technology R&D Framework Agreement.

Provision of technology research and development services by Sinopec Corp. Group to the Group

Sinopec Corp. Group provides the Group with technology research and development services in relation to technologies in the petroleum chemical industry, which is in line with normal industry practice as Sinopec Corp. Group has in-depth understanding of the Group's needs when providing petrochemical technology research and development services to the Group. The Group expects that it will require the technology research and development services provided by Sinopec Corp. Group from time to time during the term of the Technology R&D Framework Agreement.

The Board (including independent non-executive Directors) is of the view that the terms of the Technology R&D Framework Agreement and the Annual Caps are entered into in the usual and ordinary course of business on common commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Technology R&D Framework Agreement and the transactions thereunder are governed by fair, equitable and open pricing principles. It will not adversely affect the Company's future financial situation or operating results, nor will it cause reliance on the connected parties or affect the Company's independence.

5. INTERNAL CONTROL MECHANISMS FOR THE PRICING

The Company has implemented the following pricing procedures and internal control mechanisms in order to ensure that the pricing policies and the terms of the transactions under the Technology R&D Framework Agreement are fair and reasonable and no less favourable than the terms provided by any independent third party:

- (1) Where the pricing for the transaction is determined with reference to the prevailing market prices or market commission rates, the Company has set up a Price Management Committee that is responsible for the overall pricing management. The sales department of the Company is responsible for collecting and compiling price information. It compares and analyses market prices for the same types of transactions in the same industry and provides a forecast on the trend of market prices. The Company actively obtains market price information through various channels, such as referring to the comparable transaction prices for the same period between the Company and independent third parties (at least two or more), the comparable transaction prices for the same period among independent third parties, conducting price research through industry websites and other independent providers of industry information, and participating in activities organized by leading industry associations. The market price information is also provided to other departments and subsidiaries of the Company to assist in the pricing of the continuing connected transactions. In the second half of every month, the finance

department holds a meeting with sales department and other related departments to discuss the market conditions and propose a price adjustment draft plan for the next month. This plan will be further reviewed by the sales department and submitted to the Price Management Committee of the Company for review and approval. The final price shall be determined by both parties of the agreement (i.e. the Group and Sinopec Corp. Group) on normal commercial terms with reference to the above price information. The finance department will be responsible for issuing and implementing the approved plan;

- (2) In terms of the Company's procurement process of relevant services, the Company requires suppliers, including Sinopec Corp. Group, to provide quotations for the required services. After receiving the quotation, the Company will compare the quotations and discuss the quotation terms with the supplier. The supplier shall be determined after consideration of factors such as price quotations, quality of services, specific needs of both parties involved, professional and technical advantages of the supplier, ability of the supplier in performing the contracts and providing subsequent services, as well as the qualifications and relevant experience of the supplier;
- (3) The Company's internal control department regularly conducts internal assessments on the completeness and effectiveness of the internal control measures of the Company in relation to the transactions throughout the year. The legal and contract management department of the Company reviews and examines the relevant contracts stringently, and the contract execution department monitors the transaction amounts under the Technology R&D Framework Agreement in a timely manner;
- (4) The Company implements transactions under the Technology R&D Framework Agreement in accordance with its internal control measures. The files and ledgers for transactions are set up by designated accounting personnel. The files and ledgers are checked and verified with the connected parties' relevant personnel responsible for monitoring transactions at least once every quarter. Such personnel review and analyse the transactions' statements and implementation of pricing policies at least once every quarter and prepare reports on the findings regularly to ensure that the transactions are conducted in accordance with the pricing policies. The transaction prices shall be compared with and analysed against the prevailing market prices for the same period in order to rectify any existing problems as well as providing suggestions for improvement;
- (5) The Board, Supervisory Committee and Audit and Compliance Committee of the Company review the annual financial report, annual report and interim financial report which contain the information on the implementation of the continuing connected transactions on an annual basis. The independent non-executive Directors provide their opinions on the continuing connected transactions during the reporting periods, mainly including whether the continuing connected transactions are fair and reasonable, and whether the actual transaction amounts incurred by the continuing connected transactions are within the Annual Caps; and

- (6) The external auditor of the Company conducts an annual audit each year and issues its opinions as to the implementation of the continuing connected transactions of the Company and whether the amounts incurred by the continuing connected transactions are within the Annual Caps during the year pursuant to the requirements of the Hong Kong Listing Rules.

By implementing the above pricing procedures and internal control measures and procedures, the Directors are of the view that the Company has established sufficient internal control measures to ensure the pricing basis of the Technology R&D Framework Agreement will be on market terms and on normal commercial terms or better and will be fair and reasonable to the Company and its Shareholders as a whole.

6. IMPLICATIONS UNDER THE HONG KONG LISTING RULES AND THE SHANGHAI LISTING RULES

As at the date of this announcement, Sinopec Corp. with its associates directly and indirectly holds approximately 51.56% of the issued share capital of the Company in aggregation and is the controlling Shareholder of the Company. According to the Shanghai Listing Rules and Chapter 14A of the Hong Kong Listing Rules, Sinopec Corp. is a connected (related) person of the Company. Therefore, the Technology R&D Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

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7. BOARD APPROVAL

The Company convened the 8th special meeting of independent Directors of the eleventh session of the Board on 13 January 2025. All the independent non-executive Directors including Mr. Tang Song, Mr. Chen Haifeng, Mr. Yang Jun, Ms. Zhou Ying and Mr. Huang Jiangdong agreed on the Technology R&D Framework Agreement and the Annual Caps thereunder for the year ending 31 December 2025, and approved to submit the relevant resolution to the Board for consideration.

The Company convened the 13th meeting of the eleventh session of the Board on 14 January 2025. The Board approved the Technology R&D Framework Agreement and the Annual Caps thereunder for the year ending 31 December 2025. The Directors, Mr. Wan Tao, Mr. Du Jun

and Mr. Xie Zhenglin, due to their positions held in the connected persons of the Company, are deemed to be interested in the relevant transactions and therefore abstained from voting at the meeting of the Board.

8. GENERAL INFORMATION

The Company

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

Sinopec Corp.

Sinopec Corp. is a joint stock company established in China, which is mainly engaged in the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other chemical commodities and technologies; and research, development and application of technologies and information; hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping of the new energy vehicles, solar energy, wind energy and other new energy business and related services.

9. DEFINITIONS

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

“Annual Cap(s)”	Annual maximum total amount
“Board”	the board of directors of the Company
“Sinopec Corp.”	China Petroleum & Chemical Corporation, a joint stock company incorporated in the PRC 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

“Sinopec Corp. Group”	Sinopec Corp., its subsidiaries and associates, excluding the Company and its subsidiaries (other than connected subsidiaries)
“Company”	Sinopec Shanghai Petrochemical Company Limited, a joint stock company incorporated in the PRC 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
“Director(s)”	the Director(s) of the Company, including independent non-executive Directors
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technology R&D Framework Agreement”	a framework agreement to be entered into between the Company and Sinopec Corp. in relation to the provision of technology research and development services by both parties to each other
“PRC” or “China”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Listing Rules”	the listing rules of the Shanghai Stock Exchange
“Shareholder(s)”	the shareholder(s) of the Company

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

Shanghai, the PRC, 14 January 2025

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 Jiangdong.