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中石化煉化工程(集團)股份有限公司  
**SINOPEC Engineering (Group) Co., Ltd.\***

*(a joint stock limited liability company incorporated in the People's Republic of China)*  
**(Stock Code: 2386)**

**CONNECTED TRANSACTION**

**PROPOSED ACQUISITION OF 100% EQUITY INTERESTS IN  
SINOPEC ENERGY-SAVING TECHNOLOGY SERVICE CO., LTD.**

The board of directors (the “**Board**”) of SINOPEC Engineering (Group) Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that, after having been considered and approved at the tenth meeting of the Second Session of the Board held by the Company on 18 August 2017, the Company proposes to acquire 100% of the equity interests in Sinopec Energy-Saving Technology Service Co., Ltd. (中石化節能技術服務有限公司) (“**Sinopec Energy-Saving Company**”) from Sinopec Consulting Co., Ltd. (中國石化諮詢公司) (“**Consulting Company**”) by way of equity transfer (the “**Proposed Acquisition**”). On 18 August 2017, the Company (as the purchaser) and Consulting Company (as the vendor) entered into an equity transfer agreement in relation to the transfer of 100% of the equity interests in Sinopec Energy-Saving Company (the “**Equity Transfer Agreement**”), which will become effective upon satisfaction of the Effective Condition (as defined below). Pursuant to the Equity Transfer Agreement, Consulting Company proposes to transfer to the Company 100% of the equity interests in Sinopec Energy-Saving Company at a consideration of RMB90 million.

Consulting Company is a wholly-owned subsidiary of China Petrochemical Corporation (中國石油化工集團公司) (“**Sinopec Group**”), which is the controlling shareholder of the Company. Since Sinopec Group directly and/or indirectly holds 67.01% of the equity interests of the Company, Consulting Company is a connected person of the Company under the Rules Governing the Listing of

\* For identification purposes only

Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). If the Company successfully acquires 100% of the equity interests in Sinopec Energy-Saving Company, such transaction will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Proposed Acquisition is entered into on normal commercial terms where each of the applicable “percentage ratios” (as defined under the Listing Rules) in respect of the Proposed Acquisition is less than 5% (but the total consideration will exceed HK\$3 million), the Proposed Acquisition is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempted from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

## **I. Introduction**

After having been considered and approved at the tenth meeting of the Second Session of the Board held by the Company on 18 August 2017, the Company proposes to acquire 100% of the equity interests in Sinopec Energy-Saving Company from Consulting Company by way of equity transfer. On 18 August 2017 (after trading hours), the Company (as the purchaser) and Consulting Company (as the vendor) entered into the Equity Transfer Agreement, which will become effective upon satisfaction of the Effective Condition (as defined below). Pursuant to the Equity Transfer Agreement, Consulting Company proposes to transfer to the Company 100% of the equity interests in Sinopec Energy-Saving Company at a consideration of RMB90 million.

## **II. Summary of the Terms of the Equity Transfer Agreement**

### **1. Date**

18 August 2017 (after trading hours)

### **2. Parties**

- 1) Consulting Company (as the vendor holding 100% of the equity interests in Sinopec Energy-Saving Company); and
- 2) The Company (as the purchaser of 100% of the equity interests of Sinopec Energy-Saving Company).

### 3. **Nature of the transaction**

Upon satisfaction of the conditions precedent, Consulting Company shall transfer to the Company 100% of the equity interests in Sinopec Energy-Saving Company.

### 4. **Consideration**

Under the Equity Transfer Agreement, the consideration is RMB90 million (the “**Consideration**”), which was determined with reference to the appraised value of the equity interests of Sinopec Energy-Saving Company as at 31 March 2017 (the “**Valuation Benchmark Date**”) set out in the assets valuation report prepared by Beijing Tianjian Xingye Assets Valuation Co., Ltd. (北京天健興業資產評估有限公司) (the “**Assets Valuation Report**”) filed with Sinopec Group, and arrived at after arm’s length negotiation between the parties.

### 5. **Payment**

The Consideration will be settled in cash by the Company by way of two installments, each as to 51% and 49% of the Consideration. The Company shall pay the first installment of the Consideration to Consulting Company within 15 business days after all conditions precedent are satisfied or waived (as appropriate), and shall pay the second installment of the Consideration to Consulting Company within 15 business days after completion of the change in industrial and commercial registration by Sinopec Energy-Saving Company in respect of the equity transfer under the Equity Transfer Agreement.

### 6. **Effective Condition**

The Equity Transfer Agreement will become effective on the date of the approval of the Proposed Acquisition to be issued by Sinopec Group to fulfill its supervision and management functions of state-owned assets (the “**Effective Condition**”).

### 7. **Conditions Precedent**

The Equity Transfer Agreement and the transaction contemplated thereunder are subject to the conditions precedent as set out below. Any or all of the following conditions precedent, to the extent permissible under laws, can be waived by both parties (as the case may be).

- 1) The Equity Transfer Agreement and the Proposed Acquisition shall have been approved by the respective internal competent decision-making authorities of the parties through the required procedures in accordance with the requirements of their respective articles of association and applicable laws and regulations;

- 2) No laws, regulations or provisions shall have been issued or promulgated by any competent government authority that would prohibit the consummation of the Proposed Acquisition, and no order or injunction shall have been issued by any competent court that would preclude the consummation of the Proposed Acquisition;
- 3) All necessary approvals, consents, filings or certificates from government or other authorised authorities required for the Equity Transfer Agreement and the Proposed Acquisition, including the approval of the Proposed Acquisition to be issued by Sinopec Group to fulfill its supervision and management functions of state-owned assets, and material third party consents shall have been obtained, except for the legal procedures under applicable laws and regulations and the documents arising therefrom that may only be dealt with after the Completion (as defined below);
- 4) The Equity Transfer Agreement and the Proposed Acquisition shall have been approved by the Board, subject to the compliance with relevant provisions of the Listing Rules that are applicable to the Company and the satisfaction of the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) from time to time;
- 5) The representations and warranties given by the parties under the Equity Transfer Agreement shall be true and accurate in all material respects, and no material facts shall have been omitted as at the date of the Completion (as defined below); and
- 6) The parties shall have complied with their undertakings given under the Equity Transfer Agreement in all material respects.

## 8. **Completion**

Subject to the satisfaction or waiver (where appropriate) of the conditions precedent, and unless otherwise agreed by both parties, completion shall take place on the last day of the month in which Sinopec Group issues the approval of the Proposed Acquisition to fulfill its supervision and management functions of state-owned assets (the “**Completion**”). After the Completion, Sinopec Energy-Saving Company will become a wholly-owned subsidiary of the Company.

The parties shall complete the changes in industrial and commercial registration as soon as possible after the Completion.

### III. Information on Sinopec Energy-Saving Company

Sinopec Energy-Saving Company was registered and established as a collective enterprise (全民所有制) in the PRC in June 1993 with a registered capital of RMB50 million, and was restructured as a limited liability company on 28 July 2017. As at the date of this announcement, the principal businesses of Sinopec Energy-Saving Company include energy saving engineering services, energy saving technological consultancy and services, investments and policy research in field of energy saving for the oil refining, chemical and coal chemical industries and other high energy consumption industries.

According to the Assets Valuation Report, as at the Valuation Benchmark Date, both the book value and the appraised value of the total assets of Sinopec Energy-Saving Company are approximately RMB84.8466 million; both the book value and the appraised value of the total liabilities of Sinopec Energy-Saving Company are approximately RMB6.0190 million; and both the book value and the appraised value of the net assets of Sinopec Energy-Saving Company are approximately RMB78.8277 million. There was no valuation appreciation or depreciation.

Set out below are the net profits of Sinopec Energy-Saving Company (before and after deducting taxes and extraordinary items) for the financial years ended 31 December 2015 and 31 December 2016, respectively, pursuant to the respective unaudited consolidated accounts of Sinopec Energy-Saving Company and the audited financial reports prepared by Grant Thornton China (Special General Partnership) according to the Accounting Standards for Business Enterprises of the PRC (the “**Financial Reports**”):

*Units: RMB'000*

	<b>For the year ended 31 December 2015</b> <i>(unaudited)</i>	<b>For the year ended 31 December 2016</b> <i>(audited)</i>
Net profit before taxes and extraordinary items	5,127.9	7,515.1
Net profit after taxes and extraordinary items	4,759.7	8,007.1

In addition, set out below are the total assets and the equity attributable to equity holders of Sinopec Engery-Saving Company as at 31 December 2016 and 31 March 2017, respectively, and its revenue for the financial year ended 31 December 2016 and the three months ended 31 March 2017, respectively, according to the Financial Reports:

	<i>Units: RMB'000</i>	
	<b>As at 31 December 2016 (audited)</b>	<b>As at 31 March 2017 (audited)</b>
Total assets	70,467.2	84,846.6
Equity attributable to equity holders	63,192.7	78,827.7

	<i>Units: RMB'000</i>	
	<b>For the year ended 31 December 2016 (audited)</b>	<b>For the three months ended 31 March 2017 (audited)</b>
Revenue	26,896.5	6,939.0

#### IV. Reasons for and Benefits of the Proposed Acquisition

In recent years, the State Council has successively issued the Opinions on Accelerating the Development of Energy Saving and Environmental Protection Industry and other relevant policies, encouraging the development of energy saving and environmental protection industry, and proposing to build the energy saving and environmental protection industry into an emerging pillar industry. Sinopec Engery-Saving Company is one of the fourth batch of energy saving service companies that were filed with the National Development and Reform Commission and the Ministry of Finance, and has been dedicated to the implementation and promotion of contract energy management.

After acquisition of Sinopec Energy-Saving Company by the Company, Sinopec Energy-Saving Company will become the special operating company for the Company to expand the energy saving engineering market and develop and strengthen its energy saving engineering business, and will become the major vehicle of the Company to implement its contract energy management business

and its platform for integrating internal energy saving engineering and technical resources and consolidating external technical resources. By making full use of internal synergy, Sinopec Energy-Saving Company will provide clients with high-quality services and one-stop comprehensive solutions.

The directors (including the independent non-executive directors) of the Company (the “**Directors**”) are of the view that the Proposed Acquisition is on normal commercial terms, the transaction terms are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

## **V. Implications under the Listing Rules**

Consulting Company is a wholly-owned subsidiary of Sinopec Group, which is the controlling shareholder of the Company. Since Sinopec Group directly and/or indirectly holds 67.01% of the equity interests of the Company, Consulting Company is a connected person of the Company under the Listing Rules. If the Company successfully acquires 100% of the equity interests in Sinopec Energy-Saving Company, such transaction will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Proposed Acquisition is entered into on normal commercial terms where each of the applicable “percentage ratios” (as defined under the Listing Rules) in respect of the Proposed Acquisition is less than 5% (but the total consideration will exceed HK\$3 million), the Proposed Acquisition is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempted from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

In accordance with the relevant provisions of the Listing Rules and the articles of association of the Company, since the Directors, Mr. LING Yiqun and Mr. LI Guoqing, also hold positions in Sinopec Group concurrently, they have abstained from voting on the Board resolution with respect to the Proposed Acquisition. Saved as disclosed above, none of the Directors has any material interests in the Proposed Acquisition and therefore none of the other Directors has abstained from voting on such Board resolution.

## **VI. General Information**

The Company is an international engineering corporation, with the leading edge in the PRC. The Group provides engineering services for a broad range of industries including oil refining, petrochemicals, new coal chemicals, inorganic

chemicals, pharmaceutical chemicals, clean energy, storage and transportation engineering, environmental protection and energy saving engineering with a complete service chain involving research, development and licensing, preliminary consultation, financial assistance, design, procurement, construction and pre-commissioning/start-up services. With its industry experience of more than 60 years and continual innovation in technical expertise, the Group has achieved great success in the design and construction of large-scale and complex oil refining, petrochemical and new coal chemical projects, and possesses strong competitiveness.

Consulting Company is a professional company wholly owned by Sinopec Group and a collective enterprise (全民所有制) registered and established in the PRC. Its main duties are evaluation and post-evaluation of the feasibility research on the fixed asset investment projects of Sinopec Group.

**The Board wishes to emphasize that the Equity Transfer Agreement will become effective upon satisfaction of the Effective Condition. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**SINOPEC Engineering (Group) Co., Ltd.**  
**SANG Jinghua**  
*Vice President, Secretary to the Board*

Beijing, the PRC  
18 August 2017

*As at the date of this announcement, the Company's executive directors are LU Dong, XIANG Wenwu, SUN Lili (employee representative director) and WU Derong (employee representative director); the non-executive directors are LING Yiqun and LI Guoqing; and the independent non-executive directors are HUI Chiu Chung, Stephen, JIN Yong and YE Zheng.*

*This announcement is available on the website of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and on the website of the Company ([www.segroup.cn](http://www.segroup.cn)).*