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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 and Discloseable Transaction Consolidation of Baling New Materials

The Proposed Consolidation

On 8 January 2026, the Board considered and approved the resolution in relation to the consolidation of Baling New Materials by the Company, agreeing to amend the Articles of Association of Baling New Materials and the terms of the Joint Venture Agreement. Prior to the Proposed Amendments, Baling New Materials was 50% owned by the Company and Hunan Petrochemical respectively, and its financial statements were included in the consolidated financial statements of Hunan Petrochemical. Upon completion of the Proposed Amendments, though the shareholding structure of Baling New Materials remains unchanged, the Company's voting rights and corporate governance authority in Baling New Materials will be further enhanced, and Baling New Materials will be included in the Group's consolidated financial statements and become a subsidiary of the Company. The Company will enter into a New Joint Venture Agreement with Hunan Petrochemical no later than 31 March 2026, after the Proposed Consolidation is considered and approved at the EGM.

Implications under the Hong Kong Listing Rules

As at the date of this announcement, Sinopec Corp. holds approximately 51.81% of the issued share capital of the Company and is the controlling shareholder of the Company. Hunan Petrochemical is 74.69% owned by Sinopec Corp. and is a non-wholly owned subsidiary of Sinopec Corp. Thus, pursuant to Chapter 14A of the Hong Kong Listing Rules, Hunan Petrochemical is an associate of Sinopec Corp. and also a connected person of the Company. The Proposed Consolidation constitutes a connected transaction of the Company. As the applicable percentage ratio in respect of the Proposed Consolidation exceeds 5%, the Proposed Consolidation is subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratio for the Proposed Consolidation exceeds 5% but is less than 25%, the Proposed Consolidation constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

The EGM

The Company will convene the EGM to approve, among other things, the Proposed Consolidation. The Independent Board Committee has been established by the Company to advise the Independent Shareholders as to the Proposed Consolidation. A circular containing, among other things, (i) further information on the details of the Proposed Consolidation; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM, will be dispatched on or before 9 February 2026 (as additional time is required to finalize the contents of the circular).

I. BACKGROUND

Reference is made to the connected transaction announcement of the Company on 25 August 2021 in relation to the establishment of Baling New Materials by the Company and Hunan Petrochemical.

II. DETAILS OF THE PROPOSED AMENDMENTS AND THE PROPOSED CONSOLIDATION

On 8 January 2026, the Board considered and approved the resolution in relation to the consolidation of Baling New Materials by the Company, agreeing to amend the Articles of Association of Baling New Materials and the terms of the Joint Venture Agreement to include Baling New Materials in the consolidated financial statements of the Company. Prior to the Proposed Amendments, Baling New Materials was 50% owned by the Company and Hunan Petrochemical respectively, and its financial statements were included in the consolidated financial statements of Hunan Petrochemical. Upon completion of the Proposed Amendments, though the shareholding structure of Baling New Materials remains unchanged, the Company's voting rights and corporate governance authority in Baling New Materials will be further enhanced, and Baling New Materials will be included in the Group's consolidated financial statements and become a subsidiary of the Company. The Company will enter into a New Joint Venture Agreement with Hunan Petrochemical no later than 31 March 2026, after the Proposed Consolidation is considered and approved at the EGM.

The principal amendments to the Articles of Association of Baling New Materials and the Joint Venture Agreement are as follows:

General meeting:

- Add provisions such as “at the general meeting, Sinopec Shanghai Petrochemical Company Limited and Sinopec Hunan Petrochemical Co., Ltd., as shareholders, shall exercise voting rights in the proportion of 51% and 49% respectively, while other rights and interests shall be enjoyed based on their actual capital contribution percentage of 50% and 50%”;
- In relation to the functions and powers of the general meeting, add provisions such as “passing resolution on major acquisitions, restructurings, and asset swaps of the company”.

Board of directors,
management structure and
rules of procedure:

- The number of directors on the board was adjusted from 6 to 7, with the number of directors nominated by the Company adjusted from 3 to 4;
- The appointment for the chairman of the board is changed from a rotation system between two shareholders to the chairman being appointed by the Company;
- The position of vice chairman of the board has been abolished;
- The appointments for the general manager and the financial officer are changed from a rotation system between two shareholders to the general manager being appointed by the Company and the financial officer being appointed by Hunan Petrochemical;
- In relation to the functions and powers of the board of directors, remove “electing or replacing the chairman and vice chairman” and add provisions such as “being responsible for the establishment, soundness, and effective implementation of internal controls, fulfilling internal control supervision duties, and regularly receiving and reviewing the condition of internal control and risk management work” and “assessing the performance of senior management and matters related to their remuneration”;

- In relation to board resolution, change “approval by two-thirds or more to be effective” to “approval by a simple majority to be effective”.

Finance, accounting, auditing and profit distribution:

Change “the company’s financial statements shall be consolidated into the financial statements of Sinopec Hunan Petrochemical Co., Ltd.” to “the company’s financial statements shall be consolidated into the financial statements of Sinopec Shanghai Petrochemical Company Limited”.

The principal terms of the New Joint Venture Agreement:

Parties

- (i) Hunan Petrochemical; and
- (ii) the Company

Registered capital, capital contribution and capital contribution certificates

The registered capital of Baling New Materials is RMB800 million, among which, Hunan Petrochemical made capital contribution of RMB400 million in cash, representing 50% of the total registered capital and holding a 50% equity interest in Baling New Materials; while the Company made capital contribution of RMB400 million in cash, representing 50% of the total registered capital and holding a 50% equity interest in Baling New Materials, and shall consolidate the financial statements of Baling New Materials.

Equity transfer

If one shareholder wishes to transfer part or all of its equity interest to a third party, it shall provide written notice to the other shareholder. The non-transferring shareholder shall have a right of first refusal to purchase such equity interest.

Whether the non-transferring shareholder waives its right of first refusal shall be finally determined at the general meeting convened by Baling New Materials regarding the equity transfer and shall be clearly stated in the resolution of Baling New Materials’ general meeting.

General meeting

The general meeting of Baling New Materials shall exercise the following functions and powers in accordance with the law:

- (1) to replace the director and decide on matter relating to the remuneration of director;

- (2) to consider and approve the report of the board of directors;
- (3) to pass the resolution on the issuance of corporate bonds;
- (4) to consider and approve the company's profit distribution plan and loss offsetting plan;
- (5) to pass the resolution on increasing and decreasing the registered capital of the company;
- (6) to pass the resolution on major acquisition, restructuring, asset swap, and merger, division, dissolution, liquidation or changing of the form of the company;
- (7) to amend the articles of association;
- (8) other functions and powers as prescribed by the articles of association.

At the general meeting, the Company and Hunan Petrochemical shall exercise voting rights in the proportion of 51% and 49% respectively, while other rights and interests shall be enjoyed based on their actual capital contribution percentage of 50% and 50%. Except for matters explicitly stipulated by the Company Law of the PRC as requiring approval by two-thirds or more of the voting rights, the matters listed in items (5), (6), and (7) above must be unanimously approved by both shareholders.

Effectiveness

The agreement shall be established as it is signed and sealed by both parties and come into force upon the completion of the internal and external approval procedures of both parties to the agreement.

III. REASONS FOR AND BENEFITS OF THE PROPOSED CONSOLIDATION

Although the shareholding structure of Baling New Materials remains unchanged, through amendments to Articles of Association of Baling New Materials, the Company has further enhanced its voting rights and corporate governance authority in Baling New Materials. Baling New Materials will be included in the Group's consolidated financial statements and become a subsidiary of the Company.

As a developer and manufacturer of high-end new materials such as thermoplastic elastomer with technological and product advantages, the Proposed Consolidation of Baling New Materials will fill a critical gap in the Company's strategic layout within the high-end new materials sector. This move will enhance our high-end thermoplastic elastomer industrial chain, capture key markets in future material upgrades, and optimize the Company's product portfolio. Following the Proposed Consolidation, Baling New Materials and the Company will leverage synergies to strengthen competitive advantages. The Company will also gain direct access to Hunan Petrochemical's mature and advanced full suite of thermoplastic elastomer technologies through Baling New Materials, enabling our rapid establishment of high-end production capacity. Baling New Materials has been listed as a major industrial initiative in Shanghai.

IV. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Sinopec Corp. holds approximately 51.81% of the issued share capital of the Company and is the controlling shareholder of the Company. Hunan Petrochemical is 74.69% owned by Sinopec Corp. and is a non-wholly owned subsidiary of Sinopec Corp. Thus, pursuant to Chapter 14A of the Hong Kong Listing Rules, Hunan Petrochemical is an associate of Sinopec Corp. and also a connected person of the Company. The Proposed Consolidation constitutes a connected transaction of the Company. As the applicable percentage ratio in respect of the Proposed Consolidation exceeds 5%, the Proposed Consolidation is subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratio for the Proposed Consolidation exceeds 5% but is less than 25%, the Proposed Consolidation constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

V. INFORMATION ON BALING NEW MATERIALS

Baling New Materials is a limited liability company incorporated in the PRC on 23 September 2021. Its registered capital is RMB800 million, which contributed equally by the Company and Hunan Petrochemical with RMB400 million each and is owned 50% each respectively. Its principal businesses 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 licenses 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).

As of 31 December 2025, Baling New Materials' unaudited total assets was RMB3,109.3731 million, and net assets was RMB784.1817 million.

The financial information of Baling New Materials for the two financial years ended 31 December 2025 is set out below:

	For the year ended 31 December 2024	For the year ended 31 December 2025
	(Audited)	(Unaudited)
	(RMB million)	(RMB million)
Net profit/(loss) before taxation	–	(21.0854)
Net profit/(loss) after taxation	–	(15.8183)

VI. APPROVING PROCEDURES OF THE PROPOSED CONSOLIDATION

On 8 January 2026, the Company held the 24th meeting of the eleventh session of the Board, at which the resolution in relation to the consolidation of Baling New Materials by the Company was considered and approved. Connected Directors Guo Xiaojun, Du Jun, and Xie Zhenglin abstained from voting on such resolution at the meeting of the Board.

The Board (including the independent non-executive Directors) is of the view that although the Proposed Amendments and the Proposed Consolidation are not in the ordinary and usual course of business of the Group, they are conducted on normal commercial terms, the terms are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

VII. GENERAL INFORMATION

The Company

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

Hunan Petrochemical

Hunan Petrochemical is a company incorporated on 28 February 2020 with limited liability under the laws of the PRC. Its principal businesses include petroleum processing, production of synthetic rubber, epoxy resin, caprolactam and coal chemical products. It is 74.69% and 25.31% owned by Sinopec Corp. and Sinopec Assets Management Co., Ltd., respectively, and is a non-wholly owned subsidiary of Sinopec Corp., the controlling shareholder of the Company.

VIII. THE EGM

The Company will convene the EGM to approve, among other things, the Proposed Consolidation. Sinopec Corp. and its associates are deemed to have an interest in the Proposed Consolidation and will abstain from voting on relevant resolution at the EGM.

The Company has established an Independent Board Committee to provide advice to the Independent Shareholders in relation to the Proposed Consolidation. Pursuant to Rule 13.39(6) of the Hong Kong Listing Rules, Shenwan Hongyuan has been engaged as the Independent Financial Adviser to provide advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Consolidation.

A circular containing, among other things, (i) further information on the details of the Proposed Consolidation; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM will be dispatched on or before 9 February 2026 (as additional time is required to finalize the contents of the circular).

DEFINITIONS

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

“Articles of Association of Baling New Materials”	Articles of Association of Shanghai Jinshan Baling New Materials Co., Ltd.
“Baling New Materials”	Shanghai Jinshan Baling New Materials Co., Ltd.
“Board”	the board of directors of the Company
“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)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company to consider and approve the Proposed Consolidation
“Group”	the Company and its subsidiaries
“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Hunan Petrochemical”	Sinopec Hunan Petrochemical Co., Ltd.; formerly known as Sinopec Baling Petrochemical Co., Ltd., renamed as Sinopec Hunan Petrochemical Co., Ltd. on 6 June 2023, with the ultimate beneficial owner being the Sinopec Corp.
“Independent Board Committee”	the committee of independent Directors, consisting of independent non-executive Directors, Mr. Tang Song, Mr. Chen Haifeng, Mr. Yang Jun, Ms. Zhou Ying and Mr. Huang Jiangdong, which has been formed to advise the Independent Shareholders in respect of the Proposed Consolidation
“Independent Financial Adviser” or “Shenwan Hongyuan”	Shenwan Hongyuan Capital (H.K.) Limited, acting as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Consolidation
“Independent Shareholders”	Shareholders other than Sinopec Corp. and its associates
“Joint Venture Agreement”	The Joint Venture Agreement of the Establishment of Shanghai Jinshan Baling New Materials Co., Ltd. entered into between the Company and Hunan Petrochemical on 26 August 2021
“New Joint Venture Agreement”	The Joint Venture Agreement of the Establishment of Shanghai Jinshan Baling New Materials Co., Ltd. to be entered into between the Company and Hunan Petrochemical
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Regions and Taiwan
“Proposed Amendments”	the amendments to relevant provisions of the Articles of Association of Baling New Materials and the Joint Venture Agreement, approved by the Board of the Company on 8 January 2026
“Proposed Consolidation”	Pursuant to the New Joint Venture Agreement and the amended Articles of Association of Baling New Materials, the financial statements of Baling New Materials will be included in the consolidated financial statements of the Group
“RMB”	Renminbi, the lawful currency of the PRC

“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)

“%”

percentage

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

Shanghai, the PRC, 8 January 2026

As at the date of this announcement, the executive Directors of the Company are Guo Xiaojun, Lu Zhiyong, 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.