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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any 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 Sinopec Shanghai Petrochemical Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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  
IN RELATION TO THE PROPOSED CONSOLIDATION  
OF BALING NEW MATERIALS  
AND  
NOTICE OF THE FIRST EXTRAORDINARY GENERAL  
MEETING FOR 2026**

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

**Shenwan Hongyuan Capital (H.K.) Limited**

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Sinopec Shanghai Petrochemical Company Limited will convene the EGM at the North Building of Jinshan Hotel, No. 1, Jinyi East Road, Jinshan District, Shanghai, the PRC on Tuesday, 3 March 2026 at 2:00 p.m. The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular and was published on the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company.

Whether or not you are able to attend the EGM in person, please complete the form of proxy of the Company in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 24 hours before the time for holding the EGM (i.e., 2:00 p.m. on Monday, 2 March 2026 (HKT)) or any adjournment thereof (as the case may be).

Completion and return of the form of proxy of the Company will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) as you wish.

6 February 2026

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## DEFINITIONS

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

“associate(s)”	has the meaning given to it by the Hong Kong Listing Rules
“Articles of Association”	the Articles of Association of Sinopec Shanghai Petrochemical Company Limited
“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” or “SPC”	Sinopec Shanghai Petrochemical Company Limited, a joint stock limited company incorporated in the PRC and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00338) as well as in main board of Shanghai Stock Exchange (stock code: 600688)
“Director(s)”	the director(s) of the Company, including independent non-executive directors
“EGM”	the first extraordinary general meeting for 2026 to be held by the Company, for the purpose of, among other things, approving the Proposed Consolidation
“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
“H Shareholder(s)”	the Shareholders who hold H shares of the Company
“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.

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## DEFINITIONS

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“IFA”, “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 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 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
“Latest Practicable Date”	2 February 2026, being the Latest Practicable Date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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” or “China”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region 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, Baling New Materials will be included in the consolidated financial statements of the Group
“RMB”	Renminbi, the lawful currency of the PRC
“SBS”	Styrene-Butadiene-Styrene Block Copolymer
“Shanghai Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange

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## DEFINITIONS

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“Shareholder(s)”	the shareholder(s) of the Company
“Sinopec Corp.”	China Petroleum & Chemical Corporation, a joint stock limited company incorporated in the PRC with limited liability and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00386) as well as in Shanghai Stock Exchange Main Board (stock code: 600028)
“SIS”	Styrene-Isoprene-Styrene Block Copolymer
“%”	percentage

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Guo Xiaojun

Lu Zhiyong

Du Jun

Huang Xiangyu

*Non-executive Directors:*

Xie Zhenglin

Qin Zhaohui

*Independent Non-executive Directors:*

Tang Song

Chen Haifeng

Yang Jun

Zhou Ying

Huang Jiangdong

*Registered Office:*

No. 48 Jinyi Road

Jinshan District

Shanghai, PRC

*Principal Place of Business  
in Hong Kong:*

Room 605,

Island Place Tower

510 King's Road

North Point

Hong Kong

6 February 2026

*To the H Shareholder(s)*

Dear Sir or Madam,

**CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION  
IN RELATION TO THE PROPOSED CONSOLIDATION  
OF BALING NEW MATERIALS  
AND  
NOTICE OF THE FIRST EXTRAORDINARY GENERAL  
MEETING FOR 2026**

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## LETTER FROM THE BOARD

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### **I INTRODUCTION**

Reference is made to the announcement of the Company dated 8 January 2026, in relation to the connected transaction and discloseable transaction in relation to the proposed consolidation of Baling New Materials. The purpose of this circular is to provide you with, among other things, (1) further information on the details of the Proposed Consolidation; (2) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (3) the letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders; and (4) the notice of EGM for the H Shareholders, for you to make an informed decision and vote for or against the relevant resolution.

### **II CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED CONSOLIDATION OF BALING NEW MATERIALS**

#### **1. 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.

#### **2. 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:

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## LETTER FROM THE BOARD

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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 proportions 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;



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## LETTER FROM THE BOARD

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- 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.

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## LETTER FROM THE BOARD

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### 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 matters 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.

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## LETTER FROM THE BOARD

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At the general meeting, the Company and Hunan Petrochemical shall exercise voting rights in the proportions 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.

### **3. Reasons for and Benefits of the Proposed Consolidation**

Although the equity 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.

The Company has established two joint ventures or subsidiaries in the high-end new materials sector, including Baling New Materials, which focuses on elastomer materials, and Inner Mongolia New Jinshan Carbon Fiber Co., Ltd. (內蒙古新金山碳纖維有限公司), a wholly-owned subsidiary established in 2025 that focuses on carbon fiber products. Baling New Materials will be included in the consolidated financial statements of the Group pursuant to the Proposed Consolidation. Inner Mongolia New Jinshan Carbon Fiber Co., Ltd. is also actively introducing strategic investors to promote the high-quality development of its carbon fiber business. The Company aims to prioritize the promotion and application of elastomers, carbon fibers and other composite materials in emerging fields such as green energy, life and health, and embodied intelligence, thereby fostering new material business growth points with leading-edge capabilities for the Group.

Baling New Materials has been listed as a major industrial project in Shanghai. As of the Latest Practicable Date, the product portfolio of Baling New Materials includes SBS and SIS, which have commenced production with an annual production capacity of 200,000 tonnes. Baling New Materials is expected to achieve full operational status for all production facilities on or before December 2026, reaching an annual production capacity of 250,000 tonnes (under full-capacity operation of the production facilities).

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

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## LETTER FROM THE BOARD

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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 leverages its stable butadiene supply capability and geographical advantages to reduce the procurement costs of key raw materials and logistics expenses for Baling New Materials. Meanwhile, through Baling New Materials, the Company has directly introduced the mature and advanced full set of thermoplastic elastomer technologies from Hunan Petrochemical, the other shareholder of Baling New Materials. Through the Proposed Consolidation, the Company has swiftly entered the core field of thermoplastic elastomers without the need to conduct research and development from scratch, thereby completing a crucial link in its strategic layout. Currently, thermoplastic elastomers are rapidly expanding from traditional applications such as footwear manufacturing and asphalt modification into higher value-added fields including medical devices, 5G optical cables, infant and child products and implantable materials. The Proposed Consolidation is conducive to the Company seizing the track of future material upgrades, facilitating the rapid formation of high-end production capacity, and effectively driving the optimization and upgrading of the Company's product portfolio.

Baling New Materials commenced trial production in November 2025. Due to that the full production capacity was not achieved during the trial production phase, coupled with initial startup and operational expenses incurred to achieve the preliminary production target in November 2025, Baling New Materials recorded a loss of approximately RMB15 million for 2025.

However, the Company is of the view that based on the business prospects of new materials industry in which Baling New Materials operates and the expectation that all its production facilities will achieve full-scale production by 2026, Baling New Materials' operating revenue will increase, while its unit operating costs and expenses will decrease. Considering the synergistic advantages between Baling New Materials and the Company, as well as the favorable boost it provides to the Company's high-end production capacity in the new materials sector, the Proposed Consolidation is in the interests of the Company and its shareholders as a whole.

#### **4. Implications Under the Hong Kong Listing Rules**

As at the Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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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.

### 5. 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 30 June 2025, the unaudited total assets of Baling New Materials amounted to RMB2,611.7634 million, with total liabilities of RMB1,811.7634 million, resulting in net assets of RMB800 million. As of 31 December 2025, Baling New Materials' unaudited total assets was RMB3,109.3731 million, and net assets was RMB784.1817 million. In November 2025, Baling New Materials commenced trial production operations.

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

	<b>For the year ended 31 December 2024</b> (Audited) (RMB million)	<b>For the year ended 31 December 2025</b> (Unaudited) (RMB million)
Net profit/(loss) before taxation	–	(21.0854)
Net profit/(loss) after taxation	–	(15.8183)
Operating income	–	49.75

Assuming the consolidation has been completed as at 30 June 2025, the Group's total assets as at 30 June 2025 would increase from approximately RMB41,896.3140 million to approximately RMB44,563.2294 million, the liabilities would increase from approximately RMB17,502.1160 million to approximately RMB19,784.8497 million, net assets would increase from approximately RMB24,394.1980 million to approximately RMB24,778.3797 million, and non-controlling interests would increase from approximately RMB100.8810 million to approximately RMB492.9718 million.

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## LETTER FROM THE BOARD

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### 6. 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.

### 7. 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.

## III EGM

The Company will convene the EGM at the North Building of Jinshan Hotel, No. 1, Jinyi East Road, Jinshan District, Shanghai, the PRC on Tuesday, 3 March 2026 at 2:00 p.m. The notice convening the EGM was published on the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company and is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, please complete the form of proxy of the Company in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 24 hours before the time for holding the EGM (That is, at or before 2 March 2026 at 2:00 p.m. (HKT)) or any adjournment thereof (as the case may be).

Completion and return of the form of proxy of the Company will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) as you wish.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Sinopec Corp. and its associates hold 5,518,311,000 shares of the Company, representing 52.34% of the Company's issued share capital. In accordance with the Hong Kong Listing Rules (Rule 14A.36 of the Hong Kong Listing Rules stipulates that any connected person and any shareholder and their associates with a material interest in the Proposed Consolidation are required to abstain from voting on the relevant resolution at the general meeting) and the Shanghai Listing Rules, Sinopec Corp. and its associates will abstain from voting on the resolution approving the Proposed Consolidation at the EGM. As at the Latest Practicable Date, to the best of the Company's knowledge, information and belief, save for Sinopec Corp. and its associates who are required to abstain from voting on the relevant resolution, no other Shareholders are required to abstain from voting on relevant resolution to be proposed at the EGM.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

#### IV RECOMMENDATIONS

The Directors believe that the resolution to be proposed at the EGM are fair and reasonable, and in the best interests of the Company and its Shareholders as a whole. Therefore, the Directors (including the Independent Directors) recommend that the Independent Shareholders vote in favour of the resolution at the EGM.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders containing their opinions and recommendations, which is set out on page 14 of this circular.

The letter from Shenwan Hongyuan, being the IFA to the Independent Board Committee and the Independent Shareholders, containing its advice on the fairness and reasonableness of the terms of the Proposed Consolidation, which is set out on pages 15 to 29 of this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

6 February 2026

*To the Independent Shareholders of Sinopec Shanghai Petrochemical Company Limited*

### **CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED CONSOLIDATION OF BALING NEW MATERIALS**

We refer to the circular dated 6 February 2026 (the “**Circular**”) issued by the Company, of which this letter forms a part. Terms defined in this circular shall have the same meanings herein.

We have been appointed to constitute the Independent Board Committee to make recommendations to the Independent Shareholders as to whether, in our view, the Proposed Consolidation, as set out on pages 15 to 29 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned.

Shenwan Hongyuan has been appointed as the IFA to advise us and the Independent Shareholders on the fairness and reasonableness of the Proposed Consolidation.

Having considered the information set out in the letter from the Board, and the principal factors, reasons and recommendations set out in the letter of advice from Shenwan Hongyuan, we are of the opinion that although the Proposed Consolidation does not form part of the Group's ordinary course of business, it is on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole, so far as the Independent Shareholders are concerned. We consider that the terms of the Proposed Consolidation are in the interests of the Company as well as the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions to approve the Proposed Consolidation at the EGM to be held at the North Building of Jinshan Hotel, No. 1, Jinyi East Road, Jinshan District, Shanghai, the PRC on Tuesday, 3 March 2026 at 2:00 p.m.

Yours faithfully,

For and on behalf of

the Independent Board Committee

<b>Tang Song</b>	<b>Chen Haifeng</b>	<b>Yang Jun</b>	<b>Zhou Ying</b>	<b>Huang Jiangdong</b>
<i>Independent Non-executive Director</i>	<i>Independent Non-executive Director</i>	<i>Independent Non-executive Director</i>	<i>Independent Non-executive Director</i>	<i>Independent Non-executive Director</i>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Shenwan Hongyuan Capital (H.K.) Limited

Level 6, Three Pacific Place

1 Queen's Road East

Hong Kong

6 February 2026

*To: Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION CONSOLIDATION OF BALING NEW MATERIALS

#### I. INTRODUCTION

We refer to our appointment as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the consolidation of Baling New Materials by the Company, details of which are set out in the circular of the Company dated 6 February 2026 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specifies.

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 equity 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.

As stated in the letter from the Board contained in the Circular (the “**Letter from the Board**”), as at the Latest Practicable Date, Sinopec Corp. holds approximately 51.81% of the issued share capital of the Company and is the controlling shareholder of the Company. Thus, pursuant to Chapter 14A of the Hong Kong Listing Rules, Hunan Petrochemical is 74.69% owned by Sinopec Corp. and is a non-wholly owned subsidiary of Sinopec Corp and also a connected person of the Company. The Proposed Consolidation constitutes a connected transaction of the Company. As the highest applicable ratio in respect of the Proposed Consolidation exceeds 5% but is less than 25%, the Proposed Consolidation constitutes a discloseable and connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under the provisions of Chapter 14 and Chapter 14A of the Hong Kong Listing Rules. As at the Latest Practicable Date,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Sinopec Corp. and its associates hold 5,518,311,000 shares of the Company, representing approximately 52.34% of the Company's issued share capital. Therefore, Sinopec Corp. and its associates are deemed to have interests in the Proposed Consolidation and will abstain from voting on relevant resolution at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tang Song, Mr. Chen Haifeng, Mr. Yang Jun, Ms. Zhou Ying and Mr. Huang Jiangdong, has been established to advise the Independent Shareholders in respect of the Proposed Consolidation. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

### II. INDEPENDENCE DECLARATION

In the previous two years, save for this appointment and our appointment as the independent financial adviser of the Company in relation to the continuing connected transactions, details of which were set out in the circular of the Company dated 24 November 2025, we have not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company, nor there have been other engagements between us and the Company or the controlling shareholder of the Company. Apart from normal professional fees payable to us by the Company in connection with this appointment and the engagement as stated above as independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or their associates and any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### III. BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts contained in the Circular and all information supplied to us by the Company, the information and representations expressed by the management of the Group (the “**Management**”) and the research results performed by us. We have assumed that all information, facts and representations that have been provided by the Management, for which they are fully responsible, in all material aspects, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld/omitted or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions and representations expressed by the Company and its advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Having completed the abovementioned work done, we consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification and in-depth investigation into the information and documents provided by the Company as well as the business and affairs of the Group or its subsidiaries or associates. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is our responsibility to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent verification and in-depth investigation or into the accuracy and completeness of those information.

#### IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Proposed Consolidation, we have taken the following principal factors and reasons into consideration:

##### 1. Principal business of the Company and Hunan Petrochemical

###### (1) *The Company*

Located at Jinshanwei in the southwest of Shanghai, the Company is a highly integrated petrochemical enterprise which mainly processes and refines crude oil into a broad range of synthetic fibres, resins, plastics, intermediate petrochemical products and petroleum products.

###### *Financial performance of the Group*

Set out below is a summary of the key financial information of the Company for the two years ended 31 December 2023 (“FY2023”) and 31 December 2024 (“FY2024”), and for the six months ended 30 June 2024 (“1H2024”) and 30 June 2025 (“1H2025”), as extracted from the Company’s annual report for FY2024 and interim report for 1H2025 (which were prepared in accordance with International Financial Reporting Standards):

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	For the year ended		For the six months ended	
	31 December		30 June	
	2023	2024	2024	2025
	(audited)	(audited)	(unaudited)	(unaudited)
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Net sales	80,077.76	74,282.30	37,496.53	33,498.31
Profit/(loss)				
attributable to equity				
shareholders	(1,346.15)	310.98	2.85	(449.27)

The net sales of the Group for the year ended 31 December 2024 (“FY2024”) was approximately RMB74,282.30 million, representing a decrease of approximately 7.24% as compared to the net sales of the Group of approximately RMB80,077.76 million for the year ended 31 December 2023 (“FY2023”). Such decrease in net sales was mainly due to the decrease in the sales volume of the products of the Group. In FY2024, the Group recorded net profit attributable to equity shareholders of approximately RMB310.98 million, compared to a net loss attributable to equity shareholders of approximately RMB1,346.15 million in 2023. This improvement was primarily driven by a decrease in the cost of raw materials, as international crude oil prices trended downwards, leading to an improved gross margin, particularly for its refined products segment.

In 1H2025, the Group achieved net sales of approximately RMB33,498.31 million, representing a decrease of approximately 10.66% compared to the net sales of approximately RMB37,496.53 million in 1H2024, of which the net sales of petroleum products and chemical products decreased by 16.14% and 3.21% respectively, while the net sales from petrochemical products trading increased by 22.61%. Affected by the decline in downstream market demand, the sales volume of petroleum products decreased by 6.72%. The weighted average sales prices of all sectors decreased as a result of the decrease in crude oil prices. In 1H2025, the Group’s cost of sales was approximately RMB34,138.84 million, representing a decrease of approximately 9.11% compared to the same period last year and accounting for approximately 101.91% of net sales. The Group recorded a net loss attributable to shareholders of approximately RMB449.27 million for 1H2025, as compared to the net profit attributable to shareholders of RMB2.85 million for 1H2024, mainly due to the gross loss of the Group for 1H2025.

### (2) *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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

### 2. 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, contributed equally by the Company and Hunan Petrochemical with RMB400 million each and is owned 50% by each respectively as a joint venture between the two parties. Its principal business is mainly development and manufacturing of high-end new materials such as thermoplastic elastomers (also known as “TPE”, an industry-standard flexible, rubber-like polymer material that is ideal for elastic end-use products) with technical and product advantages. Baling New Materials is therefore a key part of the Company’s strategic layout in the field of high-end new materials industry chain.

The core project of Baling New Materials is a newly constructed Styrene Block Copolymer (“SBC”) production facility with an annual capacity of 250,000 tons, which officially commenced initial ramp-up production in November 2025 and has been regarded as a major industrial project in Shanghai. The facility at Baling New Materials is designed to produce three main categories of SBC products:

Name of SBC products	Annual Capacity (tons)	Actual/Expected Date of Production	Main Applications
SBS (Styrene-Butadiene-Styrene Block Copolymer)	140,000	November 2025	Primarily used in footwear, asphalt modification for roads and roofing, and adhesives.
SIS (Styrene-Isoprene-Styrene Block Copolymer)	60,000	November 2025	Mainly used in the manufacturing of pressure-sensitive adhesives, such as tapes and labels.
SEBS (Styrene-Ethylene-Butylene-Styrene Block Copolymer)	50,000	February 2026	Primarily used in medical devices, baby products, high-end consumer goods, and automotive components due to its excellent heat resistance, weatherability, and safety profile.

Baling New Materials is expected to achieve full operational status for all production facilities on or before December 2026, reaching an annual production capacity of 250,000 tonnes (under full-capacity operation of the production facilities).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial information of Baling New Materials*

Set out below are the key summary of the financial performance of Baling New Materials for the two years ended 31 December 2025 and the financial positions of Baling New Materials as at 30 June 2025 and 31 December 2025 respectively (which were prepared in accordance with China Accounting Standards for Business Enterprises):

	<b>For the year ended 31 December 2024 (audited) (RMB million)</b>	<b>For the year ended 31 December 2025 (unaudited) (RMB million)</b>
<b>Revenue</b>	–	49.75
<b>Net profit/(loss) before taxation</b>	–	(21.09)
<b>Net profit/(loss) after taxation</b>	–	(15.82)

  

	<b>As at 30 June 2025 (unaudited) (RMB million)</b>	<b>As at 31 December 2025 (unaudited) (RMB million)</b>
Total Assets	2,611.76	3,109.37
Total Liabilities	1,811.76	2,325.19
Net Assets	800.00	784.18

Based on our discussions with the Management, Baling New Materials was in its project construction and commissioning phase throughout 2024 and for the majority of 2025. Baling New Materials did not have commercial operations during 2024, hence no revenue, profit or loss was recorded. Baling New Materials commenced ramp-up production in November 2025 and sold approximately only 6,000 tons of SBC products (representing approximately 2.4% of its designed annual production capacity of 250,000 tons), therefore only limited revenue of approximately RMB49.75 million was recorded for the year ended 31 December 2025. The net loss of RMB15.82 million for the year ended 31 December 2025 was primarily attributable to the initial start-up and operating expenses incurred to reach the initial ramp-up production phase in November 2025.

As at 30 June 2025, the unaudited total assets of Baling New Materials were approximately RMB2,611.76 million, which mainly consisted of construction-in-progress of approximately RMB2,364.08 million. As at 30 June 2025, its unaudited total liabilities were approximately RMB1,811.76 million, which mainly consisted of borrowings of approximately RMB1,571.47 million. As at 30 June 2025, its unaudited net assets were approximately RMB800.00 million. As at 31 December 2025, the unaudited total assets of Baling New Materials were approximately RMB3,109.37 million, which mainly consisted of property, plant and equipment of approximately RMB1,485.16 million, construction-in-progress of approximately RMB897.10 million, and intangible assets of approximately RMB355.12 million. As at 31

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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December 2025, its unaudited total liabilities of Baling New Materials were approximately RMB2,325.19 million, which mainly consisted of borrowings of approximately RMB1,790.86 million, and other payables in relation to construction and engineering of approximately RMB405.25 million. The increases in the unaudited total assets and total liabilities of Baling New Materials as at 31 December 2025 as compared to those as at 30 June 2025 were mainly due to the construction and development of the production facilities. As at 31 December 2025, its unaudited net assets of Baling New Materials were approximately RMB784.18 million, representing a decrease of approximately RMB15.82 million as compared to that as at 30 June 2025 due to the loss incurred during the second of half of the year ended 31 December 2025.

### *Industry overview*

According to Global Growth Insights (a leading publisher provides market research reports and custom services), the global market size of thermoplastic elastomers is expected to grow from US\$14.86 billion in 2025 to US\$25.54 billion in 2034, representing a compound annual growth rate of 6.2% (source: [www.globalgrowthinsights.com](http://www.globalgrowthinsights.com)).

SBC is a key category of thermoplastic elastomers, a new class of polymer materials that combine the processing convenience of plastics with the high elasticity of rubber. Characterized as green, safe, easy to process, and recyclable, their applications cover a wide range of high-value-added fields, including baby products, medical devices, 5G optical cable reinforcement, and eco-friendly artificial leather. Based on Grand View Research (a market research and consulting company provides syndicated research reports, customized research reports, and consulting services), driven by these versatile applications, the global SBC market is experiencing steady growth, with the Asia-Pacific region, particularly China, being one of the largest and fastest-growing markets. This trend presents a significant opportunity for PRC domestic producers with advanced technology and scale (source: [www.grandviewresearch.com](http://www.grandviewresearch.com)).

### **3. Reasons for and benefits of the Proposed Consolidation**

The Group is a highly integrated petrochemical enterprise which mainly processes crude oil into a broad range of synthetic fibres, resins, plastics, intermediate petrochemical products and petroleum products. Baling New Materials, on the other hand, boasts technological and product advantages in the R&D and production of high-end new materials such as thermoplastic elastomers.

The Proposed Consolidation provides the Company with immediate “statutory” control over a newly-commissioned, world-class facility with a 250,000-ton annual capacity of SBC. This asset is strategically located in the Yangtze River Delta, China’s primary economic hub, filling a critical gap in the Company’s production layout and providing a distinct logistical and market-access advantage. It enables the Company to capture the significant opportunities presented by the fast-growing market.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Proposed Consolidation is expected to unlock further synergies for the Company. The control over Baling New Materials gives the Company further flexibility to optimize and streamline the full-value chain operation, such as providing a stable and cost-effective supply of raw materials (such as styrene and butadiene) to Baling New Materials, while leveraging its own extensive sales network to expand market reach. Most importantly, the acquisition grants the Company a direct access and control over Hunan Petrochemical's proprietary, award-winning SBC production technologies, which are recognized as among the most advanced globally. This tight integration of superior technology with the Company's operational and market strengths will further enhance the competitive position in its vertically integrated business model.

After considering the above factors, we concur with the Directors' view that the Proposed Consolidation is aligned with the interests of the Company and the Shareholders as a whole.

#### **4. Details of the Proposed Amendments and the Proposed Consolidation**

As disclosed in the Letter from the Board, to implement the Proposed Consolidation, 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.

##### ***(1) Principal amendments to the Articles of Association of Baling New Materials***

The principal amendments to the Articles of Association of Baling New Materials are as follows:

- |  |   |
|--|---|
| General meeting:   | <ul style="list-style-type: none"><li>• 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 proportions of 51% and 49% respectively, while other rights and interests shall be enjoyed based on their actual capital contribution percentage of 50% and 50%”;</li><li>• 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”.</li></ul> |
| Board of directors, management structure and rules of procedure: | <ul style="list-style-type: none"><li>• 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;</li></ul>  |



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- 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”.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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After reviewing the principal amendments to the Articles of Association as mentioned above, we are of the view that the amendments are necessary mechanisms required for the transition of Baling New Materials from a jointly-controlled entity to a subsidiary under the Company's effective control and establishing a clear and efficient governance structure that aligns with the interests of the Company and its shareholders.

**(2) *Principal terms of the New Joint Venture Agreement***

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 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	<p>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.</p> <p>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.</p>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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 matters 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 proportions 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

The New Joint Venture Agreement serves to legally codify the new governance structure of Baling New Materials following the Proposed Consolidation. The terms outlined are, in our opinion, consistent with the objective of establishing the Company's effective control.

**(3) *Our assessment of fairness and reasonableness of the Proposed Consolidation***

The core of the Proposed Consolidation lies in amending the Articles of Association, including the Company exercising 51% voting rights at the general meeting, thereby achieving consolidation without altering the capital contribution structure. The Proposed amendments align with the transaction purpose of enhancing the Company's strategic control and corporate governance authority over Bailing New Materials. From a financial standpoint, this structure is advantageous as it allows the Company to unlock the full strategic value of its initial investment without additional capital outlay by transitioning Baling New Materials from a joint venture to a consolidated subsidiary.

The Proposed Consolidation enables the Company to directly introduce a mature, proven and advanced technological system via the consolidation without engaging in independent R&D from scratch, thereby allowing potential rapid monetization of such advanced technologies and production capacity in the high-end new materials space such as thermoplastic elastomers at zero cost. According to the website of Hunan Petrochemical (<http://hnsh.sinopec.com>), Hunan Petrochemical operates as a major integrated refining and chemical enterprise in the PRC, serving as the largest supplier of refined oil products and chemical materials in Hunan Province of the PRC. While it operates a diversified portfolio including large-scale refining, caprolactam, and epoxy resin production, it is the world's largest manufacturer of SBC products including SBS, SIS, SEBS, SEPS, etc. It was the first enterprise to achieve industrial-scale production of SBC in the PRC and possesses a full suite of proprietary technologies as well as industry know-how. Its self-developed technologies for SBS, SIS and SEBS have received the nation's technology accolades, including the National Science and Technology Progress First and Second Prizes and National Award for Key New Products. Through the Proposed Consolidation of Baling New Materials (a company owned as to 50% by Hunan Petrochemical), the Company can directly introduce the mature and advanced full set of thermoplastic elastomer technologies built in Baling New Materials from Hunan Petrochemical without additional investment in research and development from scratch or capital outlay for acquisition of intellectual properties.

In addition, the Company is a highly integrated petrochemical enterprise mainly processes and refines crude oil into a broad range of synthetic fibres, resins, plastics, intermediate petrochemical products and petroleum products, which include Styrene,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Butadiene and Isoprene, being the main and key raw materials for producing SBC. Since the Company and Baling New Materials are located in Jinshanwei of Shanghai, the Company may leverage its stable supply capability of the main and key raw materials for producing SBC products and geographical advantages to reduce the procurement costs and logistics expenses for Baling New Materials.

The Proposed Consolidation not only fills the gap in the Company's high-end new materials layout, but also facilitates the realization of synergistic effects between the two parties.

As discussed under the section headed "2. Information on Baling New Materials – Industry Overview" above in this letter, SBC products are a new class of polymer materials that combine the processing convenience of plastics with the high elasticity of rubber characterized as green, safe, easy to process, and recyclable, and its applications cover a wide range of high-value-added fields, including baby products, medical devices, 5G optical cable reinforcement, and eco-friendly artificial leather. Global TPE (including SBC) market is growing steadily, with the Asia-Pacific region (especially China) as one of the largest and fastest-growing markets, creating significant opportunities for advanced, large-scale Chinese domestic producers. As indicated by China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會, website: [www.cpcif.org.cn](http://www.cpcif.org.cn)), Hunan Petrochemical, together with its two joint ventures (i.e. Baling New Materials and Hainan Baling New Chemical Material Co. Ltd. (海南巴陵化工新材料有限公司)) own a combined annual production capacity of SBC of 800,000 tons, being the world's largest and technologically advanced manufacturer of SBC. We concur with the Directors' view that the Proposed Consolidation enables the Company to enter into the core field of thermoplastic elastomers and seize the opportunity of future material upgrades, hence facilitating the rapid production capacity establishment, and effectively driving the optimization and upgrading of the Company's high-end product portfolio.

Baling New Materials recorded a full year loss of approximately RMB15.82 million for the year ended 31 December 2025, which was mainly due to the combined effects of (i) limited revenue of approximately RMB49.75 million was recorded as trial production merely commenced since November 2025 and only approximately 6,000 tons of SBC products (representing approximately 2.4% of its designed annual production capacity of 250,000 tons) was sold for the year ended 31 December 2025; and (ii) the initial start-up and operating expenses incurred throughout most of the year to reach its initial ramp-up production phase by the end of 2025. According to the Company's plan, Baling New Materials is expected to achieve full operational status for all production facilities with an annual production capacity of 250,000 tonnes on or before December 2026. The revenue of Baling New Materials, assuming ramp-up of its increased production goes as planned, is expected to increase significantly in line with the sales volumes, while its unit production cost and operating expenses are expected to decrease under the economies of scale. However, whether Baling New Materials will make a profit in the future depends on a number of variable factors, including but not limited to the macro-economic environment, the industrial competitiveness, the actual sales price of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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products, the cost of the raw materials, and the eventual operational efficiency achieved, etc. The above analysis only illustrates a general financial development trend of Baling New Materials without unforeseen circumstances and does not purport to represent a forecast of its financial performance after completion of the Proposed Consolidation.

The principal amendments to the Articles of Association of Baling New Materials and the principal terms of the New Joint Venture Agreement are necessary legal mechanisms and measures required to implement the Proposed Consolidation.

Taking into account the above factors, we are of the view that the Proposed Consolidation is on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned.

### **5. Financial Effect**

Prior to the Proposed Consolidation, Baling New Materials is a 50% owned joint venture of the Company accounted for using the equity method in the consolidated financial statements of the Company. Upon completion of the Proposed Consolidation, Baling New Materials will become a 50% owned subsidiary of the Company and its financial results, revenue, expenses, assets and liabilities will be fully consolidated into the Company's financial statements. It is expected that any inter-company transactions between the Company and Bailing New Materials will be eliminated. As at 30 June 2025, the Group had unaudited total assets of approximately RMB41,896.31 million (among which, the investment in Baling New Materials using equity method was approximately RMB400 million), unaudited total liabilities of approximately 17,502.12 million, net assets of approximately RMB24,394.20 million and non-controlling interest of approximately RMB100.88 million. As at 31 December 2025, Baling New Materials had unaudited total assets of approximately RMB3,109.37 million, total liabilities of approximately RMB2,325.19 million, and net assets of approximately RMB784.18 million. As at 31 December 2025, the inter-company transactions between the Company and Bailing New Materials consisted of the net amount payable by Baling New Materials to the Group of approximately RMB42.46 million. Assuming the Proposed Consolidation had been completed as at 30 June 2025, the Group's total assets as of 30 June 2025 would increase by approximately RMB2,666.92 million to approximately RMB44,563.23 million, the Group's total liabilities would increase by RMB2,282.73 million to approximately RMB19,784.85 million, the Group's net assets would increase by approximately RMB384.18 million to approximately RMB24,778.38 million, and the Group's non-controlling interests would increase by approximately RMB392.09 million to approximately RMB492.97 million.

The above analyses are for illustrative purpose only and do not purport to represent how the financial performance and positions of the Group will actually be after completion of the Proposed Consolidation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### V. RECOMMENDATION

Having taken into account the principal factors and reasons set out above, we are of the view that (i) the terms of the Proposed Consolidation are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Consolidation is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Proposed Consolidation, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully

For and on behalf of

**Shenwan Hongyuan Capital (H. K.) Limited**

**Donald Leung**

**Henry Li**

*Executive Director*

*Senior Vice President*

***Corporate Finance***

*Mr. Leung is a licensed person registered with the Securities and Futures Commission and a responsible officer of Shenwan Hongyuan Capital (H.K.) Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has more than 20 years of experience in corporate finance advisory industry.*

*Mr. Li is a licensed person registered with the Securities and Futures Commission and a responsible officer of Shenwan Hongyuan Capital (H.K.) Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has more than 12 years of experience in corporate finance advisory industry.*

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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING FOR 2026

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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)**

### NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING FOR 2026

**NOTICE IS HEREBY GIVEN THAT** the first extraordinary general meeting for 2026 (the “EGM”) of Sinopec Shanghai Petrochemical Company Limited (the “Company” or “SPC”) is to be held at the North Building of Jinshan Hotel, No. 1, Jinyi East Road, Jinshan District, Shanghai, the People's Republic of China (the “PRC”) on Tuesday, 3 March 2026 at 2:00 p.m. for the following purpose:

#### RESOLUTION

**To consider and approve the resolution by way of non-cumulative voting:**

1. To consider and approve the consolidation of Shanghai Jinshan Baling New Materials Co., Ltd. into the Company's financial statements

Resolution no. 1 to be proposed at the EGM is an ordinary resolution. Details of the resolution proposed at the EGM are published in the circular of the Company to be dispatched to the H Shareholders and are also available on the websites of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>).

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

Shanghai, the PRC, 6 February 2026

*Notes:*

#### **I. ATTENDEES OF THE EGM**

1. Eligibility for attending the EGM



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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING FOR 2026

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Holders of A shares of the Company whose names appear on the domestic shares register maintained by China Securities Depository & Clearing Corporation Limited Shanghai Branch and holders of H shares of the Company whose names appear on the register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Thursday, 26 February 2026 are eligible to attend the EGM. Unregistered holders of H shares of the Company shall lodge their share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Wednesday, 25 February 2026.

2. Proxy
  - a. A member eligible to attend and vote at the EGM is entitled to appoint, in written form, one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a Shareholder of the Company.
  - b. A proxy should be appointed by a written instrument signed by the Shareholder or its attorney duly authorized in writing. If the form of proxy is signed by the attorney duly authorised by the Shareholder, the power of attorney authorizing that attorney to sign or other authorization document(s) must be notarized.
  - c. To be valid, the power of attorney and/or other authorisation document(s) which has/have been notarised together with the completed form of proxy must be delivered to the statutory address of the Company not less than 24 hours before the designated time for holding the EGM (i.e., not later than 2:00 p.m. on Monday, 2 March 2026 (HKT)) or any adjournment thereof (as the case may be). Holders of A shares of the Company shall deliver the relevant document(s) to the Company (the address is No. 48 Jinyi Road, Jinshan District, Shanghai, the PRC, Postal code: 200540). Holders of H shares of the Company shall deliver the relevant document(s) to the H shares share registrar of the Company, Computershare Hong Kong Investor Services Limited (the address is 17M Floor, Hopewell Centre, 183 Queen ' s Road East, Wanchai, Hong Kong). If the Company does not receive the original copy of the relevant document(s) before the aforesaid period, the shareholder will be deemed as having not attended the EGM and the relevant proxy form will be deemed void.
3. The Directors and the senior management of the Company
4. The lawyers of the Company
5. Others

### II. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

1. A Shareholder of the Company or his/her proxy shall produce proof of identity (identity card or passport) when attending the EGM. If the Shareholder attending the meeting is a corporate shareholder, its legal representative who attends the meeting shall produce proof of identity and proof of his/her capacity as the legal representative and shall provide information which enables the Company to confirm its identity as a corporate shareholder. Where a proxy is appointed to attend the meeting, the proxy shall produce proof of identity, the written authorization duly issued by the legal representative of the corporate shareholder, or a notarised certified copy of the resolution on authorization duly passed by the board of directors or other decision-making bodies of the corporate shareholder and information which enables the Company to confirm the identity of the corporate shareholder concerned.
2. Shareholders registered to attend the EGM may submit questions related to the resolutions submitted at the EGM or raise questions during the EGM. The questions raised by H Shareholders at the EGM and those submitted beforehand will be addressed by the Company as far as possible.

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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING FOR 2026

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### III. MISCELLANEOUS

1. Each Shareholder or his/her/its proxy shall exercise his/her/its voting rights by way of poll.
2. The EGM is expected to last for less than a working day. Shareholders or their proxies who will attend the EGM shall be responsible for their own transportation and accommodation expenses.
3. Notes to the holders of the Company's H shares

#### **Date of closure of register of members in relation to the eligibility of attending the EGM**

The Company will close the register of members of the Company's H shares from Thursday, 26 February 2026 to Tuesday, 3 March 2026 (both days inclusive), during which period no transfer of shares will be effected, in order to confirm its Shareholders' entitlement to attend the EGM. Holders of the Company's H shares who wish to attend and vote at the EGM should lodge transfer documents and the relevant share certificates with the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Wednesday, 25 February 2026.

4. In accordance with the Shanghai Listing Rules and the Hong Kong Listing Rules, China Petroleum & Chemical Corporation and its associates who have interests in the Connected Transactions shall abstain from voting on the resolution 1 at the EGM.
5. The Secretariat for the EGM is the Secretariat of the Board of Sinopec Shanghai Petrochemical Company Limited and the contact details are as follows:

No. 48 Jinyi Road, Jinshan District, Shanghai, the PRC  
Postal code: 200540  
Telephone: (86) 21 5794 3143  
Fax: (86) 21 5794 0050

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of the Directors and the senior management of the Company in competing business

As of the Latest Practicable Date, none of the Directors or the senior management of the Company and so far as is known to them, none of their respective close associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business.

### (b) Interests and short positions of the Directors and the chief executive of the Company in its shares, underlying shares and debentures

As of the Latest Practicable Date, interests or short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be recorded in the register to be kept in the Company under section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules were as follows:

				Approximate shareholdings as a percentage (%) of:		
Name of Directors/ Chief Executive	Position	Capacity	Class of shares	Number of shares of the Company held (shares)	The relevant class of shares	The total issued shares of the Company
Huang Xiangyu	Executive Director and Vice President	Beneficial owner	A Shares	140,000 (L)	0.0019	0.0013

(L) – long position

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be recorded in the register to be kept in the Company under section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules.

As of the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective spouses and children under 18 years of age had been granted by the Company or had exercised any right to subscribe for shares or debentures of the Company or any of its associated corporations.

**(c) Interests and short positions of substantial Shareholders and other persons in the shares and the underlying shares of the Company**

As of the Latest Practicable Date, the interests and short positions of substantial Shareholders (being persons who are entitled to exercise, or control the exercise of, 5% or more of the voting power at any general meeting of the Company) and other persons who have an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or holds any option in respect of such capital were as set out in the tables below:

**(i) Interests in the shares of the Company**

Name of Shareholders	Capacity	Note	Class of shares	Interests held or deemed as held (shares)	Approximate shareholdings as a percentage (%) of:	
					The relevant class of shares	The total issued shares of the Company
Sinopec Corp.	Beneficial owner	(1)	A Shares	5,462,155,000 (L)	74.53	51.81
Corn Capital Company Limited	Beneficial owner	(2)	H Shares	200,020,000(L)	6.22	1.90
				200,020,000(S)	6.22	1.90
Hung Hin Fai	Interest of controlled corporation	(2)	H Shares	200,020,000(L)	6.22	1.90
				200,020,000(S)	6.22	1.90
Yardley Finance Limited	Secured equity holder	(3)	H Shares	200,020,000(L)	6.22	1.90

Name of Shareholders	Capacity	Note	Class of shares	Interests held or deemed as held (shares)	Approximate shareholdings as a percentage (%) of:	
					The relevant class of shares	The total issued shares of the Company
Chan Kin Sun	Interest of controlled corporation	(3)	H Shares	200,020,000(L)	6.22	1.90

(L) – long position; (S) – short position; (P) – lending pool

Notes:

- (1) Based on the information available to the Directors on the website of the Hong Kong Stock Exchange and so far as the Directors are aware of, as of the Latest Practicable Date, Sinopec Group directly and indirectly holds 69.64% of the total issued share capital of Sinopec Corp. By virtue of such relationship, Sinopec Group is deemed to be interested in the 5,462,155,000 A Shares of the Company directly held by Sinopec Corp.
- (2) These shares are held by Corn Capital Company Limited. Hung Hin Fai holds 100% interests in Corn Capital Company Limited. Pursuant to the SFO, Hung Hin Fai is deemed to be interested in the shares held by Corn Capital Company Limited.
- (3) These shares are held by Yardley Finance Limited. Chan Kin Sun holds 100% interests in Yardley Finance Limited. Pursuant to the SFO, Chan Kin Sun is deemed to be interested in the shares held by Yardley Finance Limited.

Save as disclosed above, as of the Latest Practicable Date, so far as the Directors are aware of, no person (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO, or, who is directly or indirectly, interested in 5% of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any other member of the Group or held any option in respect of such capital.

As at the Latest Practicable Date, none of the Directors are directors or employees of a company having an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As of the Latest Practicable Date, none of the Directors or experts had any direct or indirect interest in any asset which had since 31 December 2024, being the date to which the latest published and audited financial statements of the Company were made up, been acquired, disposed of by or leased to any member of the Group, or are proposed to be acquired, disposed of by or leased to any member of the Group.

As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2024, being the date to which the latest published and audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

### **3. EXPERT'S QUALIFICATION, DISCLOSURE OF INTERESTS AND CONSENT**

Shenwan Hongyuan is a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities under the SFO. As of the Latest Practicable Date, Shenwan Hongyuan did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As of the Latest Practicable Date, Shenwan Hongyuan did not have any direct or indirect interests in any assets which had since 31 December 2024 (being the date to which the latest published audited consolidated accounts of the Company were made up) been acquired, disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group.

Shenwan Hongyuan issued a letter dated 6 February 2026 for the purpose of incorporation in this circular in connection with their advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Consolidation. Shenwan Hongyuan has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name in the form and context in which they respectively appear.

### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or supervisors had any existing or proposed service contract with any member of the Group (excluding contracts that will expire within one year or is determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### **5. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, except for the profit warning announcement issued by the Company on 19 January 2026, there has been no material adverse change in the financial or trading position of the Company since 31 December 2024, the date on which the latest published and audited accounts of the Company were made up.

### **6. MISCELLANEOUS**

- (a) The joint company secretaries of the Company are Liu Gang and Xu Haiyan.
- (b) The registered office of the Company is at No. 48 Jinyi Road, Jinshan District, Shanghai, the PRC, Postal code: 200540.

- (c) The Company's H shares share registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

**7. DOCUMENTS ON DISPLAY**

The following documents will be published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.spc.com.cn](http://www.spc.com.cn)) for 14 days after the date of this circular:

- (a) the draft of New Joint Venture Agreement; and
- (b) the draft of the amended Articles of Association of Baling New Materials