



中國石化上海石油化工股份有限公司 SINOPEC SHANGHAI PETROCHEMICAL COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China)
Stock code: 00338 Hong Kong 600688 Shanghai



2025

ANNUAL REPORT



Contents

Important Message	2
Definitions	4
Company Profile	5
Main Financial Indicators	6
Principal Products	13
Change in Share Capital of Ordinary Shares and Shareholders	15
Report of the Directors	23
Corporate Governance, Environment and Society	84
Profile of Bonds	118
Corporate Governance Report (under the Hong Kong Listing Rules)	119
Independent Auditor's Report	145
A Financial statements prepared under International Financial Reporting Standards	151
Consolidated Income Statement	151
Consolidated Statement of Comprehensive Income	153
Consolidated Balance Sheet	154
Consolidated Statement of Changes in Equity	157
Consolidated Statement of Cash Flows	159
Notes to the Financial Statements	161
Report of the PRC Auditor	281
B Financial statements prepared under China Accounting Standards for Business Enterprises	287
Consolidated and Company Balance Sheets	287
Consolidated and Company Income Statements	290
Consolidated and Company Cash Flow Statements	293
Consolidated Statement of Changes in Shareholders' Equity	295
Statement of Changes in Shareholders' Equity	297
Notes to the Financial Statements	299
C Supplementary Information to the Financial Statements	462
Written Confirmation Issued by Directors and Senior Management	465
Corporate Information	466
Documents Available for Inspection	468

Important Message

- I. The Board of Directors of Sinopec Shanghai Petrochemical Company Limited (the “Company”) as well as its Directors and senior management warrant the truthfulness, accuracy and completeness of the information contained in the 2025 annual report, and warrant that there are no false representations or misleading statements contained in, or material omissions from, the 2025 annual report of the Company, and accept legal responsibility.
- II. All Directors of the Company attended the 26th meeting of the eleventh session of the Board, at which the Company’s 2025 annual report was considered and approved.
- III. The financial statements for the year ended 31 December 2025 (the “Reporting Period”), prepared under the People’s Republic of China (“PRC” or “China”)’s Accounting Standards (“CAS”) as well as the International Financial Reporting Standards Accounting Standards (“IFRS Accounting Standards”), were audited by KPMG Huazhen LLP and KPMG, respectively, and both firms have issued unqualified opinions on the financial statements in their auditors’ reports.
- IV. Mr. Guo Xiaojun, Chairman and the responsible person of the Company; Mr. Du Jun, Director, Vice President and Chief Financial Officer in charge of the accounting work; and Ms. Fu Hejuan, person in charge of the Accounting Department (Accounting Chief) and Director of the Finance Department hereby warrant the truthfulness, accuracy, and completeness of the financial statements contained in the 2025 annual report.
- V. Plan for profit distribution or capitalization of capital reserves for the Reporting Period considered by the Board

In 2025, the net loss attributable to equity shareholders of the Company amounted to RMB1,432,595 thousand under CAS (net loss of RMB1,612,325 thousand attributable to equity shareholders of the Company under IFRS Accounting Standards). The Board did not recommend distribution of annual dividends, and will not conduct capitalization of capital reserves.

- VI. The parent company had no uncovered losses as at the end of the Reporting Period, nor was there any impact from such losses on matters such as dividend distribution.
- VII. Declaration of risks involved in the forward-looking statements

Forward-looking statements such as future plans and development strategies contained in this report do not constitute any substantive commitments of the Company to investors. The Company has alerted investors on the relevant investment risks.

VIII. The Company was not subject to any appropriation of funds by the controlling shareholder or its related parties for non-operating purposes.

IX. The Company was not involved in any provision of external guarantees in violation of the applicable decision-making procedures.

X. The Company was not in a situation where more than half of the Directors were not able to assure the truthfulness, accuracy and completeness of the annual report disclosed by the Company.

XI. Material risk warning

Potential risks are elaborated in this report. Please refer to “Section II Management Discussion and Analysis” under “Report of the Directors” in Chapter 3 for details of the potential risks arising from the future development of the Company.

XII. Others

XIII. The annual report is published in both Chinese and English. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.



Definitions

In this report, unless the context otherwise specifies, the following terms shall have the following meanings:

“Company” or “the Company” or “SPC”	Sinopec Shanghai Petrochemical Company Limited
“Board”	the board of directors of the Company
“Director(s)”	the director(s) of the Company
“PRC” or “China” or “State”	the People’s Republic of China
“Reporting Period”	the year ended 31 December 2025
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shanghai Stock Exchange”	The Shanghai Stock Exchange
“Group”	the Company and its subsidiaries
“Sinopec Group”	China Petrochemical Corporation
“Sinopec Corp.”	China Petroleum & Chemical Corporation
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Shanghai Listing Rules”	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange
“Model Code for Securities Transactions”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Securities Law”	the PRC Securities Law
“Company Law”	the PRC Company Law
“CSRC”	China Securities Regulatory Commission
“Articles of Association”	the articles of association of Sinopec Shanghai Petrochemical Company Limited
“Hong Kong Stock Exchange website”	www.hkexnews.hk
“Shanghai Stock Exchange website”	www.sse.com.cn
“website of the Company”	www.spc.com.cn
“HSE”	Health, Safety and Environment
“LDAR”	Leak Detection and Repair
“COD”	Chemical Oxygen Demand
“VOCs”	Volatile Organic Compounds
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

Company Profile



As one of the major integrated petrochemical enterprises in China with an integrated refinery and petrochemical capacity, the Company possesses competitive business scale and strength, which have made it a major manufacturer of refined oil and chemical products. It also has self-owned utilities and environmental protection systems, as well as sea transport, inland shipping, rail transport and road transport ancillary facilities.

Located at Jinshanwei in the southwest of Shanghai, the Group is a highly integrated petrochemical enterprise which mainly produce a broad range of petroleum products and chemical products through crude oil processing. The Group sells most of its products within the PRC domestic market and derives most of its revenues from customers in Eastern China, one of the fastest growing regions in the PRC.

The Group's high-quality development is supported by the ever-increasing demand in the PRC for petrochemical products. Leveraging on its advantages in refining and chemical integration, the Group is actively optimizing its product mix and improving the quality and variety of its existing products. The Group is also strengthening the development of new products and market exploration, enhancing industrial technology research and product performance upgrading and promoting its high-quality development with green and low-carbon transformation.

In July 1993, the Company became the first company incorporated under the laws of the PRC to make a global equity offering, and its shares were listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the New York Stock Exchange.

Since the listing of its shares, the Company has strived to continuously improve and enhance its operation and management efficiency with an aim to become a domestic leading and world-class energy, chemical and new materials company.

Main Financial Indicators

(I) Main accounting data and financial indicators in the past three years (Prepared under CAS)

Unit: RMB'000

Major accounting data	2025	2024	Increase/ decrease compared to the previous year (%)	2023
Operating income	75,563,186	87,132,820	-13.28	93,013,595
Operating income net of business revenue unrelated to principal business and income lacking commercial substance	74,966,822	86,230,113	-13.06	92,434,202
Total (loss)/profit	(1,488,866)	428,835	-447.19	(1,715,136)
Net (loss)/profit attributable to equity shareholders of the Company	(1,432,595)	316,500	-552.64	(1,405,876)
Net (loss)/profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	(1,422,240)	338,003	-520.78	(1,365,513)
Net cash flow generated from operating activities	1,993,330	7,740,447	-74.25	806,996
	End of 2025	End of 2024	Increase/ decrease compared to the end of the previous year (%)	End of 2023
Net assets attributable to equity shareholders of the Company	23,132,313	25,040,254	-7.62	24,824,929
Total assets	39,881,813	41,769,339	-4.52	39,658,244

Main Financial Indicators *(continued)*

Major financial indicators	End of 2025	End of 2024	Increase/ decrease compared to the previous year (%)	End of 2023
Basic (losses)/earnings per share (RMB/Share)	(0.136)	0.030	-553.33	(0.130)
Diluted (losses)/earnings per share (RMB/Share)	(0.136)	0.030	-553.33	(0.130)
Basic (losses)/earnings per share excluding extraordinary gains and losses (RMB/Share)	(0.135)	0.032	-521.88	(0.127)
(Loss)/return on net assets (weighted average) (%)*	(5.953)	1.270	Decreased by 7.22 percentage points	(5.504)
(Loss)/return on net assets excluding extraordinary gains and losses (weighted average) (%)*	(5.910)	1.356	Decreased by 7.27 percentage points	(5.346)
Net cash flow per share generated from operating activities (RMB/Share)	0.189	0.726	-73.97	0.075
	End of 2025	End of 2024	Increase/ decrease compared to the end of the previous year (%)	End of 2023
Net assets per share attributable to equity shareholders of the Company (RMB/Share)*	2.194	2.346	-6.48 Increased by 1.94 percentage points	2.299
Gearing ratio (%)	41.742	39.802	points	37.105

* The above-mentioned net assets do not include non-controlling shareholders' interests.

Main Financial Indicators (continued)

(II) Financial information prepared under IFRS Accounting Standards (for the past five years)

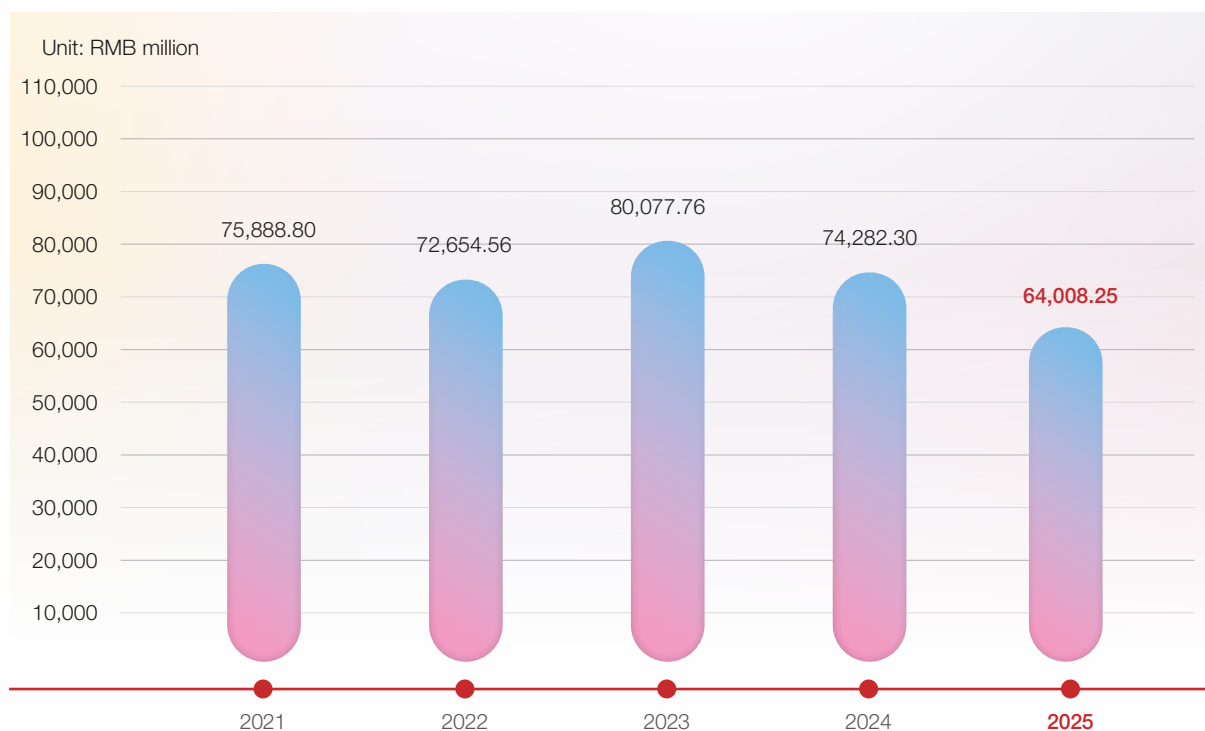
Unit: RMB million

Year ended 31 December	2025	2024	2023	2022 (Restated)	2021 (Restated)
Net sales	64,008.25	74,282.30	80,077.76	72,654.56	75,888.80
(Loss)/profit before taxation	(1,668.60)	423.32	(1,655.41)	(3,573.65)	2,721.09
(Loss)/profit after taxation	(1,610.08)	317.00	(1,349.31)	(2,842.19)	2,076.54
(Loss)/profit attributable to equity shareholders of the Company	(1,612.33)	310.98	(1,346.15)	(2,846.05)	2,073.37
Basic (losses)/earnings per share (RMB/share)*	(0.153)	0.029	(0.125)	(0.263)	0.192
Diluted (losses)/earnings per share (RMB/share)*	(0.153)	0.029	(0.125)	(0.263)	0.192
As at 31 December					
Equity attributable to equity shareholders of the Company	23,120.49	25,028.25	24,810.92	26,227.72	30,242.08
Total assets	39,809.99	41,687.34	39,564.23	41,136.76	46,920.59
Total liabilities	16,587.59	16,554.84	14,635.34	14,781.36	16,543.26

* The Company cancelled the repurchased H shares in June 2024, after which the total share capital of the Company was decreased by 124,058,000 shares;

The Company cancelled the repurchased H shares in June 2025, after which the total share capital of the Company was decreased by 132,610,000 shares.

Net Sales for the Past Five Years (prepared under IFRS Accounting Standards)



(III) Differences between financial statements prepared under CAS and IFRS Accounting Standards

Unit: RMB'000

	Net (loss)/profit		Net asset	
	The Reporting Period	Corresponding period of the previous year	End of the Reporting Period	Opening of the Reporting Period
Prepared under CAS	(1,430,352)	322,517	23,234,223	25,144,495
Prepared under IFRS Accounting Standards	(1,610,082)	316,997	23,222,396	25,132,492

For detailed differences between the financial statements prepared under CAS and IFRS Accounting Standards, please refer to supplements to the financial statements prepared under CAS.

(IV) Major quarterly financial data in 2025 (Prepared under CAS)

Unit: RMB'000

	First Quarter (January to March)	Second Quarter (April to June)	Third Quarter (July to September)	Fourth Quarter (October to December)
Operating income	19,520,645	20,002,581	19,362,301	16,677,659
Net (loss)/profit attributable to equity shareholders of the Company	(89,839)	(372,289)	30,595	(1,001,062)
Net (loss)/profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	(85,209)	(354,166)	45,427	(1,028,292)
Net cash flow generated from/(used in) operating activities	1,789,914	(1,010,971)	1,887,979	(673,592)

Notes to the differences between the quarterly data and disclosed data in the regular reports

Not Applicable

Main Financial Indicators (continued)

(V) Extraordinary gains and losses (Prepared under CAS)

Unit: RMB'000

Extraordinary gains and losses items	2025	2024	2023
Disposal gains or losses of non-current assets, including the reversal of provision for impairment of assets	(8,856)	41,482	(26,758)
Government grants recognized in profit or loss, except for those which are closely related to the Company's normal operations, which the Company is entitled to under established standards in accordance with government policies and which have a continuing impact on the profits and losses of the Company	14,364	17,759	49,819
For a company which is not a financial institution, gains and losses arising from changes in the fair value of financial assets and financial liabilities held by the company, and those arising from the disposal of financial assets and financial liabilities, other than those held for effective hedging related to normal operations of the Company	5,632	4,028	10,000
Reversal of the allowance for impairment of receivables that is individually tested for impairment	-	-	645
One-off costs incurred by the enterprise as a result of the discontinuation of the relevant business activities, e.g. termination benefit	-	(31,317)	(49,348)
Other gains and losses classified to extraordinary gains and losses	(1,675)	(3,501)	(4,403)
Other non-operating income and expenses other than those mentioned above	(12,416)	(43,449)	(21,951)
Less: Income tax effect amount	(5,246)	(6,861)	(5,279)
Effect on non-controlling interests (after tax)	(2,158)	356	6,912
Total	(10,355)	(21,503)	(40,363)

(VI) Deductions of operating income

Item	2025	Specific deductions	2024	Specific deductions
Amount of operating income	75,563,186		87,132,820	
Total amount of deductions	596,364		902,707	
Proportion of total amount of deductions in operating income (%)	0.79%		1.04%	
Business income not related to the principal operations				
Income from operations other than normal operations. Income realized from leasing fixed assets, intangible assets, packaging, sales of materials, non-monetary asset exchanges of materials, management of fiduciary business, and other income that is included in the main business income but is outside the normal operations of the listed company	596,364	Income from leasing of fixed assets, rental income from investment properties, income from technical services, income from contract processing services, etc.	902,707	Income from leasing of fixed assets, rental income from investment properties, income from technical services, income from contract processing services, etc.
Amount of operating income after deductions	74,966,822		86,230,113	

Main Financial Indicators (continued)

(VII) Items measured at fair value

Unit: RMB'000

Item	Balance as at the beginning of the period	Balance as at the end of the period	Changes for the current period	Effect on the amount of profit for the current period
Receivables under financing	388,230	332,015	(56,215)	–
Other non-current financial assets	36,500	37,500	1,000	1,000
Investment in other equity instruments	3,872	3,466	(406)	–
Derivative financial instruments and cashflow hedging instruments	49	6,385	6,336	(24,294)
Total	428,651	379,366	(49,285)	(23,294)

(VIII) Companies with equity incentives or employee stock ownership plans may choose to disclose net profit after deducting the impact of share-based payments

Not Applicable

(IX) Others

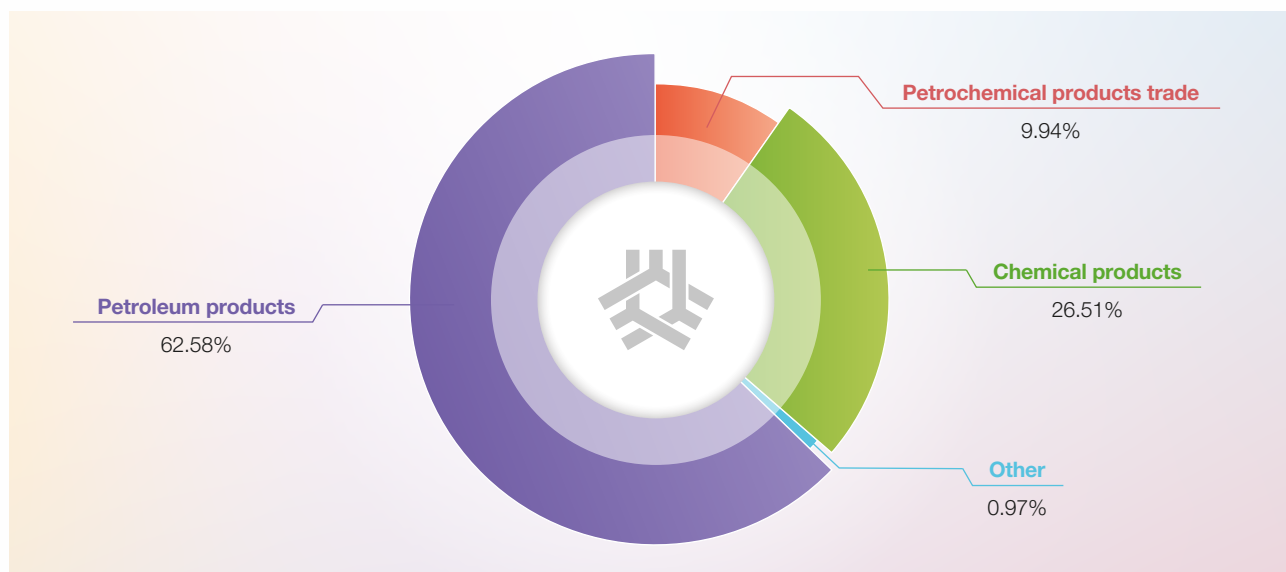
Not Applicable

Principal Products

The Group produces more than 60 different products, including various specifications of petroleum products and chemical products

The Company is a highly integrated petrochemical company. Most of the petroleum products and chemical products produced by the Company are used in the production of the Company's downstream products.

The following table sets forth the respective net sales of the Group's major products in 2025 as a percentage of total net sales and their respective typical uses.



Principal Products (continued)

Major products sold by the Group	% of 2025 net sales	Typical use
Manufactured products		
Petroleum products		
Gasoline	29.99	Transportation fuels
Diesel	18.83	Transportation and agricultural machinery fuels
Jet Fuel	7.82	Transportation fuels
Others	5.94	
Subtotal	62.58	
Chemical Products		
Acrylic staple	0.53	Cotton type fabrics, wool type fabrics
PE pellets	6.17	Films, ground sheeting, wire and cable compound and other injection moulding products such as housewares and toys
PP pellets	4.49	Films or sheets, injection moulding products such as housewares, toys and household electrical appliances and automobile parts
PVA	–	PVA fibres, building coating materials and textile starch
Ethylene	0.04	Feedstock for PE, EG, PVC and other intermediate petrochemical products which can be further processed into resins and plastics and synthetic fibre
Ethylene oxide	0.94	Intermediate for chemical and pharmaceutical industry, dyes, detergents and adjuvant
Benzene	2.99	Chemical products, styrene, plastics, explosives, dyes, detergents, epoxies and polyamide fibre
PX	6.36	Chemical products, polyester
Butadiene	1.14	Synthetic rubber and plastics
Ethylene glycol	0.25	Fine chemicals
Others	3.60	
Subtotal	26.51	
Trading of petrochemical products	9.94	Import and export trade of petrochemical products (purchased from domestic and overseas suppliers)
Others	0.97	
TOTAL	100.00	

Change in Share Capital of Ordinary Shares and Shareholders

(I) Changes in share capital of ordinary shares during the Reporting Period

1. Changes in share capital of ordinary shares during the Reporting Period

Save as disclosed below, the Group had no changes in share capital of ordinary shares during the Reporting Period.

(II) Issue of shares

1. Issue of shares during the Reporting Period

During the Reporting Period, the Company didn't issue any shares.

2. Changes in the Company's total number of ordinary shares, shareholding structure and the structure of the Company's assets and liabilities

On 3 March 2025, the Company has canceled 96,346,000 H shares repurchased from the Hong Kong Stock Exchange during the period from 9 September 2024 to 13 February 2025. With this cancellation, the total number of shares issued by the Company has been reduced to 10,578,881,500, including 7,328,813,500 A shares and 3,250,068,000 H shares.

On 12 June 2025, the Company has canceled 36,264,000 H shares repurchased from the Hong Kong Stock Exchange during the period from 24 April 2025 to 30 May 2025. With this cancellation, the total number of shares issued by the Company has been reduced to 10,542,617,500, including 7,328,813,500 A shares and 3,213,804,000 H shares.

3. Employees shares

The Company had no employees' shares as at the end of the Reporting Period.

(III) Shareholders and de facto controller

1. Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the Reporting Period	89,763
Total number of shareholders of ordinary shares as at the end of the month immediately preceding the publication date of the annual report	143,565

Change in Share Capital of Ordinary Shares and Shareholders (continued)

2. Shareholding of the top ten shareholders and top ten shareholders with tradable shares (or shareholders with unrestricted shares) as at the end of the Reporting Period

Shareholding of the top ten shareholders								
Full name of shareholder	Class of shares	Increase/ decrease of shareholding during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage of shareholding (%)	Number of shares held with selling restrictions (Shares)	Pledged/Marked/Frozen		
		(Shares)	(Shares)			Status of shares	Number of shares	Nature of shareholder
China Petroleum & Chemical Corporation	A shares	2,700,000	5,462,155,000	51.81%	0	None	0	State-owned legal person
HKSCC Nominees Limited	H shares	-328,379,300	2,974,953,480	28.22%	0	Unknown	-	Overseas legal person
CORN CAPITAL COMPANY LIMITED	H shares	200,020,000	200,020,000	1.90%	0	None	0	Overseas legal person
Zhang Mucheng (張沐城)	A shares	38,982,600	81,000,800	0.77%	0	None	0	Domestic natural person
HKSCC Limited	A shares	21,079,487	79,023,079	0.75%	0	None	0	Overseas legal person
Agricultural Bank of China Limited – CSI 500 Traded Open-End Index Securities Investment Fund	A shares	2,179,857	33,229,557	0.32%	0	None	0	Others
Wang Lei	A shares	0	28,035,200	0.27%	0	None	0	Domestic natural person
Shanghai Kangli Industry and Trade Co., Ltd.	A shares	0	22,375,300	0.21%	0	None	0	Others
Li Songyan (李松巖)	A shares	0	12,683,100	0.12%	0	None	0	Domestic natural person
Li Dongxin (李东鑫)	A shares	4,330,700	10,406,100	0.10%	0	None	0	Domestic natural person
Note on connected relations or acting in concert of the above shareholders	Among the above-mentioned shareholders, Sinopec Corp., a state-owned legal person, does not have any connected relationship with the other shareholders, and does not constitute an acting-in-concert party under the Administrative Measures on Acquisition of Listed Companies. Among the above-mentioned shareholders, HKSCC Nominees Limited is a nominee. HKSCC Limited is the nominal holder for Shanghai Hong Kong Stock Connect Program of the Company. Apart from the above shareholders, the Company is not aware of any connected relationship among the other shareholders, or whether any other shareholder constitutes an acting-in-concert party under the Administrative Measures on Acquisition of Listed Companies.							

3. Shareholders holding more than 5% of the shares, the top ten shareholders and the top ten shareholders with unrestricted tradable shares engaging in lending shares through securities lending and refinancing business

Nil

Change in Share Capital of Ordinary Shares and Shareholders *(continued)*

4. Changes in the top ten shareholders and the top ten shareholders with unrestricted tradable shares from the previous period due to lending/returning shares through securities lending and refinancing

Changes in the top ten shareholders compared with the end of the previous period					
Full name of shareholder	Additions/ Withdrawals during this Reporting Period	Number of shares lent through refinancing that have not yet been returned at the end of the period		Number of general and credit account holdings and shares lent through refinancing that have not yet been returned at the end of the period	
		Total number	Percentage (%)	Total number	Percentage (%)
CORN CAPITAL COMPANY LIMITED	Addition	0	0	200,020,000	1.90%
Wang Lei	Addition	0	0	28,035,200	0.27%
Shanghai Kangli Industry and Trade Co., Ltd.	Addition	0	0	22,375,300	0.21%
Li Songyan (李松巖)	Addition	0	0	12,683,100	0.12%
Li Dongxin (李东鑫)	Addition	0	0	10,406,100	0.10%
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Asset Management Plan	Withdrawal	0	0	–	–
Southern Fund – Agricultural Bank of China – Southern CSI Financial Asset Management Plan	Withdrawal	0	0	–	–
GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan	Withdrawal	0	0	–	–
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan	Withdrawal	0	0	–	–
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan	Withdrawal	0	0	–	–

5. Number of shares held by top ten shareholders with restricted shares and trading restrictions

Not applicable

Change in Share Capital of Ordinary Shares and Shareholders (continued)

(IV) Strategic investors or general legal persons becoming top ten shareholders because of the new share placing

Not applicable

(V) Details of the controlling shareholder and the de facto controller

1. Details of the controlling shareholder

(1) Legal person

Name	China Petroleum & Chemical Corporation								
Responsible person or legal representative	Hou Qijun								
Date of incorporation	25 February 2000								
Major business operations	<p>The production, storage, pipeline transportation, land transportation, water transportation and sale of non-coal mines (oil and natural gas etc.), dangerous chemicals (ethylene, propylene, butadiene and naphtha etc.), heavy oil, rubber and other petrochemical raw materials and products; oil refining; wholesaling and retailing (for subsidiaries only) of gasoline, kerosene and diesel oil; the production, storage, transportation and sale of natural gas chemicals and coal chemicals; sale of lubricant, fuel oil, solvent naphtha and asphalt; production of chemical fertilizer; operation of LPG station, sale of CNG, LNG, LPG and city gas; operation of electrical vehicle charging station; production, supervision of manufacturing, installation of oil and petrochemical machinery and equipment; manufacturing of equipment, tools, instruments and gauges in petroleum drilling and production; purchase and sale of oil and petrochemical raw and auxiliary materials, equipment and parts; technology and information, research, development, application and consultation of alternative energy products; production and sale of electricity, steam, water and industrial gases; wholesaling of farm, forestry and pasture products; operation of general merchandise convenience stores; wholesaling and retailing of knitted garments and housewares; wholesaling and retailing of cultural and sports goods and equipment; sale of food, beverages and tobacco products; wholesaling and retailing of pharmaceuticals and medical devices; retailing of automobiles, motorcycles and components; repair and maintenance of and technical training for automobiles and motorcycles; wholesaling and retailing of machineries, hardware products, electronic products and household appliances; retailing of furniture and materials for indoor decoration; stalls, no-store sale and other forms of retail business; general merchandise retail; accommodation and catering services; manufacturing of food and food additives; residents' services; transportation agency services; warehousing; operation of self-owned properties; leasing of natural gas storage facility; leasing of houses, vehicles, equipment and working places; lease of machineries; media, advertising and acting as commission agent; insurance brokerage and agency services; financial trust and management services; E-commerce; self-operation of and acting as agency for the import and export of various commodities and technologies (other than those restricted or prohibited by the state from import and export); contractor of overseas mechanical, electronics, petrochemical projects and domestic international bid-inviting projects; export of equipment and materials required for the aforementioned overseas projects; dispatch of labour required for the aforementioned overseas projects; railway transportation; auxiliary operations for coastal engineering, port operations, oil spill emergency response, security protection, vessel pollution cleaning operations; quality inspection technical services in professional technical service industry, environment and ecology monitoring and testing services; edible salt production, wholesale, retail; exploration, development, storage, pipeline transportation and sale of shale gas, coalbed methane, shale oil, natural gas hydrate and other resources; gas-fired power generation and power supply; installation and maintenance of power facilities, power technology development and services. Hydrogen energy businesses and related services such as operation of hydrogen, production, storage, transportation and sales of hydrogen; manufacturing and sales of equipment for hydrogen production, refuelling and storage. Power businesses and related services such as power supply; motor vehicle charging; operation of new energy power generation facilities such as solar power generation and wind power generation facilities, as well as new energy vehicle charging facilities; battery sales; battery swapping for new energy vehicle.</p>								
Details of controlling interests and investments in other domestic and overseas-listed companies during the Reporting Period	<p>Details of direct shareholding of Sinopec Corp. in other listed companies are as follows:</p> <table border="1"> <thead> <tr> <th>Company name</th> <th>Number of shares held</th> <th>Percentage of shareholding</th> </tr> </thead> <tbody> <tr> <td>Sinopec Shandong Taishan Petroleum Co., Ltd.</td> <td>118,140,120</td> <td>24.57%</td> </tr> </tbody> </table>			Company name	Number of shares held	Percentage of shareholding	Sinopec Shandong Taishan Petroleum Co., Ltd.	118,140,120	24.57%
Company name	Number of shares held	Percentage of shareholding							
Sinopec Shandong Taishan Petroleum Co., Ltd.	118,140,120	24.57%							

2. Details of the de facto controller

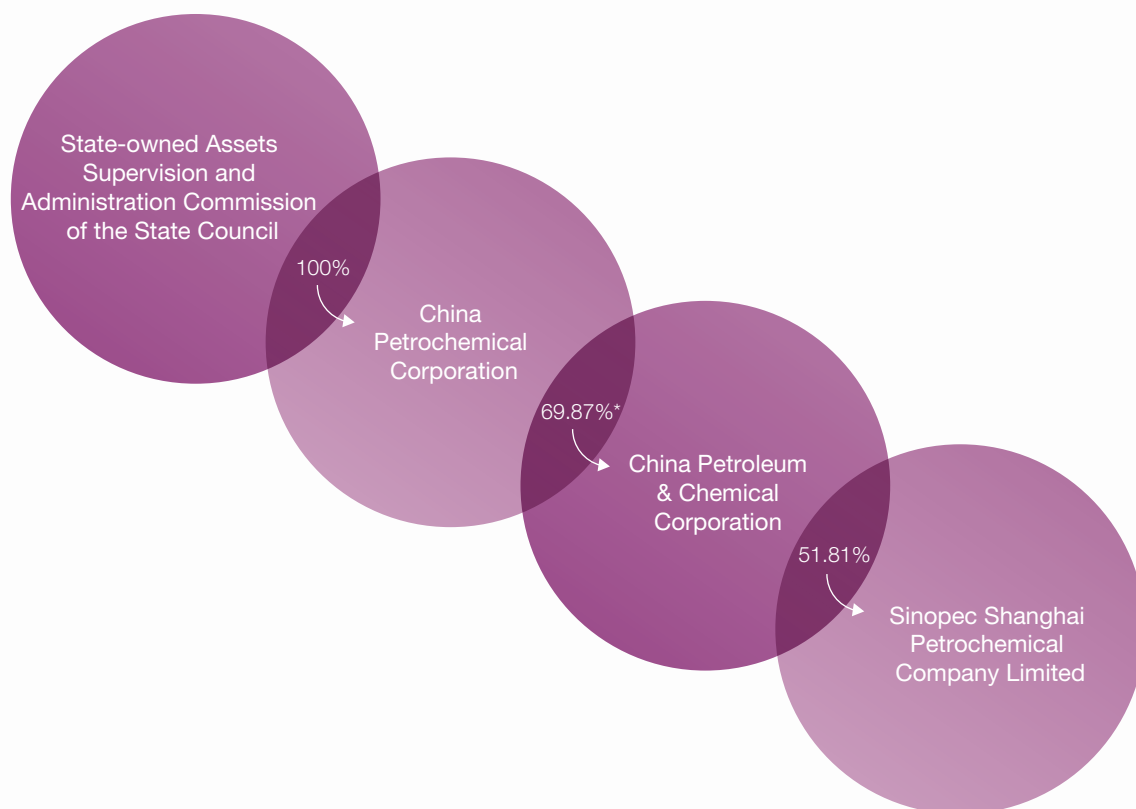
(1) Legal person

Name	China Petroleum & Chemical Corporation		
Responsible person or legal representative	Hou Qijun		
Date of incorporation	24 July 1998		
Major business operations	Organize the exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of oil and natural gas of affiliated enterprises; Organize the petroleum refining of affiliated enterprises; Organize the wholesale and retail of refined oil products of affiliated enterprises; Organize the production, sales, storage and transportation of petrochemical and other chemical products of affiliated enterprises; Industrial investment and investment management; Exploration design, construction, construction and installation of petroleum and petrochemical engineering; Maintenance of petroleum and petrochemical equipment; Mechanical and electrical equipment manufacturing; Technology and information, research, development, application and consulting services of alternative energy products; Import and export business.		
Details of controlling interests and investments in other domestic and overseas-listed companies during the Reporting Period	Details of shareholding of other listed companies in which Sinopec Group directly holds more than 5% of the shares are as follows:		
	Company name	Number of shares held	Percentage of shareholding
	China Petroleum & Chemical Corporation ^{Note 1}	83,116,438,075	68.73%
	Sinopec Oilfield Service Corporation ^{Note 2}	9,968,726,364	52.59%
	SINOPEC Engineering (Group) Co., Ltd.	2,687,876,000	61.17%
	Sinopec Oilfield Equipment Corporation	456,756,300	47.78%
	China Merchants Energy Shipping Co., Ltd.	1,095,463,711	13.57%

Note 1: In addition, 1,379,764,000 H shares are held by Sinopec Century Bright Capital Investment Limited, an overseas wholly-owned subsidiary of Sinopec Group.

Note 2: In addition, 2,595,786,987 H shares are held by Sinopec Century Bright Capital Investment Limited, an overseas wholly-owned subsidiary of Sinopec Group.

3. Diagram of the ownership and controlling relationship among the Company, the controlling shareholder and the de facto controller



* Including 1,379,764,000 H shares in Sinopec Corp. held by Sinopec Century Bright Capital Investment Limited, an overseas wholly-owned subsidiary of Sinopec Group, through HKSCC Nominees Limited.

(V) Specific implementation of share repurchase during the Reporting Period

Unit: HKD Currency: HKD

Name of share repurchase plan	Proposal to the shareholders at the general meeting to authorize the Board of Directors to repurchase domestic shares and/or overseas-listed foreign shares of the Company
Time of disclosure of share repurchase plan	6 June 2024
Number of shares to be repurchased and its percentage of total share capital (%)	Not exceeding 10% of the total capital of H share issued
Amount to be repurchased	–
Period of proposed repurchase	From 6 June 2024 until the 2025 Annual General Meeting
Repurchase purpose	Safeguard corporate value
Number of shares repurchased (shares)	77,240,000 H shares
Percentage of the repurchased number of shares to the underlying shares involved in the equity incentive plan (%) (if any)	–
Progress of the Company's share repurchase reduction by means of centralized bidding transactions	–

(VI) Other legal person shareholders holding more than 10% of the Company's shares

As at 31 December 2025, HKSCC Nominees Limited held 2,974,953,480 H shares of the Company, representing 28.22% of the total number of issued shares of the Company.

(VII) Public float

Based on the public information available to the Board, as of 18 March 2026, the Company had a public float which is in compliance with the minimum requirement under the Hong Kong Listing Rules.

Change in Share Capital of Ordinary Shares and Shareholders (continued)

(VIII) Interests and short positions of the substantial shareholders of the Company in shares and underlying shares of the Company

As at 31 December 2025, so far as was known to the Directors or chief executive of the Company, the interests and short positions of the Company's substantial shareholders (being those who are entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company but excluding the Directors and chief executive) in the shares and underlying shares of the Company who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept under Section 336 of the SFO were as set out below:

Interests in ordinary shares of the Company

Name of shareholders	Interests held or deemed as held (shares)	Note	Percentage of total issued shares of the Company (%)	Percentage of total issued shares of the relevant class (%)	Capacity
China Petroleum & Chemical Corporation	5,462,155,000 A shares (L) Shares of legal person	(1)	51.81	74.53	Beneficial owner
Corn Capital Company Limited	200,020,000 H shares (L) 200,020,000 H shares (S)	(2)	1.90 1.90	6.22 6.22	Beneficial owner
Hung Hin Fai	200,020,000 H shares (L) 200,020,000 H shares (S)	(2)	1.90 1.90	6.22 6.22	Interests of controlled corporation
Yardley Finance Limited	200,020,000 H shares (L)	(3)	1.90	6.22	Secured equity holders
Chan Kin Sun	200,020,000 H shares (L)	(3)	1.90	6.22	Interests of controlled corporation

(L): Long position; (S): Short position;

Notes:

- (1) Based on the information obtained by the Directors from the website of the Hong Kong Stock Exchange and as far as the Directors are aware, Sinopec Group directly and indirectly owned 69.87% of the issued share capital of Sinopec Corp. as at 31 December 2025. By virtue of such relationship, Sinopec Group was deemed to be interested in the 5,462,155,000 A shares of the Company directly owned by Sinopec Corp.
- (2) These shares were held by Corn Capital Company Limited. Hung Hin Fai held 100% interests in Corn Capital Company Limited. Pursuant to the SFO, Hung Hin Fai was deemed to be interested in the shares held by Corn Capital Company Limited.
- (3) These shares were held by Yardley Finance Limited. Chan Kin Sun held 100% interests in Yardley Finance Limited. Pursuant to the SFO, Chan Kin Sun was deemed to be interested in the shares held by Yardley Finance Limited.

Save as disclosed above, as at 31 December 2025, the Directors of the Company have not been notified by any person (other than the Directors and chief executive) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

(IX) The number of shares pledged by the Company's controlling shareholders or the largest shareholder and persons acting in concert in aggregate accounts for more than 80% of the shares held by them in the Company

Nil

Section I Business Overview

(I) Description of the principal business, operating model and industry in which the Company operated during the Reporting Period

Located at Jinshanwei in the southwest of Shanghai, the Group is a highly integrated petrochemical enterprise which mainly produces a broad range of petroleum products, intermediate petrochemicals, resins and plastics and synthetic fibres through crude oil processing. The Group sells most of its products within the PRC domestic market and derives most of its revenues from customers in Eastern China, one of the fastest growing regions in the PRC.

The Group's high-quality development is supported by the Chinese people's pursuit for a better life and our Nation's strategic plan for high-quality economic growth. Leveraging on our advantages in refining and chemical integration, the Group is actively optimizing its product mix and improving the quality and variety of its existing products. The Group is also strengthening the development of new products and market exploration, enhancing industrial technology research and product performance upgrading and promoting our high-quality development with green and low-carbon transformation.

For details on the industry in which the Group operates its business, please refer to Section III of this chapter "Analysis of Operational Information in Chemical Industry".

(II) Analysis of Core Competitiveness During the Reporting Period

As one of the major integrated petrochemical enterprises in China with an integrated refinery and petrochemical capacity, the Group possesses competitive business scale and strength, which have made it a major manufacturer of refined oil, intermediate petrochemicals, synthetic resins and synthetic fibres in China. It also has self-owned public utilities and environmental protection systems, as well as sea transport, inland shipping, rail transport and road transport ancillary facilities.

The Group's major competitive advantages include quality, geographical location and its vertically integrated production. The Company has more than 50 years of petrochemical production and management experience, and has accumulated extensive resources in the petrochemical industry, which has garnered multiple quality product awards from the central and local governments. Located at the core region of Yangtze River Delta, the most economically active region in China with a strong demand for petrochemical products, the Company built a comprehensive logistics system and supporting facilities to tap its geographic proximity with most of its clients and the convenient coastal and inland shipping. This gave it a competitive edge in terms of transportation costs and timely delivery. The Company has leveraged its advantages in integrated refinery and petrochemical capacity to actively strengthen product structure, while continuously developing new products and improving products quality and variety. It has also improved production technology to maximize the use and the efficiency in the utilisation of its corporate resources, and is therefore able to achieve strong and sustainable development.

Section II Management Discussion and Analysis

(I) Management Discussion and Analysis

(Unless otherwise specified, the financial information included in this “Management Discussion and Analysis” section was extracted from the financial statements prepared under IFRS Accounting Standards.)

1. General – Review of the Company’s operations during the Reporting Period

In 2025, the impact of changes in the external environment deepened, and the contradiction between strong supply and weak demand internally became prominent. SPC drove forward various tasks, achieving new results in safety and environmental protection, production and operation, transformation and development, technological innovation, and deepening reform. The total volume of crude oil processed for the year was 12.6125 million tons (including 1.0344 million tons of processing on order), representing a year-on-year (the same below) decrease of 5.49%; the volume of refined oil produced for the year was 7.8418 million tons, representing a year-on-year decrease of 9.34%; the total volume of goods within the main commodities categories was 11.2299 million tons, representing a year-on-year decrease of 4.36%. The Group’s turnover was RMB75.513 billion, representing a year-on-year decrease of 13.26%. The Group’s product sale rate was 99.59% and the payment return rate for loans was 99.79% (excluding related companies and internal companies), signaling premium and stable product quality.

(1) *Petrochemicals’ prices fluctuated and declined*

In 2025, international crude oil prices experienced volatile declines. China’s petrochemical industry exhibited an overall weak operational trend, with most products facing price pressure and significant structural divergence. As of 31 December 2025, the weighted average prices (excluding tax) of petroleum products and chemical products of the Group decreased by 8.31% and 13.36% respectively as compared with the previous year.

(2) *Year-on-year decline in crude oil processing volume*

In 2025, the Group processed a total of 12.6125 million tons of crude oil, representing a decrease of 5.49% year on year. In 2025, the annual crude oil processing cost was RMB3,872.30 per ton, representing a decrease of RMB409.88 per ton or 9.57% over the previous year. The total crude oil processing cost for the year decreased by RMB5,951 million or 11.72% over the previous year, accounting for 68.10% of the total cost of sales.

(3) *Strengthening the safety and environmental protection measures to consolidate the foundation for steady development*

The Group vigorously carried out safety production hazard identification and rectification, strictly implemented full-chain rectification measures for hazardous chemicals, and achieved a 100% rectification completion rate for hazards at old facilities. It clarified grid-based management requirements for contractors, established a digital and intelligent control system for contractors and direct operations, enhanced its capability to manage and control high-risk operations, and continuously advanced the creation of a “Zero-Waste Enterprise”. The average value of VOCs concentration at the Company’s boundary was 59.8 ug/m³, representing a year-on-year decrease of 8.20%. Production operations remained generally stable throughout the year, accelerating the green and low-carbon transformation.

(4) *Deepening operational and value-creation practices to unlock the potential of integrated synergies*

The Group adhered to a strategy of increasing revenue and reducing costs simultaneously, focusing on both production sites and market development. It continuously deepened the optimization of the whole-process crude oil system to increase the production of high-value-added products. The market share of high-end materials improved, with medical-grade materials receiving high recognition from downstream pharmaceutical companies. Supply chain collaboration in the wind power sector was strengthened. The potential for value creation across the entire industrial chain was further unlocked. The Group optimized its decision-making for transactions involving new energy, new materials, and the new economy (collectively, the “Three New” businesses), and reduced the comprehensive costs of electricity consumption and carbon compliance.

(5) *Promoting the construction of key projects to accelerate the pace of transformation and upgrading*

The Group continued to promote the construction of key projects, accelerating the pace of transforming development modes and adjusting structures. Comprehensive technological transformation and quality upgrading project was successfully implemented. The main structure of the chimney for the thermal power project was successfully topped out. The National Hazardous Chemicals Emergency Rescue (Shanghai) Base project progressed steadily. The construction project of the Inner Mongolia Base for the 30,000 tons/year large-tow carbon fiber facility saw the mechanical completion of its two production lines, and the 60,000 tons/year precursor project at the Shanghai Base successfully passed the public consultation for its social stability assessment and environmental impact assessment. The thermoplastic elastomer project achieved a successful initial operation, and the “R&D-Production-Sales” chain was established.

(6) *Adhering to self-reliance and strength in science and technology to forge core competitiveness*

The Group adhered to self-reliance and strength in science and technology, achieving fruitful results in independent core technologies. The 60K large-tow carbon fiber new product achieved industrial trial production. Steady progress was made in the testing and application research of T800 and T1000 grade carbon fibers with high strength and intermediate modulus. Research on the process stability of CF/PPS sheets and CF/PAEK prepregs was completed. Innovative development and increased production of high-value-added new products such as coating materials for high-pressure devices, 110KV ultra-high voltage cable materials, BFS special materials, and high-density polyethylene film materials were achieved. Intelligent inspection systems, personnel positioning systems, and digital unattended truck scales were put into operation, accelerating the deep integration of artificial intelligence with the industry.

(7) *Advancing reforms in key areas to stimulate institutional and mechanistic vitality*

The Group fully completed the overall tasks of the reform deepening and upgrading action and the value creation action benchmarking against world-class enterprises. It revised the Articles of Association and supporting rules, and completed the reform of the Supervisory Committee. The Group deeply promoted the special action for enhancing the market value of listed companies, and established and improved a normalized market value management mechanism. It resolutely promoted the flattening reform of the organizational structure, increased competitive selection and recruitment, and strengthened term-based and contract-oriented management. The Group adhered to a market-oriented and customer-centric approach, formulated a performance assessment and incentive plan for product lifecycle management, and focused on value creation. It coordinated and advanced reforms in various fields simultaneously, using breakthroughs in key areas to drive overall improvement.

2. Accounting judgments and estimates

The preparation of the financial statements requires management of the Group to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods.

(1) *Net realizable value of inventories*

Inventories are valued at the lower of cost and net realizable value. The net realizable value is determined based on the estimated selling prices in the ordinary course of business less the estimated costs to completion, and other costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of each reporting period to ensure inventory is measured at the lower of cost and net realizable value.

(2) *Impairments for non-current assets*

At the end of each reporting period, the Group estimates the recoverable amount of an asset or a cash-generating unit ("CGU") (a portion of which related to certain production facilities), at the higher of its fair value less costs of disposal and its value in use, to determine the impairment losses. If circumstances indicate that the carrying amount of the asset or CGU may not be recoverable, the asset or CGU may be considered "impaired", and an impairment loss may be recognized.

The recoverable amount of assets or CGUs is the higher of the fair value less costs of disposal and the present value of the estimated future cash flows. As the fair value of certain assets or CGUs may not be publicly available, the Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions for projections of product sales and operating costs and discount rate of the present value of the estimated future cash flows. In particular, in determining the present value of the estimated future cash flows of the Group's specific CGUs, significant judgements are required on the accounting estimates which are based on the assumptions relating to product sales growth rates, related costs growth rates and discount rate applied.

(3) *Useful life and residual value of property, plant and equipment*

Property, plant and equipment, are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives and estimated residual value of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets, taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(4) *Recognition of deferred tax assets*

The Group recognizes the corresponding deferred income tax asset to the extent that it is likely to obtain the taxable income amount to offset the deductible loss in the future period. The taxable income obtained in future periods shall include the taxable income that can be realized by the Group through normal production and business activities, and the taxable income that will be increased when the taxable temporary differences arising from previous periods are reversed in future periods. The Group needs to use estimation and judgment when determining the time and amount of taxable income to be generated in the future period. Any discrepancy between the actual situation and the estimate may result in an adjustment to the carrying value of the deferred income tax assets.

(5) *Classification of financial assets*

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group determines the business model for managing financial assets at the level of the financial asset portfolio. The factors considered include the way to evaluate and report the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, and the way for relevant business management personnel to obtain remuneration, etc.

When evaluating whether the contractual cash flow of financial assets is consistent with the basic lending arrangements, the Group has the following main judgments: whether the time distribution or amount of the principal may change in the duration due to prepayment and other reasons; whether the interest only includes the time value of money, credit risk, other basic lending risks and the consideration of cost and profit. For example, whether the amount of prepayment only reflects the outstanding principal and the interest based on the outstanding principal, as well as the reasonable compensation paid for the early termination of the contract.

3. Comparison and analysis of results of the Company's operations (prepared under IFRS Accounting Standards)

3.1 Summary

The following table sets forth the Group's sales volumes and net sales (net of sales taxes and surcharges) for the years indicated:

	For the years ended 31 December								
	2025			2024			2023		
	Sales volume	Net sales		Sales volume	Net sales		Sales volume	Net sales	
	(^{'000} tons)	(RMB million)	%	(^{'000} tons)	(RMB million)	%	(^{'000} tons)	(RMB million)	%
Petroleum products	8,541.55	40,053.47	62.58	9,450.52	49,366.06	66.46	9,747.76	51,881.58	64.79
Chemical products	2,595.55	16,971.61	26.51	2,296.31	17,380.29	23.40	2,780.32	19,032.11	23.77
Trading of petrochemical products	-	6,365.37	9.94	-	6,906.19	9.30	-	8,174.13	10.20
Others	-	617.80	0.97	-	629.76	0.84	-	989.94	1.24
Total	11,137.10	64,008.25	100.00	11,746.83	74,282.30	100.00	12,528.08	80,077.76	100.00

The following table sets forth a summary of the Group's consolidated statement of profit or loss for the years indicated (prepared under IFRS Accounting Standards):

	For the years ended 31 December					
	2025		2024		2023	
	RMB million	% of net sales	RMB million	% of net sales	RMB million	% of net sales
Petroleum products						
Net sales	40,053.47	62.58	49,366.06	66.46	51,881.58	64.79
Cost of sales and operating expenses	(40,404.63)	(63.13)	(48,046.70)	(64.68)	(52,111.60)	(65.08)
Segment (loss)/profit from operations	(351.16)	(0.55)	1,319.36	1.78	(230.02)	(0.29)
Chemical products						
Net sales	16,971.61	26.51	17,380.29	23.40	19,032.11	23.77
Cost of sales and operating expenses	(18,687.97)	(29.19)	(18,687.38)	(25.16)	(20,529.62)	(25.64)
Segment loss from operations	(1,716.36)	(2.68)	(1,307.09)	(1.76)	(1,497.51)	(1.87)
Trading of petrochemical products						
Net sales	6,365.37	9.94	6,906.19	9.30	8,174.13	10.20
Cost of sales and operating expenses	(6,362.92)	(9.94)	(6,888.40)	(9.28)	(8,132.36)	(10.15)
Segment profit from operations	2.45	-	17.79	0.02	41.77	0.05
Others						
Net sales	617.80	0.97	629.76	0.84	989.94	1.24
Cost of sales and operating expenses	(587.60)	(0.92)	(610.64)	(0.81)	(1,057.13)	(1.32)
Segment profit/(loss) from operations	30.20	0.05	19.12	0.03	(67.19)	(0.08)
Total						
Net sales	64,008.25	100.00	74,282.30	100.00	80,077.76	100.00
Cost of sales and operating expenses	(66,043.12)	(103.18)	(74,233.12)	(99.93)	(81,830.71)	(102.19)
(Loss)/profit from operations	(2,034.87)	(3.18)	49.18	0.07	(1,752.95)	(2.19)
Net finance income	188.94	0.30	194.56	0.26	238.68	0.30
Share of profit/(loss) of associates and joint ventures	177.34	0.28	179.58	0.24	(141.13)	(0.18)
(Loss)/profit before tax	(1,668.59)	(2.60)	423.32	0.56	(1,655.40)	(2.07)
Income tax	58.51	0.08	(106.32)	(0.14)	306.09	0.38
(Loss)/profit for the year	(1,610.08)	(2.52)	317.00	0.42	(1,349.31)	(1.69)
Attributable to:						
Equity shareholders of the Company	(1,612.32)	(2.52)	310.98	0.41	(1,346.15)	(1.69)
Non-controlling interests	2.24	0.00	6.02	0.01	(3.16)	0.00
(Loss)/profit for the year	(1,610.08)	(2.52)	317.00	0.42	(1,349.31)	(1.69)

3.2 Comparison and analysis

Comparison between the year ended 31 December 2025 and the year ended 31 December 2024 is as follows:

3.2.A Operating results

(1) Net sales

In 2025, the net sales of the Group amounted to RMB64,008 million, a decrease of 13.83% from the previous year's RMB74,282 million. Analysis by products is as follows:

(i) Petroleum products

In 2025, the Group's net sales of petroleum products amounted to RMB40,053 million, a decrease of 18.87% from the previous year's RMB49,366 million. This was mainly due to a decrease of 8.31% in the unit price of petroleum products and a decrease of 9.62% in sales volume in the current year.

The net sales of petroleum products accounted for 62.58% of the Group's net sales in the current year, a decrease of 3.88% from the previous year.

(ii) Chemical products

In 2025, the Group's net sales of chemical products amounted to RMB16,972 million, a decrease of 2.35% from the previous year's RMB17,380 million. The net sales of chemical products accounted for 26.51% of the Group's net sales in the current year, an increase of 3.11% from the previous year.

(iii) Trading of petrochemical products

In 2025, the Group's net sales of trading of petrochemical products amounted to RMB6,365 million, a decrease of 7.83% from the previous year's RMB6,906 million. This was mainly due to the decrease in the sales of the subsidiary and sub-subsidiary, namely Jinshan Associated Trading Company Limited and Shanghai JMGJ Company Limited, in the current year.

The net sales of trading of petrochemical products accounted for 9.94% of the Group's net sales in the current year, an increase of 0.64% from the previous year.

(iv) Others

In 2025, the Group's net sales of other products amounted to RMB618 million, a decrease of 1.90% from the previous year's RMB630 million.

The net sales of other products accounted for 0.97% of the Group's net sales in the current year, an increase of 0.13% from the previous year.

(2) Cost of sales and operating expenses

Cost of sales and operating expenses consist of cost of sales, sales and administrative expenses, other operating expenses and other operating income, etc. In 2025, the Group's cost of sales and operating expenses amounted to RMB66,043 million, a decrease of 11.03% from RMB74,233 million in 2024. Cost of sales and operating expenses of petroleum products, chemical products, trading of petrochemical products and other products amounted to RMB40,405 million, RMB18,688 million, RMB6,363 million, and RMB588 million respectively, representing a decrease of 15.91%, an increase of 0.01%, a decrease of 7.62% and a decrease of 3.76% year on year respectively.

Compared with the last year, the cost of sales and operating expenses of petroleum products, trading of petrochemical products and others decreased this year, which was mainly due to the decrease in the processing volume of crude oil and the consequent decrease in corresponding product costs during the Reporting Period.

– Cost of sales

In 2025, the Group's cost of sales amounted to RMB65,833 million, a decrease of 11.18% from previous year's RMB74,121 million, which was mainly due to the decrease in the price of crude oil and the reduction in the crude oil processing volume. The cost of sales accounted for 102.85% of the net sales this year.

– Selling and administrative expenses

In 2025, the Group's selling and administrative expenses amounted to RMB239 million, an increase of 1.70% from the previous year's RMB235 million, with no significant change compared to the previous year.

– Other operating income

In 2025, the Group's other operating income amounted to RMB87 million, a decrease of 23.01% from previous year's RMB113 million, which was mainly due to the decrease in rental income of investment properties.

– Other operating expenses

In 2025, the Group's other operating expenses amounted to RMB25 million, an increase of RMB1 million from previous year's RMB24 million.

(3) Operating (loss)/profit

In 2025, the Group's operating loss amounted to RMB2,035 million, a decrease of profit of RMB2,084 million from the operating profit of RMB49 million in the previous year. This was mainly due to the overhaul of the Company's refining units this year, which led to a decrease in petroleum products output and a decrease in profit.

(i) Petroleum products

The operating loss of petroleum products amounted to RMB351 million in the year, a decrease of profit of RMB1,670 million from the operating profit of RMB1,319 million in the previous year. This was mainly due to the overhaul of the Company's refining units this year, which led to a decrease in petroleum products output and a decrease in profit.

(ii) Chemical products

The operating loss of chemical products amounted to RMB1,716 million in the year, an increase of loss of RMB409 million from the operating loss of RMB1,307 million in the previous year, mainly due to the combined effect of weakened cost support for chemical products and a decline in product selling prices.

(iii) Trading of petrochemical products

The Group's operating profit of trading of petrochemical products amounted to RMB2 million in the year, a decrease of RMB16 million from the operating profit of RMB18 million in the previous year, which was mainly due to the decrease in trading sales volume during the year.

(iv) Others

The Group's other operating profit amounted to RMB30 million in the year, an increase of profit of RMB11 million from the operating profit of RMB19 million in the previous year.

(4) Net finance income

In 2025, the Group's net financial income amounted to RMB189 million, a decrease of RMB6 million from the net financial income of RMB195 million in the previous year, which was mainly due to a decrease in the Group's interest income by RMB105 million from RMB310 million in 2024 to RMB205 million in 2025, and a decrease in the interest expense by RMB99 million from RMB115 million in 2024 to RMB16 million in 2025 during the Reporting Period.

(5) (Loss)/profit before taxation

In 2025, the Group's loss before taxation amounted to RMB1,669 million, a decrease of profit of RMB2,092 million from the profit before taxation of RMB423 million in the previous year.

(6) Income tax

The income tax benefit of the Group amounted to RMB58 million in 2025 and the income tax expense amounted to RMB106 million in the previous year.

In accordance with the Enterprise Income Tax Law of the PRC (amended in 2018), the income tax rate applicable to the Group in 2025 was 25% (2024: 25%), except for a subsidiary operating in the western developing region of the PRC which is qualified to be entitled to a preferential tax rate of 15% from 2025 to 2030.

(7) Loss for the year

In 2025, the Group's loss after taxation amounted to RMB1,610 million, representing a decrease of profit of RMB1,927 million from the profit after taxation of RMB317 million in the previous year.

(III) Detailed explanation on material changes in the business type, profit composition or profit source of the Company in the period

Not applicable

3.2.B Liquidity and capital sources

The Group's primary sources of capital are cash inflows from investing activities arising from the maturity of time deposits. The Group's primary uses of capital are costs of sales, other operating expenses and capital expenditures.

(1) Capital sources

(i) Net cash flow generated from operating activities

In 2025, the Group's net cash inflows generated from operating activities amounted to RMB1,978 million, representing a decrease of cash inflows of RMB5,646 million from the net cash inflows of RMB7,624 million in the previous year. The Group realised loss from operation during the Reporting Period. The Group's cash inflows generated from operating activities before interest and taxation in 2025 amounted to RMB2,000 million, representing a decrease of cash inflows of RMB5,747 million from the cash inflows generated from operating activities before interest and taxation of RMB7,747 million in the previous year.

(ii) Borrowings

The total borrowings of the Group at the end of 2025 amounted to RMB813 million, representing a decrease of RMB756 million compared with the end of the previous year, which was mainly due to the repayment of RMB1,500 million in short-term borrowings and the acquisition of RMB744 million in long-term borrowings during the year.

The Group managed to maintain its gearing ratio at a safe level by enhancing controls over both liabilities (including borrowings) and financing risks. The Group generally does not experience any seasonality in borrowings. However, due to the nature of the Group's capital expenditure plan, expenditures for long-term bank borrowings can be arranged in advance while short-term borrowings are used to meet operational needs. The terms of the Group's existing borrowings do not restrict its ability to distribute dividends for its shares.

(2) Gearing ratio

As at 31 December 2025, the Group's gearing ratio was 41.67% (2024: 39.71%). The gearing ratio is calculated using this formula: $\text{total liabilities}/\text{total assets} \times 100\%$.

3.2.C Research and development, patents and licenses

Research and development expenses refer to various expenditures incurred in the process of research and development or commissioned development of new products, technologies and processes.

The Group owns various technology development departments including the Advanced Materials Innovation Research Institute, Synthetic Materials Research Institute and Environmental Protection Research Institute, which are responsible for the research and development of new technologies, products, processes, equipment and environmental protection. The Group's research and development expenses for 2023, 2024 and 2025 amounted to RMB187 million, RMB174 million and RMB215 million, respectively.

The Group does not rely on any patents, licenses, industrial, commercial or financial contracts or new production processes in any material respect.

3.2.D Off-balance sheet arrangements

Please refer to Note 35 to the financial statements prepared under IFRS Accounting Standards in this annual report for details of the Group's capital commitments. During the Reporting Period, the Group did not provide any guarantee to external parties.

3.2.E Contractual obligations

The following table sets forth the Group's obligations to repay loan principal in future as at 31 December 2025:

	As at 31 December 2025 payment due by period				
	Total	After 1 year		After 2 years	
		Within 1 year	but within 2 years	but within 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contractual obligations					
Short-term borrowings	-	-	-	-	-
Long-term borrowings	811,768	-	183,223	461,267	167,278
Total contractual obligations	811,768	-	183,223	461,267	167,278

3.2.F Analysis of operation and results of major controlled companies and invested companies during the Reporting Period

Situation of the Company's major subsidiaries and invested companies affecting more than 10% of the net profit of the Company as at 31 December 2025 is as follows:

Company	Company type	Principal business	Registered capital (RMB'000)	Total assets (RMB'000)	Net assets (RMB'000)	Operating income (RMB'000)	Profit/(loss) from operations (RMB'000)	Net profit/(loss) in 2025 (RMB'000)
Shanghai Petrochemical Investment Development Company Limited ("Shanghai Investment Development")	Subsidiary	Investment management	RMB2,100,000	2,546,556	2,537,194	78,080	42,260	41,279
China Jinshan Associated Trading Corporation ("Jinshan Associated Trading")	Subsidiary	Import and export of petrochemical products and equipment	RMB25,000	651,262	247,467	4,745,015	6,857	4,805
Inner Mongolia Xinjinshan Carbon Fiber Company ("Inner Mongolia Carbon Fiber")	Subsidiary	Production of carbon fiber	RMB600,000	757,172	600,000	-	-	-
Shanghai Golden Phillips Petrochemical Company Limited ("Shanghai Golden Phillips")	Subsidiary	Production of polyethylene products	RMB415,623	500,730	461,866	1,087,706	11,190	7,727
Shanghai Jinshan Trading Corporation ("JMGC")	Subsidiary	Import and export of petrochemical products and equipment	RMB100,000	396,508	164,478	3,798,495	(1,841)	5,560
Zhejiang Jilian Petrochemical Storage and Transportation Co., Ltd. ("Jilian")	Subsidiary	Storage and transportation services	RMB620,000	174,129	66,863	21,104	(9,003)	(9,541)
Shanghai Chemical Industry Park Development Company Limited	Invested company	Storage and transportation services	RMB2,372,439	10,245,489	7,078,915	1,829,816	594,773	496,188
Shanghai Petrochemical Linde-SFC Gases Company Limited	Invested company	Production of chemical raw materials and chemical products	USD32,000	387,317	359,479	341,664	48,939	40,023
Shanghai Azbil Automation Company Limited	Invested company	Production of instruments and gauges	USD3,000	194,377	128,040	374,541	67,402	50,186

Note: None of the subsidiaries has issued any debt securities.

The Group's share of interests in associates comprises a 38.26% equity interests in Shanghai Chemical Industry Park Development Co., Ltd. ("Chemical Industry Park") established in the PRC in the amount of RMB2,379 million. The main business of Chemical Industry Park is to plan, develop, and operate a chemical industry zone located in Shanghai, China.

- (1) Explanation of profits of major controlled companies and invested companies affecting more than 10% of the net profit during the Reporting Period
 - a) In 2025, Chemical Industry Park recorded an operating income of RMB1,830 million, and the profit after taxation reached RMB496 million, and the Company recognized investment gains of RMB135 million using the equity method.
 - b) In 2025, Linde Gases recorded an operating income of RMB342 million, and the profit after taxation reached RMB40.02 million, and the Company recognized investment gains of RMB20.01 million using the equity method.
 - c) In 2025, Azbil recorded an operating income of RMB375 million, and the profit after taxation reached RMB50.19 million, and the Company recognized investment gains of RMB20.07 million using the equity method.

- (2) Analysis of operational performance of major controlled companies and invested companies with a 30% or more year-on-year change
 - a) The net profit of Shanghai Investment Development increased by 70.73% in 2025 as compared with the previous year. The increase was mainly due to a decrease in costs and expenses of Shanghai Investment Development.
 - b) The net profit of Jinshan Associated Trading decreased by 78.52% in 2025 as compared with the previous year. The decrease was mainly due to a decrease in operating income and investment income for the year.
 - c) The net profit of Shanghai Golden Phillips increased by RMB7.48 million in 2025 as compared with the previous year. The increase was mainly due to the decrease in ethylene prices this year, which resulted in a decrease in operating costs, leading to a significant increase in operating results in 2025.
 - d) The net profit of JMGJ increased by RMB3.09 million in 2025 as compared with the previous year. The increase was mainly due to an increase in export sales for the year, resulting in a simultaneous increase in operating income for the year.

- (3) Changes in the consolidation scope due to equity changes in major subsidiaries during the Reporting Period

Company name	Method of acquisition or disposal of subsidiaries during the Reporting Period	Impact on overall production and operation and performance
Inner Mongolia New Jinshan Carbon Fiber Co., Ltd.	Newly established	No significant impact
Shanghai Jinchang Engineering Plastics Company Limited	Equity disposal	No significant impact

3.2.G. Major suppliers and customers

The Group's top five suppliers in 2025 were Sinopec Group, Sinochem Oil Co., Ltd., Shanghai Gas Co., Ltd., State Grid Huitongjincai (Beijing) Information Technology Co., Ltd. and CNOOC (China) East China Sea Xihu Oil & Gas Operation Company (中海石油(中國)東海西湖石油天然氣作業公司). Total procurement costs involving these five suppliers, which amounted to RMB60,114 million, accounted for 82.65% of the total procurement costs of the Group for the year. Among the top five suppliers, the purchase amount of related parties was RMB53,143 million, accounting for 73.06% of the total annual purchase amount. The total procurement from the largest supplier amounted to RMB36,102 million, representing 49.63% of the total costs of purchases by the Group for the year.

The Group's top five customers in 2025 were Sinopec Group, Zhejiang Dushan Energy Co., Ltd., Jiaying Petrochemical Co., Ltd., Shanghai SECCO Petrochemical Company Limited (hereinafter referred to as "Shanghai Secco") and Zhejiang Baling Hengyi Caprolactam Limited Company. Total sales to these five customers amounted to RMB60,196 million, representing 79.72% of the Group's total turnover for the year. Among the sales of the top five customers, the sales of related parties was RMB56,257 million, accounting for 74.50% of the total annual sales. Sales to the Group's largest customer amounted to RMB54,371 million, representing 72.00% of the Group's total turnover for the year.

To the knowledge of the Board, among the suppliers and customers listed above, shareholders and Directors of the Company and their close associates have no interest in Zhejiang Dushan Energy Co., Ltd., Jiaying Petrochemical Co., Ltd., Sinochem Oil Co., Ltd., Shanghai Gas Co., Ltd., State Grid Huitongjincai (Beijing) Information Technology Co., Ltd. and CNOOC (China) East China Sea Xihu Oil & Gas Operation Company; Shanghai Secco is an associate of the Company; Zhejiang Baling Hengyi Caprolactam Limited Company is a joint venture of Sinopec Corp., the controlling shareholder of the Company; Sinopec Group is the ultimate holding company.

(II) Principal Operations of the Company during the Reporting Period

Discussion and analysis of the Company's operation (prepared under CAS)

1. Analysis of the Company's principal activities

1.1 Analysis of changes in the consolidated income statement and the consolidated cash flow statement

Unit: RMB'000

Item	Amount for the year ended 31 December 2025	Amount for the year ended 31 December 2024	Percentage change (%)
Operating income	75,563,186	87,132,820	-13.28
Operating cost	63,584,794	72,045,290	-11.74
Selling and distribution expenses	224,370	224,141	0.10
General and administrative expenses	1,475,882	1,583,632	-6.80
Financial expenses ("—" for financial income)	-164,753	-171,454	-3.91
Research and development expenses	214,793	173,953	23.48
Net cash inflow generated from operating activities ("—" for net outflow)	1,993,330	7,740,447	-74.25
Net cash inflow generated from investing activities ("—" for net outflow)	-1,584,373	-2,051,134	-22.76
Net cash inflow generated from financing activities ("—" for net outflow)	-1,104,513	-2,388,635	-53.76

Analysis of major changes in the consolidated income statement

Unit: RMB'000

Item	For the years ended 31 December		Increase/ Decrease amount	Increase/ Decrease (%)	Major reason for change
	2025	2024			
Other income	23,282	35,387	-12,105	-34.21	This was mainly due to the reduction in government grants received during the year.
Assets impairment losses	-392,671	-285,929	-106,742	37.33	The gross margin of petrochemical products decreased during the year, and the amount of provisions for inventory impairment loss increased as compared with the previous year.
Income tax expense ("-" for benefits)	-58,514	106,318	-164,832	-155.04	The operating loss for the year resulted in income tax benefits.
Net (loss)/profit attributable to equity shareholders of the Company ("-" for loss)	-1,432,595	316,500	-1,749,095	-552.64	The operating results declined for the year.

Analysis of major changes in the cash flow statement

Unit: RMB'000

Item	For the years ended 31 December		Increase/ Decrease amount	Increase/ Decrease (%)	Major reason for change
	2025	2024			
Net cash inflow generated from operating activities ("-" for net outflow)	1,993,330	7,740,447	Inflow decreased by 5,747,117	Inflow decreased by 74%	Cash received for sales of goods and providing services during the year decreased as compared with the previous year.
Net cash inflow generated from investing activities ("-" for net outflow)	-1,584,373	-2,051,134	Outflow decreased by 466,761	Inflow increased by 23%	The net cash received from the time deposits during the year increased as compared with the previous year.
Net cash inflow generated from financing activities ("-" for net outflow)	-1,104,513	-2,388,635	Outflow decreased by 1,284,122	Outflow decreased by 54%	The net cash outflow from the repayment of borrowings during the year decreased as compared with the previous year.

1.2 Operating income

(1) Analysis of factors causing the changes in operating income in the Reporting Period

In 2025, the sales volume of the Group's petroleum products decreased by 9.62%, leading to a decrease in the Group's operating income in 2025 as compared with the previous year.

(2) Major customers

Please refer to Section 3.2.G of the Management Discussion and Analysis in this chapter for details of major customers of the Group.

1.3 Operating cost

(1) Analysis of operating cost

In 2025, the Group's operating cost was RMB63,585 million, representing a decrease of 11.74% from the previous year's RMB72,045 million. This was mainly due to the combined effect of a decrease in crude oil prices and a decline in production and sales volume of petrochemical products in the year.

The following table sets forth the details of the operating cost of the Group during the Reporting Period:

	For the years ended 31 December				
	2025		2024		Increase/ Decrease (%)
	Amount (RMB million)	% of the total operating cost	Amount (RMB million)	% of the total operating cost	
Cost of raw materials					
Crude oil	44,833.74	70.51	50,784.85	70.49	-11.72
Other raw materials, auxiliary materials and power	7,573.81	11.91	9,049.92	12.56	-16.31
Depreciation and amortisation	1,882.16	2.96	2,006.89	2.79	-6.22
Employee wage and others	1,989.88	3.13	2,077.59	2.88	-4.22
Trading cost	6,303.23	9.91	6,817.56	9.46	-7.54
Others	1,001.97	1.58	1,308.48	1.82	-23.42
Total	63,584.79	100.00	72,045.29	100.00	-11.74

(2) Major suppliers

For details of major suppliers of the Group, please refer to Section 3.2.G of the Management Discussion and Analysis in this chapter.

1.4 Expenses

Please refer to “Analysis of changes in the consolidated income statement and the consolidated cash flow statement” under the “Analysis of the Company’s principal activities” set forth in the “Discussion and analysis of the Company’s operation” for details of the changes in expenses of the Group during the Reporting Period.

1.5 Research and development (“R&D”) expenditure

(1) R&D expenditure

Unit: RMB’000

Expensed R&D expenditure during the Reporting Period	214,793
Capitalised R&D expenditure during the Reporting Period	–
Total R&D expenditure	214,793
% of R&D expenditure to operating income	0.28
% of capitalised R&D expenditure	–

(2) R&D personnel

Number of R&D personnel	149
% of number of R&D personnel to total number of staff	2.15
Educational structure of R&D personnel	
	Education structure
Education structure category	number
Doctor	6
Master	53
Undergraduate	44
Junior college graduate	20
High school and below	26
Age structure of R&D personnel	
Age structure category	Age structure number
Under 30 years old (excluding 30 years old)	24
30-40 years old (including 30 years old and excluding 40 years old)	30
40-50 years old (including 40 years old and excluding 50 years old)	39
50-60 years old (including 50 years old and excluding 60 years old)	49
Over 60 years old	7

For details of R&D, patents and licenses of the Group, please refer to Section 3.2.C of the Management Discussion and Analysis in this chapter.

(3) Reasons for significant changes in the composition of R&D personnel and their impact on the Company's future development

Not applicable

1.6 Cash flow

Please refer to "Analysis of changes in the consolidated income statement and the consolidated cash flow statement" under the "Analysis of the Company's principal activities" set forth in the "Discussion and analysis of the Company's operation" for details of changes in the consolidated cash flow statement.

2. Analysis of revenue and cost

2.1 Principal activities by product

Unit: RMB'000

By product	Operating income	Operating cost	Gross profit margin (%)	Increase/ Decrease of	Increase/ Decrease of	Change of gross profit margin as compared to the previous year (percentage point)
				operating income as compared to the previous year	operating cost as compared to the previous year	
Petroleum products ^{Note}	51,438,900	40,133,722	21.98	-17.13%	-15.96%	Decreased by 1.08 percentage points
Chemical products	17,032,609	16,554,227	2.81	-0.73%	-1.64%	Increased by 0.90 percentage point
Trading of petrochemical products	6,372,046	6,303,231	1.08	-7.82%	-7.54%	Decreased by 0.29 percentage point
Others	123,267	123,156	0.09	34.95%	36.42%	Decreased by 1.08 percentage points

Note: The gross profit margin is calculated according to the price of petroleum products, which includes consumption tax. The gross profit margin of petroleum products after deducting the consumption tax amounted to 2.49%.

2.2 Operating income by geographical location

Unit: RMB'000

Geographical location	Operating income	Increase/Decrease of operating income compared with the previous year (%)
East China	72,985,984	-13.42%
Other regions in China	488,293	-38.01%
Export	2,088,909	1.98%

3. Explanation of significant profit changes caused by non-core businesses

Not applicable

4. Analysis of assets and liabilities

Unit: RMB'000

Item	As at 31 December 2025		As at 31 December 2024		Change of amount on 31 December 2025 compared to 31 December 2024 (%)	Major reason for change
	Amount	% of total assets	Amount	% of total assets		
Cash at bank and on hand	7,515,562	18.84	12,096,477	28.96	-37.87	Operating loss for the year and a decrease in net cash inflow generated from operations.
Derivative financial assets	13,493	0.03	49	0.00	27,436.73	Crude oil and refined product swap contracts were purchased during the year.
Other receivables	228,621	0.57	690,537	1.65	-66.89	The consumption tax refund receivable on imported naphtha at the end of the last year was received during the current year, resulting in a decrease in the balance at the end of the current year.
Construction in progress	4,315,241	10.82	2,064,067	4.94	109.06	Promotion of Cogeneration Unit Clean and Efficiency Improvement Project during the year.
Short-term loans	-	0.00	1,500,940	3.59	-100.00	Repayments of borrowings during the year.
Accounts payable	3,707,975	9.30	2,730,914	6.54	35.78	Increase of payable for crude oil for the year.
Taxes payable	727,367	1.82	1,388,147	3.32	-47.60	Decreased of consumption tax and value-added tax payable for the year.

Item	As at 31 December 2025		As at 31 December 2024		Change of amount on 31 December 2025 compared to 31 December 2024 (%)	Major reason for change
	Amount	% of total assets	Amount	% of total assets		
Long-term loans	811,768	2.04	67,685	0.16	1,099.33	Long-term loans newly increased during the year to supplement the funding needs of engineering construction projects.
Treasury stock	-	-	56,159	0.13	-100.00	Cancellation of repurchased H ordinary shares for the year.
Specific reserve	135,289	0.34	290,607	0.70	-53.45	Increase of expenses related to safe production due to the Company's major overhaul for the year.

Overseas assets

During the Reporting Period, the overseas assets held by the Company were RMB9,841 thousand, accounting for 0.02% of the total assets.

5. Material changes or adjustments in the Company's business, products, or services during the Reporting Period

Not applicable

6. Others

(1) Directors, senior management and employees of the Group

Please refer to "Details of Directors and Senior Management" under Chapter 5 Corporate Governance, Environment and Society in this annual report.

(2) Acquisition, sale and investment

Save and except as disclosed in the annual report, there was no material acquisition or sale of the Group's subsidiaries, associates or joint ventures or any other material investments in 2025.

(3) *Pledge of assets*

As of 31 December 2025, no fixed assets were pledged by the Group (31 December 2024: Nil).

(4) *Material events after the end of the Reporting Period*

The Board has not noticed any significant events affecting the Group since the end of the Reporting Period.

5. Financial assets and financial liabilities held in foreign currencies

As at 31 December 2025, cash at bank and on hand, trade receivables, other receivables, accounts payables and other payables, and other financial assets and liabilities denominated in foreign currencies held by the Group were equivalent to net assets of RMB737 thousand.

6. Investment of the Company

6.1 *Entrusted wealth management and entrusted loans*

(1) Entrusted wealth management

The Company did not engage in any entrusted wealth management during the Reporting Period.

(2) Entrusted loans

The Company did not engage in any entrusted loans during the Reporting Period.

6.2 *Analysis of major subsidiaries and investing companies*

For the analysis of major subsidiaries and investing companies, please refer to 3.2.F Analysis of operation and results of major controlled companies and invested companies during the Reporting Period under the Management Discussion and Analysis section in this chapter.

6.3 Non-fundraising projects

In 2025, the capital expenditures of the Group amounted to RMB3,232 million, representing an increase of 82.91% as compared with RMB1,767 million in 2024. Major projects include the following:

Major project	Total amount of project investment RMB'000	Amount of project investment during the Reporting Period RMB'000	Project progress as of 31 December 2025
SPC Comprehensive Technological Transformation and Quality Upgrading Project	19,603,970	164,064	The overall design has been approved, and the project is currently in the basic design stage
SPC Cogeneration Unit Clean and Efficiency Improvement Project	3,287,711	1,300,000	Under construction
Construction Project of the Large-Tow Carbon Fiber Outside of Shanghai of SPC	3,196,000	646,359	Under construction
Rectification Project for Long-Term Operation of 2# Atmospheric and Vacuum Distillation Unit in the Refining Department	148,913	100,000	Under construction and scheduled for completion and commissioning in 2026
Potential Tapping and Efficiency Enhancement Project for No. 5 Refining Integrated Plant in the Oil Refining Department	99,454	70,000	Under construction and scheduled for completion and commissioning in 2026

Note: In addition to the major capital expenditure items disclosed in the above table, the total capital expenditure of other projects of the Company is RMB952 million.

The Group's capital expenditures for 2026 are estimated at approximately RMB6 billion.

6.4 Financial Assets Measured at Fair Value

Project	Opening amount	Closing amount	Profit and loss from changes in fair value in the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	Source of funds
Financial assets measured at fair value through profit or loss						
- Other non-current financial assets	36,500	37,500	1,000	-	-	Own capital
Financial assets at fair value through other comprehensive income						
- Derivative financial assets	49	13,493	-	83,958	-	Own capital
- Receivables under financing	388,230	332,015	-	-	-	Own capital
- Investment in other equity instruments	3,872	3,466	-	(406)	-	Own capital
Total	428,651	386,474	1,000	83,552	-	

Derivative investments for hedging purposes during the Reporting Period

Type of derivative investment	Initial investment amount	Opening book value	Gains or losses arising from changes in fair value for the period	Cumulative changes in fair value included in equity	Amount purchased during the Reporting Period	Amount disposed during the Reporting Period	Closing book value	Proportion of closing book value to net assets of the Company at the end of the Reporting Period (%)
Commodity swaps contracts	-	49	-	(27,842)	4,541,286	4,507,108	6,385	0.03%
Total	-	49	-	(27,842)	4,541,286	4,507,108	6,385	0.03%
The accounting policies, specific principles of accounting for hedging operations during the Reporting Period, and a statement of whether there are significant changes compared with the previous reporting period	No significant change.							
Statement of actual profit or loss during the Reporting Period	The actual loss of the Company's commodity swap contracts was RMB27,842 thousand.							
Statement of the effect of hedging	<p>The Group engages in petrochemical business, which exposed the Group to commodity price risks related to the price of crude oil, refined oil and other chemical products. The fluctuation of the price of crude oil, refined oil and other chemical products may have a significant impact on the Group. The Group uses derivative financial instruments such as commodity swap contracts to manage such commodity price risks.</p> <p>In 2025, the Group did not recognize any hedge ineffectiveness in relation to the commodity swap contracts.</p>							
Source of funds for derivative investment	Own capital.							

Type of derivative investment	Initial investment amount	Opening book value	Gains or losses arising from changes in fair value for the period	Cumulative changes in fair value included in equity	Amount purchased during the Reporting Period	Amount disposed during the Reporting Period	Closing book value	Proportion of closing book value to net assets of the Company at the end of the Reporting Period (%)
<p>Risk analysis and control measures (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks) in respect of derivative positions during the Reporting Period</p>	<p>The Company's financial derivatives transactions are all for the purpose of locking in costs or profits, responding to market changes and hedging risks, and are in line with actual operational business needs, which help the Company to avoid the impact of risks and stabilize its operating results. From the perspective of financial derivatives business, there are certain risks, and the main risks are as follows:</p> <ol style="list-style-type: none"> market risk of loss due to changes in the price of the underlying assets that are contrary to expectations. operational risk due to human error or system failure or control failure of trading or management personnel. 							
	<p>Risk control measures in respect of the Company's financial derivative transactions:</p> <ol style="list-style-type: none"> selecting trading products with simple structure, high liquidity and controllable risk, and conducting them only within the amount authorized by the Board and strictly controlling the scale of transactions. formulating the standardized business operation procedures and authorization management system, arranging full-time personnel, clarifying job responsibilities, and strictly engaging in monetary financial derivatives business within the scope of authorization; improving business training, professional ethics and quality of relevant personnel, and establishing a timely reporting system for abnormal situations, so as to maximize the avoidance of operation risks. 							
<p>The changes of market price of derivatives invested or the fair value of products during the Reporting Period. Specific usage and settings of relevant assumptions and parameters of the analysis on the fair value of derivatives shall be disclosed</p>	<p>The Group's analysis for the fair value of commodity swap contracts uses the price of the underlying commodity and the discount rate for counterparty credit risk.</p>							
<p>Date of the announcement disclosing the approval of derivatives investment by the Board</p>	<p>18 March 2026</p>							

Explanation of securities investment

Not Applicable

Investment in private equity fund

Not Applicable

(III) Discussion and analysis on future development of the Company

1. Industry competition and development trends

2026 marks the start of the “15th Five-Year Plan”, with economic development facing a complex external environment. Since March, the escalating conflict involving the U.S., Israel, and Iran has become a key variable impacting the global economy: shipping through the Strait of Hormuz has been disrupted, leading to significant volatility in international oil prices. High oil prices have further fueled global inflation, reduced trade and supply chain efficiency, accelerated the restructuring of industrial and supply chains, and weakened the momentum of world economic growth. China’s GDP growth target for 2026 is set at 4.5%-5%. Although the situation in the Middle East has exerted imported inflationary pressures and increased foreign trade costs, creating a slight drag on economic growth, the domestic economy will be supported by a proactive fiscal policy and a prudent and accommodative monetary policy. By focusing on expanding domestic demand and promoting industrial upgrading, the overall economy demonstrates strong resilience, with growth expected to meet the target. For the petrochemical industry, geopolitical conflicts intensify profit and price volatility in the short term, but in the long run, they will act as a “catalyst” for transformation, accelerating the industry’s pace in energy substitution, raw material diversification, supply chain security, and the advancement of high-end upgrades. Concurrently, shifts in the international energy landscape will significantly boost demand for renewable energy sources such as photovoltaics and wind power. As a key complementary technology, energy storage technology is also poised for greater development.

2. Development strategies of the Company

The Group's development objectives are to evolve itself into a "leading domestically, first-class globally" energy and chemical and new material enterprise. The Group will insist on taking into account both low cost and differentiation, and focusing on both scale and refinement. The Group is guided by value and market orientation, creativity, talents as the backbone of the Group, the emphasis of green and low carbon and integrated development, to focus on low cost and large scale of the upstream, and high value-added and refinement of the downstream. The Group will give full play to its advantages of broad product chain, diversified products and close proximity to the market to enhance competitiveness. Under the guidance of the development strategy, the Group will persist in the comprehensive transformation and upgrading of traditional industries and accelerate the development of strategic emerging industries, with synchronous promotion in both directions. According to the requirements of "North-South Transformation" raised by Shanghai Government, the Group will actively promote the transformation of oil refining to chemical industry, chemical industry to materials, materials to high-end products, and parks to ecology, will carry out comprehensive technological transformation and quality upgrades, and will further optimize refining product structure. The Group will strengthen the core industries of mid-to-high-end new materials such as carbon fiber, and take polyolefin, elastomer, and C-5 downstream fine chemical new materials as breakthrough and extension for the mid-to-high-end new materials industrial chain. It will pursue coordinated development with surrounding industrial parks, including "Carbon Valley Green Bay" in Jinshan District, thereby supporting the North-South transformation in Shanghai. The Group will promote energy conservation and consumption reduction in production facilities, develop wind, light, fire, and biological integrated power generation and green hydrogen production technology, thereby optimizing its energy structure to achieve green and low-carbon development.

3. Management plan

In 2026, the Group will continue to adhere to the general principle of pursuing progress while ensuring stability, focus on its core responsibilities and principal businesses, coordinate development and security, and concentrate efforts on winning the critical battles in risk prevention and control, transformation and upgrading, quality and efficiency improvement, tackling key reforms, and strengthening the enterprise through talent, thereby achieving a good start to the "15th Five-Year Plan". In 2026, the Company plans to process a total of 12 million tons of crude oil, produce a total of 7.45 million tons of refined oil products, 671,300 tons of ethylene, 534,300 tons of p-xylene. In order to achieve the business objectives for 2026, the Group will focus on the following five areas of work:

(1) *Focusing on winning the critical battle for safety and environmental protection*

The Group will firmly establish the principles of putting people first, prioritizing safety, emphasising environmental protection, and upholding quality as the utmost priority. It will regard the battle for safety and environmental protection as its primary task, advance efforts to address root causes of work safety, achieve the dynamic elimination of hazards, and drive the transformation of HSE management toward a preventive approach. The Group will continue to fight the battle against pollution, diligently implement the three-year action plan for building a “Zero-Waste Group”, and focus on promoting the construction of “Odor-Free Factories”. It will also advance the development of a law-based enterprise and strictly uphold the lawful and compliance red line in its operations.

(2) *Focusing on winning the critical battle for transformation and upgrading*

The Group will attach equal importance to deepening its focus on core businesses and revitalizing industries, strengthen brand building, and advance structural adjustments in traditional industrial layouts. It will strive to commence civil construction of the comprehensive technological transformation and quality upgrading project in June 2026, and achieve mechanical completion of the cogeneration unit clean and efficiency improvement project within the year. Focusing on the development of international air transportation center in Shanghai, it will make every effort to increase the production of jet fuel. The Group will strengthen the integrated industrial chain of marine fuel. It will push forward the completion and commissioning of the construction project of the large-tow carbon fiber outside of Shanghai of SPC, promote the stable large-scale production of ultra-large-tow carbon fiber of 60K and above, hundred-ton scale high-performance carbon fiber, and high-strength high-modulus series products, and focus on expanding the application of elastomers, carbon fibers and their composites in emerging fields such as wind power. The Group will promote the deep integration of digital and intelligent transformation with the flattening reform in a coordinated manner, and implement the “AI Plus” action plan.

(3) *Focusing on winning the critical battle for quality improvement and efficiency enhancement*

The Group will fully utilize the smart operation platform to strengthen market price analysis and seize cost-effective bulk commodity resources, thereby maximizing the efficiency of material allocation. It will adhere to the cost leadership strategy, optimize overall energy consumption, and promote the implementation of energy efficiency improvement projects. The Group will strengthen asset lifecycle management and innovate mechanisms for revitalizing inefficient assets. It will innovate marketing concepts, deepen customer collaboration, and enhance industry-academia-research cooperation to develop differentiated products. The Group will expand the scale of strategic emerging customers and vigorously implement its market expansion strategy.

(4) *Focusing on winning the critical battle for deepening reform*

The Group will scientifically carry out business optimization and adjustments, and continue to build a specialized management system featuring vertical integration and horizontal coordination, as well as a territorial management system with well-defined powers and responsibilities and strong execution. It will build a strong scientific research talent pool, increase investment in research and development, and deepen the reform of the systems and mechanisms for scientific research. The Group will reinforce the “capability + performance” orientation, remove rigid barriers to promotion, and improve career development paths for talent.

(5) *Focusing on winning the critical battle for strengthening the enterprise through talent*

The Group will firmly establish the principle of “investing in talent”, prioritising talent development above all else. The Group will build a comprehensive framework for collaborative advancement and shared responsibility in talent management, thereby strengthening the “foremost resource” for future success. The Group will focus on enhancing cadres’ digital and intelligent capabilities and conduct tiered, categorised training programmes to improve their capabilities to perform their duties. The Group will continue to organize labor competitions and skills contests, and carry out substantive innovation and efficiency-enhancing activities involving the general public. The Group will promote role models and benchmarks to inspire all employees to keep striving for excellence.

4. Possible risks

- (1) *The cyclical characteristics of the petroleum and petrochemical products market and price volatility in crude oil and petrochemical products may have an adverse impact on the Group's operations*

A large part of the Group's operating income is derived from the sales of refined oil and petrochemical products. Historically, such products have been cyclical in nature and relatively sensitive to macroeconomic changes. Additionally, changes in regional and global economic conditions, productivity and output, prices and supply of raw materials, consumer demand and prices and supply of substitutes also have an effect. From time to time, these factors have a material impact on the prices of the Group's products in regional and global markets. In addition, the prices of crude oil and petrochemical products will remain volatile, and uncertain. Higher crude oil prices and lower petrochemical products prices are likely to have an adverse impact on the Group's business, operating results and financial condition.

- (2) *The Group may be exposed to risks associated with the procurement of imported crude oil and may not be able to pass on all increased costs due to rising crude oil prices*

At present, the Group consumes a significant amount of crude oil for the production of petrochemical products. More than 95% of the crude oil consumption is imported. In recent years, crude oil prices have been subject to significant fluctuations due to a variety of factors, and the Group cannot rule out the possibility of any major unexpected event which may cause a suspension in crude oil supply. The Group has attempted to mitigate the effects of increased costs from rising crude oil prices by passing them on to the customers, but the ability to do so is limited because of market conditions and government control over the pricing of petroleum products. Since there is a time-lag between increases in crude oil prices and increases in petrochemical product prices, higher costs cannot be totally offset by raising the sales prices. In addition, the State also imposes control over the distribution of some petroleum products within China. For instance, some of the Group's petroleum products are required to be sold to designated customers (such as subsidiaries of Sinopec Corp.). Hence, when crude oil prices are high, the higher costs cannot be totally offset by raising the sales prices of the Group's petroleum products.

- (3) *Substantial capital expenditures and financing requirements are required for the Group's development plans, presenting a number of risks and uncertainties*

The petrochemical industry is a capital-intensive industry. The Group's ability to maintain and raise income, net income and cash flows is closely connected with ongoing capital expenditures. The Group's estimated capital expenditures amount to approximately RMB6 billion in 2026, which will be met by financing activities and certain of own funds. The Group's effective capital expenditures may vary significantly due to the Group's ability to generate sufficient cash flows from operations, investments and other factors that are beyond control. Furthermore, there is no assurance as to the completion, cost or outcome of the Group's fundraising projects.

The Group's ability to secure external financing in the future is subject to a number of uncertainties which include the Company's operating results, financial conditions and cash flow in the future; China's economic conditions and the market conditions for the Group's products; financing costs and conditions of the financial market, and issuance of government approval documents, as well as other risks associated with the development of infrastructure projects in China and so forth. The Group's failure to secure sufficient financing required for its operations or development plans may have an adverse impact on the Group's business, operating results and financial condition.

- (4) *The Group's business operations may be affected by existing or future environmental protection regulations*

The Group is subject to a series of environmental protection laws and regulations. Waste products (waste water, waste gas and waste residue) are generated during the Group's production operations. Currently the Group's operations fully comply with all applicable environmental protection laws and regulations. However, the government departments may further enforce stricter environmental standards, and the Group cannot assure that the state or local governments will not issue more regulations or enforce stricter regulations which may cause the Group to incur additional expenses on environmental protection measures.

- (5) *Changes in the monetary policy and fluctuations in the value of Renminbi may have an adverse impact on the Group's business and operating results*

The exchange rate of the Renminbi against the US Dollar and other foreign currencies may fluctuate and is subject to alterations due to changes on the Chinese political and economic situations. In July 2005, the government overhauled its policy of pegging the value of the Renminbi to the US dollar by permitting the Renminbi to fluctuate within a certain band against a basket of foreign currencies. Since the adoption of this new policy, the value of the Renminbi against the US dollar fluctuates daily. In addition, the government has been under international pressure to further ease its exchange rate policy, and may as a result further change its currency policy. A small portion of our cash and cash equivalents are denominated in foreign currencies, including the US dollar. Any increase in the value of Renminbi against other currencies, including the US dollar, may decrease the Renminbi value of our cash and cash equivalents that are denominated in foreign currencies. On the other hand, most of our revenue is denominated in Renminbi, but a major part of our procurement of crude oil, certain equipment and certain debt repayments are denominated in foreign currencies. Any devaluation of Renminbi in the future will increase our costs and jeopardize profitability. Any devaluation of Renminbi may also have an adverse impact on the value of dividends payable in foreign currencies by the Group for H shares.

- (6) *Connected transactions may have an adverse impact on the Group's business and economic efficiency*

The Group will, from time to time, continue to conduct transactions with the Group's controlling shareholder Sinopec Corp. and Sinopec Corp.'s controlling shareholder Sinopec Group as well as their connected parties (subsidiaries or associates). These connected transactions include the provision of the following services by such connected parties to the Group: raw materials purchases, agency sale of petrochemical products, construction, installation and engineering design services, petrochemical products industry insurance services and financial services, and the sale of petroleum and petrochemical products by the Group to Sinopec Corp. and its connected parties. These connected transactions and services conducted by the Group are carried out under normal commercial terms and in accordance with the relevant agreements. However, if Sinopec Corp. and Sinopec Group refuse to conduct such transactions or revise the agreements between the Group and itself in a manner unfavorable to the Group, the Group's business and business efficiency will be adversely impacted. Furthermore, Sinopec Corp. has an interest in certain sectors that are directly or indirectly competing with or which may compete with the Group's business. Since Sinopec Corp. is the controlling shareholder of the Group and its own interests may conflict with those of the Group, it may act for its own benefit regardless of the Group's interests.

(7) *Risks associated with control by the substantial shareholder*

As of 31 December 2025, Sinopec Corp., the controlling shareholder of the Company, owns approximately 5,462 million shares of the Company, which represents 51.81% of the total number of shares of the Company and gives it an absolute controlling position. Sinopec Corp. may, by using its controlling position, exercise influence over the Group's production operations, fund allocations, appointment or removal of senior staff and so forth, thereby adversely affecting the Group's production operations as well as minority shareholders' interests.

(IV) Explanation on the Company's failure to make disclosure in accordance with the standards due to inapplicability of standards or special reasons such as national secrets or business secrets, and the reasons thereof

Not Applicable

Section III Analysis of Operating Information in Chemical Industry

(I) Basic information of the industry

1. Industry policy and changes

The following policies and measures introduced in 2025 had a significant impact on the development of the petrochemical industry:

The “Work Plan for steady growth of the Petrochemical Industry (2025-2026)”, jointly issued by seven departments including the Ministry of Industry and Information Technology (MIIT), clearly set forth the target of an average annual growth rate of over 5% in the added value of the petrochemical and chemical industry during 2025-2026. It emphasized promoting high-quality development of the industry through measures such as technological innovation, industrial upgrading, and market expansion. The plan focused on regulating new refining capacity, scientifically guiding the pace of capacity allocations for ethylene, paraxylene, and other products, while also promoting the upgrading of old facilities and the digital and green transformation. These measures had a profound impact on the optimization of the industry’s capacity structure and its transformation and upgrading.

The “Notice on Promoting the High-quality Development of Refined Oil Products Circulation” was issued by the General Office of the State Council. The document improved the filing management for wholesale and storage of refined oil products, strengthened licensing administration for retail operations, and enhanced cross-departmental supervision mechanisms to tighten oversight in key areas. This policy standardized the order of refined oil product circulation and steered the industry toward more regulated and refined development, imposing higher requirements on enterprises involved in the production and sale of refined oil products.

The “Regulations on the Safety Administration of Hazardous Chemicals of the People’s Republic of China” were promulgated by the Standing Committee of the National People’s Congress (SCNPC). The Regulations applied to the whole-chain safety management of the production, storage, use, operation, and transportation of hazardous chemicals. They explicitly stipulated that the State establishes a catalog management system and strengthens the primary responsibility of entities as well as the supervisory responsibilities of the government. These Regulations provided a legal basis for the safety management of hazardous chemicals and further standardized the whole-process management of hazardous chemicals in the petrochemical industry. The “General Specification for Standardizing Work Safety in Hazardous Chemical Enterprises” (GB45673-2025) was issued by the Ministry of Emergency Management. The standard consolidated multiple industry-specific standards and strengthened the whole-chain safety control of hazardous chemicals. It set forth clear requirements in areas such as safety leadership, equipment integrity, and digital-based management and control. This standard enhanced the level of work safety in the industry and prompted enterprises to increase safety investments and accelerate technological upgrades.

“Measures for the Specialized Management of Investments in Energy Saving and Carbon Reduction within the Central Budget”. The National Development and Reform Commission has issued these measures to explicitly support energy-saving and carbon-reduction upgrades in key sectors such as petrochemical industry and chemical industry and promote the low-carbon transformation of coal chemical projects. This policy provided financial backing for the industry’s low-carbon development and encouraged enterprises to intensify research and development and application of energy-saving and carbon-reduction technologies.

“List of Priority Control Chemicals (Third Batch)(Consultation Draft)” was published by the Ministry of Ecology and Environment. The list included 24 categories of chemical substances, such as bisphenol A and dibutyl phthalate, under regulatory control, involving multiple sectors including petrochemicals, plastics, and rubber. The release of this list prompted industries to strengthen the safety management of chemicals and promoted the application of green alternatives and environmental technologies.

These policies and measures comprehensively regulated and guided the petrochemical industry from multiple dimensions, including regulatory oversight, safety, green and low-carbon, and industrial development, steering the industry toward high-quality, green, and intelligent transformation.

2. Basic situation of major segments and the Company’s industry status

In 2025, the industrial added-value of enterprises above the designated size in the industry increased by 6.9% year-on-year, 1 percentage point higher than the growth rate of the national industrial added-value during the same period, maintaining relatively rapid growth. In terms of the full-year trend, the growth rate of the industrial added-value of the industry showed a trend of being lower in the first half and higher in the second half. Overall, the performance in the second half of the year surpassed that of the first half.

Production of key energy and chemical products remained stable. The output of crude oil and natural gas maintained a steady growth. According to statistical data from the National Bureau of Statistics, in 2025, the national output of crude oil reached 216 million tons, representing a year-on-year increase of 1.5%, achieving “seventh consecutive increases” in output; the national output of natural gas was 261.89 billion cubic meters, representing a year-on-year increase of 6.2%, with the increase in production exceeding 10 billion cubic meters for nine consecutive years. The cumulative processing of crude oil reached 738 million tons, representing a year-on-year increase of 4.1%. The national crude oil processing level has remained above 700 million tons for three consecutive years. The national output of refined oil (gasoline, kerosene and diesel, the same below) was 413 million tons, representing a year-on-year decrease of 1.4%. Among them, the output of gasoline was 155 million tons, representing a year-on-year decrease of 3.4%; the output of kerosene was 58.937 million tons, representing a year-on-year increase of 5.9%; the output of diesel was 200 million tons, representing a year-on-year decrease of 1.8%; the output of ethylene was 41.508 million tons, representing a year-on-year increase of 6.4%; the output of synthetic resin was 148 million tons, representing a year-on-year increase of 11.3%; the output of rubber tire casing was 1.207 billion units, representing a year-on-year increase of 0.9%.

The apparent consumption of major energy and chemicals generally maintained an upward trend. The apparent consumption of crude oil for the year was 791 million tons, representing a year-on-year increase of 3.5%; the apparent consumption of natural gas was 434.02 billion cubic meters, representing a year-on-year increase of 2.2%. The national apparent consumption of refined oil was 377 million tons, representing a year-on-year decrease of 1.4%, in which the apparent consumption of gasoline, kerosene and diesel were 147 million tons, 37.55 million tons and 193 million tons respectively, representing a decrease of 2.5%, an increase of 1.0% and a decrease of 1.1%, respectively. The apparent consumption of ethylene increased 7.7% year-on-year. The apparent consumption of synthetic resin was 152 million tons, representing a year-on-year increase of 6.8%; the apparent consumption of synthetic rubber was 13.824 million tons, representing a year-on-year decrease of 14.6%; the apparent consumption of synthetic fiber monomers and polymers was 97.893 million tons, representing a year-on-year increase of 6.6%.

Market prices of major energy and chemicals declined amid volatility. Price indices released by the National Bureau of Statistics showed that, for the full year, producer prices for the oil and natural gas extraction industry decreased by 9.9% year-on-year, while those for the chemical raw materials and chemical products manufacturing industry decreased by 4.9% year-on-year. Data monitored by the China Petroleum and Chemical Industry Federation indicated that in 2025, the average spot price of Brent crude oil was US\$69.2 per barrel, representing a year-on-year decrease of 14.4%, while the average spot price of WTI crude oil was US\$64.8 per barrel, representing a year-on-year decrease of 14.4%. Chemical product market prices experienced a significant decline, with particularly numerous product price decreases in organic chemical raw materials and synthetic materials. Monitoring data showed that among major organic chemical raw materials, 87% of product categories recorded year-on-year declines in average market prices for the full year; among major synthetic materials, 85% of product categories experienced year-on-year decreases in average market prices for the full year.

The industry's operating income and total profits declined. In 2025, the number of enterprises above designated size in the national petroleum and chemical industry exceeded 33,000, with cumulative operating income reaching RMB15.67 trillion, representing a year-on-year decrease of 3%. Total profits amounted to RMB702.09 billion, representing a year-on-year decrease of 9.6%. The industry's operating income and total profits accounted for 11.3% and 9.5% of the national industry above the designated size, respectively. The profit margin of operating income was 4.48%, representing a year-on-year decrease of 0.37 percentage point. From the perspective of industry structure, both operating income and total profit of major segments declined to varying degrees. Among them, the chemical segment recorded a cumulative operating income of RMB9.6 trillion and a total profit of RMB417.36 billion, representing a year-on-year increase of 0.5% and a year-on-year decrease of 4.1%, respectively. The refining segment recorded a loss.

The total trade volume of import and export declined, while export volume achieved relatively rapid growth. Customs data showed that, in terms of the full-year trend, the industry's import and export trade volume experienced minor fluctuations and remained generally stable. By product category, import volumes showed divergence, while export volumes grew at a relatively fast pace. On the import side, in 2025, annual crude oil imports reached 579 million tons, representing a year-on-year increase of 4.6%, with the import trade value decreasing by 8.7% year-on-year; crude oil's external dependence stood at 72.7%, representing an increase of 0.5 percentage point year-on-year. Annual natural gas imports totaled 128 million tons, representing a year-on-year decrease of 12.9%, with the import trade value decreasing by 3% year-on-year; natural gas's external dependence was 39.7%, representing a year-on-year decrease of 2.3 percentage points. Annual import volume of liquefied propane amounted to 28.662 million tons, representing a year-on-year decrease of 2.2%; the import volume of polyethylene reached 13.407 million tons, representing a year-on-year decrease of 3.2%; the import volume of polypropylene was 2.119 million tons, representing a year-on-year decrease of 10.1%; the import volume of methanol was 14.431 million tons, representing a year-on-year increase of 6.9%; the import volume of ethylene propylene rubber reached 1.468 million tons, representing a year-on-year decrease of 9%; and the import volume of ethylene glycol amounted to 7.72 million tons, representing a year-on-year increase of 17.8%. On the export side, in 2025, the annual export volume of refined oil products reached 36.507 million tons, representing a year-on-year decrease of 0.7%; the export volume of organic chemicals was 34.647 million tons, representing a year-on-year increase of 15.6%. The export volume of rubber tires amounted to 9.289 million tons, representing a year-on-year increase of 3.3%. The export volume of terephthalic acid stood at 3.817 million tons, representing a year-on-year decrease of 13.6%. The export volume of polyester reached 7.921 million tons, representing a year-on-year increase of 13.4%.

Industry investment declined. Data from the National Bureau of Statistics indicated that in 2025, the cumulative fixed asset investment in the petroleum and natural gas extraction sector decreased by 5.1% year-on-year, with the rate of decline widening by 3.3 percentage points compared to 2024; the cumulative fixed asset investment in the chemical raw materials and chemical products manufacturing sector decreased by 8% year-on-year, while 2024 recorded a year-on-year increase of 8.6%.

The Group is one of the major large-scale refining and chemical integration enterprises in China. The Group's petroleum product output accounted for nearly 2% of the national market share in 2025, with aviation kerosene specifically occupying 6% of the national market. The output of major chemical products accounted for 1.0%-4.0% of the market share for the national corresponding products.

(II) Products and production**1. Main operating model**

The Company's main operating models are: crude oil procurement; processing and production of petroleum products and chemical products; realizing profit through product sales.

2. Main products

Product	Industry segment	Primary upstream raw material	Transport/storage method	Primary downstream application fields	Key price-influencing factors
Diesel	Petroleum products	Petroleum	Pipeline transportation and shipping/storage tank	Transportation fuel, agricultural machinery fuel	International crude oil price, government control
Gasoline	Petroleum products	Petroleum	Pipeline transportation and shipping/storage tank	Transportation fuel	International crude oil price, government control
Jet Fuel	Petroleum products	Petroleum	Pipeline transportation and shipping/storage tank	Transportation fuel	International Crude oil price, supply-demand balance
PX	Intermediate petrochemical products	Naphtha	Road transportation/storage tank	Intermediate petrochemical products and polyester	Raw material price, supply-demand balance
Benzene	Intermediate petrochemical products	Naphtha	Road transportation, shipping, rail transportation/storage tank	Intermediate petrochemical products, styrene, plastic, explosive, dye, detergent, epoxy resin, chinlon	International crude oil price, market supply-demand condition
Ethylene Glycol	Intermediate petrochemical products	Naphtha	Road transportation/storage tank	Fine Chemicals engineering	International crude oil price, market supply-demand condition
Ethylene Oxide	Intermediate petrochemical products	Naphtha	Road transportation, pipeline transportation/storage tank	Chemical and medical industry intermediate products, including dyes, detergents and auxiliary	International crude oil price, market supply-demand condition
Ethylene	Intermediate petrochemical products	Naphtha	Road transportation, pipeline transportation, shipping/storage tank	PE, EG, PVC and other raw material for further processing of intermediate petrochemical products such as resins, plastics and synthetic fibres	International crude oil price, supply-demand balance
PE	Resins and plastics	Ethylene	Road transportation, shipping and rail transportation/warehousing	Film, mulching film, cable insulation material and housewares, toys injection moulding products	Raw material price and market supply-demand condition
PP	Resins and plastics	Propylene	Road transportation, shipping and rail transportation/warehousing	Film, sheets, housewares, toys, household appliances and auto parts injection moulding products	Raw material price and market supply-demand condition
Acrylics	Synthetic fibers	Acrylonitrile	Road transportation, shipping and rail transportation/warehousing	Simple spinning or blend with other material for texture or acrylic top	Raw material price and market supply-demand condition
Fine chemical products	Intermediate petrochemical products	C-5	Road transportation, shipping and rail transportation/warehousing	Resin, adhesive, traffic paint, building and ornament material, packaging material, printing ink, rubber processing, etc.	Raw material price and market supply-demand condition

Product	Production			Sales		
	2025 (10,000 tons)	2024 (10,000 tons)	Year-on-year change	2025 (10,000 tons)	2024 (10,000 tons)	Year-on-year change
Diesel ^{Note 1}	246.97	285.53	-13.50%	244.74	285.87	-14.39%
Gasoline	312.13	345.24	-9.59%	312.19	343.90	-9.22%
Jet Fuel ^{Note 1}	225.09	234.21	-3.89%	131.71	142.05	-7.28%
Paraxylene	68.07	68.99	-1.33%	68.10	69.01	-1.32%
Benzene ^{Note 2}	35.07	34.97	0.29%	35.05	34.98	0.20%
Ethylene Glycol	4.23	0.01	42,200.00%	4.17	0.06	6,850.00%
Ethylene Oxide	11.67	0.00	-	11.30	0.00	-
Ethylene ^{Note 2}	60.71	44.92	35.15%	0.40	1.00	-60.00%
Polyethylene	53.00	50.33	5.30%	52.87	50.21	5.30%
Polypropylene	40.13	39.99	0.35%	40.12	40.14	-0.05%
Acrylic	2.47	2.48	-0.40%	2.48	2.57	-3.50%

Note 1: Excludes sales volume on a sub-contract basis.

Note 2: The difference between production and sales are internal sales.

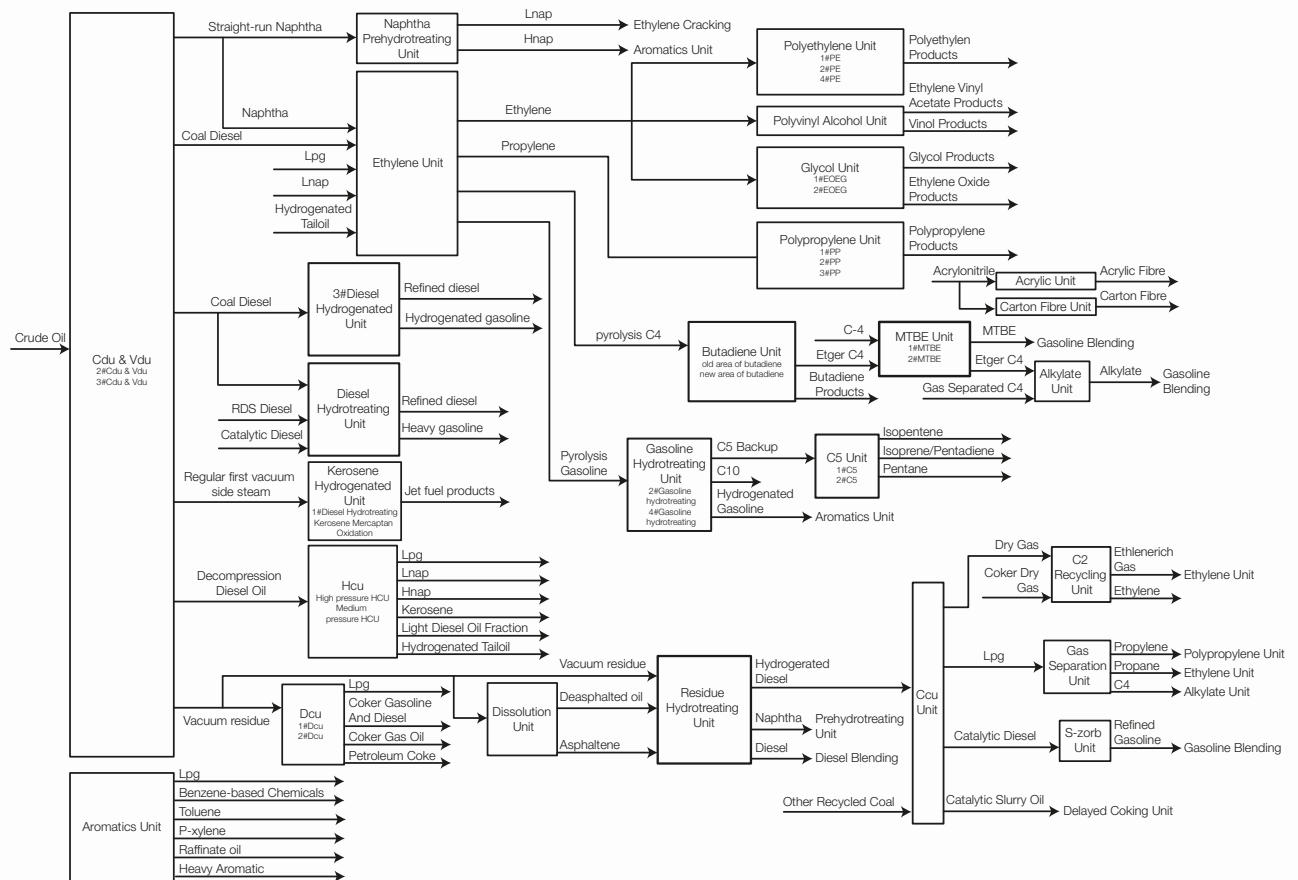
The above-mentioned sales volume does not include the trading of petrochemical products of the Group.

3. R&D and innovation

Please refer to 3.2.C of the section Management Discussion and Analysis in this chapter for details of the R&D and innovation of the Group.

4. Production techniques and processes

The key component of the vertically integrated production facility of the Company is the ethylene facility producing ethylene and propylene and aromatics facility mainly producing paraxylene and benzene. Ethylene is the main raw material for the production of polyethylene and ethylene glycol, while ethylene glycol and PTA polymerization produces polyester. Propylene is the main raw material for the production of polypropylene. The above-mentioned products all use crude oil as raw material and are processed through a series of petrochemical facilities. The chart below illustrates in brief the production processes of the Company.



5. Capacity and operation status

Key production facilities (number of sets)	Designed capacity (tons)	Capacity Utilization (%)
Crude oil distillation facility (2)	14,000,000	86.07
Hydrocracking facility (2)	3,000,000	95.47
Ethylene facility	700,000	98.88
Aromatics facility (2) ^{Note 1}	835,000	100.41
Ethylene oxide/Ethylene glycol facility (2) ^{Note 2}	525,000	67.63
Catalytic cracking	3,500,000	100.57
Delayed coking (2)	2,200,000	96.79
Diesel hydrogenation (2) ^{Note 3}	3,850,000	69.01
Acrylonitrile facility ^{Note 3}	650,000	79.64
C-5 Separation (2)	185,000	122.02
Polyester facility (2) ^{Note 4}	151,000	–
Polyester staple fibre facility (1) ^{Note 5}	4,000	–
Polyester filament facility	21,000	–
Acrylics staple fibre facility (2) ^{Note 6}	94,000	93.95
Polyethylene facility (3)	408,000	90.57
Polypropylene facility (3)	400,000	94.16
Vinyl acetate facility	86,100	96.26

Note 1: No. 1 xylene facility (235,000 tons/year) was suspended for the whole year, and its average load rate was equivalent to that of No. 2 xylene facility (600,000 tons/year).

Note 2: No.1 ethylene oxide/ethylene glycol facility (225,000 tons/year) was suspended for the whole year, and its average load rate being the value of No.2 ethylene oxide/ethylene glycol facility (300,000 tons/year).

Note 3: No. 2 diesel hydrogenation facility (1,200,000 tons/year) was revamped into acrylonitrile facility by the end of 2016. Annual production is 650,000 tons/year.

Note 4: Some production lines have been shut down and decommissioned, and the current capacity was 151,000 tons/year, with operations suspended for the whole year.

Note 5: No. 2 polyester staple fibre facility has been scrapped and dismantled. Its current capacity is 4,000 tons/year, with operations suspended for the whole year.

Note 6: Acrylic north unit (66,000 tons/year) was suspended for the whole year. Acrylic south unit (46,800 tons/year) was transformed into large tow carbon fiber and precursor fiber device. The average load rate was the value of Jinyang Acrylic Factory (28,000 tons/year).

For capital expenditure items, please refer to “Non-fundraising projects” in section “Discussion and analysis of the Company’s operation” in Section II Management Discussion and Analysis of this chapter.

(III) Raw material procurement**1. Basic information of major raw materials**

Major raw materials	Procurement mode	Settlement method	Year on year change rate of		Consumption
			price	Purchase quantity	
Crude oil	Agency procurement	Agreement settlement	-14.60%	11,635.8 thousand tons	11,578.1 thousand tons

Impact of price changes of major raw materials on the Company's operating costs

The Company's unit cost of crude oil processing decreased by 9.57% year-on-year, reducing the Company's operating costs by 8.28%.

2. Basic information of major energy sources

Major energy sources	Procurement mode	Settlement method	Year on year change rate		Consumption
			of price	Purchase quantity	
Coal	Entrusted procurement	Conduct monthly assessment and settlement according to the benchmark price	-16.59%	1,793.9 thousand tons	1,799.6 thousand tons

Impact of major energy sources price changes on the Company's operating costs

The Company's coal unit cost decreased by 17.9% year-on-year, reducing the Company's operating costs by 0.41%.

3. Measures to deal with the risk of raw material price fluctuation

A Brief account of holding derivatives and other financial products

In 2025, the Company conducted hedging business for refined oil products. By the end of December, it purchased 2,232,000 barrels of DTD SWAP/DUBAI SWAP; purchased 912,500 barrels of DUBAI SWAP and sold 839,500 barrels of DUBAI SWAP; sold 2,292,500 barrels of Kerosene Sin/DUBAI SWAP. By the end of December 2025, the Company had closed positions of 2,232,000 barrels of DTD SWAP/DUBAI SWAP, 1,752,000 barrels of DUBAI SWAP, and 2,055,500 barrels of Kerosene Sin/DUBAI SWAP. All commodity derivative transactions conducted were part of hedging business. As of the end of December 2025, the net position of the Company's commodity derivatives business (on a physical basis) was 237,000 barrels, the corresponding physical commodity risk exposure of the net position of the derivatives business was 237,000 barrels and the net position scale at the end of the period/corresponding physical commodity risk exposure was 100%. All derivative positions at the end of the period were related to physical commodities, with no speculative positions, and the position risks were controllable.

For the accounting policies related to hedge accounting of the Company, please refer to Note III.29 to the financial statements prepared under CAS in this annual report.

(IV) Sales of products

1. Sales model

The Company's sales models are mainly direct sales and agency sales. The products are mostly sold to large trading companies and industrial users, including Sinopec Group and its designated clients. The Company has established long-term relationships with these clients.

2. Pricing strategy and change in prices of major products

Most of the products of the Company are sold at market price. However, sales of the Company's major petroleum products (gasoline, diesel and jet fuel) are also subject to different extent of government pricing (guided-price).

The prices of products of the Company that are not subject to price control are fixed with reference to the market price in the main chemical products market of Shanghai and other places in China. The Company keeps strictly monitoring major international commodity markets, especially the price trend in Asian markets. In most cases, the Company revises product prices monthly while more frequent price revisions will be made during periods of intense price fluctuations.

3. Basic information of main businesses of the Company by industry segment

Please refer to “Comparison and analysis of results of the Company’s operations” in Management Discussion and Analysis of this chapter for basic information of main business of the Group by industry segment.

4. Basic information of main businesses of the Company by sales channel

Unit: RMB’000

Sales channel	Revenue from main business	Year-on-year
		increase/decrease in revenue (%)
Direct sales	50,522,250.42	-16.50%
Agency sales	18,072,525.58	-3.95%
Trading	6,372,046	-7.82%

5. Basic information of joint products, side products, semi-finished products, waste, residual heat utilization products during the production process of the Company

The Company owns a power plant which provides power and steam resources mainly to the Company while the surplus is sold to external parties. In 2025, the Company sold 1,539.7 thousand giga joules of steam, generating operating income of RMB127 million.

(V) Environmental protection and safety

1. Major safety production accident of the Company during the Reporting Period

During the Reporting Period, there were no major production safety accidents in the Company.

2. Major environmental violations

During the Reporting Period, there were no major environmental violations in the Company.

Section IV Major Events

(I) Fulfilment of undertakings

1. Undertakings made by the de facto controller, shareholders, connected parties and purchasers of the Company and the Company itself during the Reporting Period or continuing up to the Reporting Period

Undertakings about share reform

The Company disclosed The Explanatory Memorandum for the Share Reform Scheme of the Company (the Revised Draft) on 20 June 2013, in which the Company's controlling shareholder, Sinopec Corp., made the following major undertakings that continued up to the Reporting Period:

Sinopec Corp. shall continue to support the development of the Company upon the completion of the share reform scheme, and shall use the Company as a platform for the development of related businesses in the future.

For details, please refer to the relevant announcements uploaded to the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company as well as "The Explanatory Memorandum for the Share Reform Scheme of the Company" (the Revised Draft) (Full Version) published in Shanghai Securities News and China Securities Journal on 20 June 2013.

The share reform scheme was reviewed and approved at the A shares shareholders' meeting held on 8 July 2013. After the implementation of the share reform scheme on 20 August 2013, the Company's A shares resumed trading, and non-circulating shares previously held by non-circulating shares shareholders attained the right of circulation. For details of the implementation of the share reform scheme, please refer to the relevant announcements uploaded to the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 14 August 2013 and the "Implementation Announcement of Sinopec Shanghai Petrochemical Company Limited Share Reform Scheme" published in China Securities Journal and Shanghai Securities News on 13 August 2013.

With regard to the aforementioned undertakings, the Company did not notice any violation in fulfilling the above undertakings by Sinopec Corp.

2. Fulfillment of performance guarantee

Not applicable

(II) Events regarding capital occupation and repay during the Reporting Period

During the Reporting Period, there was no occurrence of capital occupation in the Company.

(III) Explanation on the reasons for and impact of the Company's changes in accounting policies, accounting estimates, or correction of previous significant accounting errors

Nil.

(IV) Major investment plans of the Company

On the basis of maintaining its crude oil processing capacity unchanged, the Company intends to invest approximately RMB19.604 billion in self-raised funds to promote its comprehensive technological transformation and quality and efficiency enhancement.

(V) Appointment and dismissal of auditors

During the Reporting Period, the original accounting firm of the Company has served for the audit period. The Company held a general meeting of shareholders on 11 June 2025 and approved re-election of KPMG Huazhen LLP as the domestic auditor of the Company for the year of 2025 and KPMG as the overseas auditor of the Company for the year of 2025.

Details of the auditors appointed by the Company during the Reporting Period and the appointment details are as below:

Unit: RMB Yuan

Current

Name of the domestic auditors	KPMG Huazhen LLP
Remuneration of the domestic auditors	3,278,000
Duration of audit of the domestic auditors	5 years
Name of certified public accountants of the domestic auditors	Wang Wenli, Hong Xiaohua
Duration of audit of certified public accountants of the domestic auditors	Wang Wenli (5 years), Hong Xiaohua (1 year)
Name of the international auditors	KPMG
	Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Remuneration of the international auditors	3,278,000
Duration of audit of the international auditors	5 years
Name of certified public accountants of the international auditors	Au Yat Fo
Duration of audit of certified public accountants of the international auditors	5 years

During the Reporting Period, KPMG Huazhen LLP and KPMG and its member firms provided tax consulting services to the Group at a service fee of RMB115 thousand.

(VI) Material litigation or arbitration

During the Reporting Period, the Company was not involved in any material litigation or arbitration.

(VII) Punishment and reprimand of the listed company and its Directors, senior management, controlling shareholder, de facto controller and purchasers

During the Reporting Period, the Company and its Directors, senior management, controlling shareholder and de facto controller had not been investigated or taken administrative regulatory measure by the CSRC, nor have been subject to any compulsory measures according to law, criminal liability, administrative penalties or disciplinary sanctions by the stock exchange due to reasons attributable to the Company.

(VIII) Credit status of the Company and its controlling shareholder and de facto controller during the Reporting Period

During the Reporting Period, the Company and its controlling shareholder and de facto controller of the Company were not involved in any events regarding failure to perform obligations under a judgement of courts, nor have they had any relatively large amount of debts which have become due and outstanding.

(IX) Major connected transactions

1. Connected transactions in relation to daily operations

Continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules

Due to the particularities of the industry in which the Company operates and the needs of its production and operations, the Board considered and approved on 10 November 2022 the entering into a Mutual Product Supply and Sales Services Framework Agreement and a Comprehensive Services Framework Agreement among the Company, Sinopec Group and Sinopec Corp., which are valid for three years until 31 December 2025. The annual caps for the above agreements and the continuing connected transactions thereunder from 2023 to 2025 were considered and approved at the third extraordinary general meeting for 2022 of the Company.

Due to the nature of the Company's business and the need for fund safety, the Company entered into a Financial Services Framework Agreement with Sinopec Group, the de facto controller of the Company on 27 November 2023. Accordingly, Sinopec Finance, a subsidiary of Sinopec Group, provides financial services to the Company, including loans, collection and payment, discount, settlement and entrusted loan, and other financial services, with the service period from 1 January 2024 to 31 December 2025, and the annual caps shall be no more than RMB200 million. For the definitions and details of the above transactions, please refer to the Company's announcements dated 11 November 2022 and 26 October 2023 on the website of the Shanghai Stock Exchange, and the announcements and circular of the Company dated 10 November 2022, 30 November 2022 and 25 October 2023 on the website of Hong Kong Stock Exchange.

As the above three agreements expired on 31 December 2025, in order to ensure the normal operation of the Company, the Board considered and approved on 22 October 2025 the entering into a New Mutual Product Supply and Sales Services Framework Agreement and a New Comprehensive Services Framework Agreement among the Company, Sinopec Group and Sinopec Corp., which are valid for three years until 31 December 2028. The caps for the New Mutual Product Supply and Sales Services Framework Agreement and the New Comprehensive Services Framework Agreement, as well as the continuing connected transactions thereunder from 2026 to 2028 were considered and approved at the second extraordinary general meeting for 2025 of the Company.

The Company renewed a Financial Services Framework Agreement with Sinopec Group on 22 October 2025. Accordingly, Sinopec Finance, a subsidiary of Sinopec Group, provides financial related services to the Company, with the service period from 1 January 2026 to 31 December 2028, and the annual caps shall be no more than RMB500 million. For the definitions and details of the above transactions, please refer to the Company's announcement dated 23 October 2025 on the website of the Shanghai Stock Exchange, and the announcement and circular of the Company dated 22 October 2025 and 24 November 2025 on the website of Hong Kong Stock Exchange.

To streamline the Company's process for temporarily adjusting crude oil allocation and pipeline transportation plans based on production and operational needs, ensure the smooth operation of facilities, enhance the flexibility of the Company's crude oil allocation, and broaden the scope for optimising crude oil resources, the Company renewed a storage service agreement with Sinopec Petroleum Reserve Company Limited and its Baishawan branch on 27 December 2024, with the service period from 1 January 2025 to 31 December 2025. For definitions and details, please refer to the Company's announcement dated 28 December 2024 on the website of the Shanghai Stock Exchange, and the announcement of the Company dated 27 December 2024 on the website of Hong Kong Exchange. As the aforementioned storage service agreement expired on 31 December 2025, the Company renewed the storage service agreement with Baishawan Branch and Sinopec Reserve on 29 December 2025, with the service period from 1 January 2026 to 31 December 2026. Under the new storage service agreement, the maximum annual storage service fee is RMB114 million (including value added tax). For definitions and details, please refer to the Company's announcements dated 17 December 2025 and 30 December 2025 on the website of the Shanghai Stock Exchange, and the announcements of the Company dated 16 December 2025 and 29 December 2025 on the website of Hong Kong Stock Exchange.

The Company entered into the Technology R&D Framework Agreement with Sinopec Corp. on 11 February 2025, with a service term valid until 31 December 2025. Under the Technology R&D Framework Agreement, the Group and Sinopec Corp. shall collaborate with each other or provide technology R&D services to one another. As the technology research and development framework agreement expired on 31 December 2025, the Board considered and approved the New Technology R&D Framework Agreement entered into between the Company and Sinopec Corp. on 16 December 2025, with a service term valid until 31 December 2026. Under the New Technology R&D Framework Agreement, the annual caps for technology R&D services provided by the Company to Sinopec Corp. are RMB180 million for 2025 and RMB190 million for 2026, while the annual caps for technology R&D services provided by Sinopec Corp. to the Company are RMB350 million for 2025 and RMB280 million for 2026. For the definitions and details, please refer to the Company's announcements dated 15 January 2025 and 17 December 2025 on the website of the Shanghai Stock Exchange, and the announcements of the Company dated 14 January 2025 and 16 December 2025 on the website of Hong Kong Stock Exchange.

In order to achieve the comprehensive utilization of the Company's steam resources and reduce unit costs, while also to assist the smooth implementation of the 250,000 tons/year thermoplastic elastomer project, as considered and approved at the 17th meeting of the eleventh session of the Board, the Company entered into the Steam Sales Contracts with Shanghai Jinshan Baling New Materials Co., Ltd. (the "Baling New Materials") on 4 June 2025, pursuant to which, the Company continuously supplied industrial-grade pipeline steam for thermal use at (1.3-1.4) MPa and (300±20)°C to Baling New Materials, the term of validity commenced from the date of signing and sealing of the Steam Sales Contract to 31 December 2025. The contract fee cap is RMB106.5 million, with the actual amount to be settled monthly based on meter readings. For definitions and details, please refer to the announcements of the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange dated 23 May 2025 and 22 May 2025, respectively.

The table below sets out the transaction amounts of the Company's continuing connected transactions with Sinopec Corp. and Sinopec Group and their associates during the Reporting Period:

Unit: RMB'000

Type of connected transaction	Connected person	Annual cap for 2025	Transaction amount during the Reporting Period	Percentage of the transaction amount of the same type of transaction (%)
Mutual Product Supply and Sales Services Framework Agreement				
Purchases of raw materials	Sinopec Group, Sinopec Corp. and their associates	119,847,000	48,552,335	76.03%
Sales of petroleum products and petrochemicals	Sinopec Corp. and its associates	93,873,000	56,367,033	74.65%
Agency sales of petrochemical products	Sinopec Corp. and its associates	219,000	45,019	100.00%
Comprehensive Services Framework Agreement				
Construction, installation and engineering design services	Sinopec Group, Sinopec Corp. and their associates	1,549,000	43,076	3.26%
Petrochemical industry insurance services	Sinopec Group	140,000	121,971	100.00%
Property leasing	Sinopec Corp. and its associates	44,000	9,471	18.56%
Comprehensive services	Sinopec Group and its associates	52,000	21,103	0.03%
Financial Services Framework Agreement				
Financial services	Associate of Sinopec Group (Sinopec Finance)	200,000	100	0.05%
Storage Services Agreement				
Storage services	Associate of Sinopec Group (Baishawan Branch)	114,000	114,000	93.25%
Technology R&D Framework Agreement				
Technology research and development services	Technology research and development services provided by the Company to Sinopec Corp.	180,000	112,606	0.15%
	Technology research and development services provided by Sinopec Corp. to the Company	350,000	1,958	0.91%
Steam Sales Contract				
Steam services	Associate of Sinopec Corp. (Baling New Materials)	106,500	7,790	0.01%

The prices of continuing connected transactions among the Company, Sinopec Group, Sinopec Corp. and their associates are based on: 1) national pricing; or 2) national guidance price; or 3) the market price determined by both parties through negotiation. The execution of the connected transaction agreement is based on the needs of the Company's production and operation. Therefore, the above continuing connected transactions do not have a significant impact on the independence of the Company. The Company confirmed that the prices and terms of the continuing connected transactions conducted during the Reporting Period comply with the pricing policy.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions of the Group and confirmed that: The above continuing connected transactions have been entered into: 1) in the ordinary and usual course of business of the Company; 2) on normal commercial terms or better; 3) according to the relevant agreement terms that are fair and reasonable and in the interests of the shareholders as a whole; and 4) have not exceeded the annual caps.

Pursuant to Article 14A.56 of the Listing Rules, the Company has engaged its independent external auditor, KPMG, to perform the engagement in accordance with the Hong Kong Standard on Assurance Engagements No. 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised), "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", issued by the Hong Kong Institute of Certified Public Accountants, that was, to perform the assurance engagement regarding the continuing connected transactions of the Group for the year ended 31 December 2025, and KPMG has issued a letter to the Board to confirm that, nothing has come to their attention that causes them to believe that the Continuing Connected Transactions: (1) have not been approved by the Board; (2) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; (3) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and (4) have exceeded their respective annual caps for the year 2025 as set by the Group.

Connected transactions under Chapter 14A of the Hong Kong Listing Rules

On 15 June 2022, Shanghai Petrochemical Investment Development Company Limited (the “Shanghai Petrochemical Investment”), a wholly-owned subsidiary of the Company, entered into the Forward Equity Transfer Agreement and the Entrusted Operation Management Agreement with Sinopec Capital Co., Ltd. (the “Sinopec Capital”), which is a subsidiary of Sinopec Group, the de facto controller of the Company. According to the transaction arrangements, Sinopec Capital will entrust Shanghai Petrochemical Investment to exercise its management and operation rights in the Langfang Feize Composites Technology Limited (the “Target Company”) on its behalf. On the basis of this, Shanghai Petrochemical Investment proposes to acquire 49.91% equity interest of the Target Company held by Sinopec Capital (the “Target Equity Interests”) on the basis of entrusted operation within 19 months from the next day after the completion of Sinopec Capital’s investment in the Target Company. The consideration of the acquisition will be determined based on the appraised value of the Target Equity Interests and confirmed by way of a supplementary agreement to be entered between Sinopec Capital and Shanghai Petrochemical Investment then. Relevant announcements were published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 24 March 2022 and 23 March 2022, respectively. Due to the operational and business development need of the Target Company, as considered and approved by the Board, the completion deadline of the Forward Equity Transfer of Target Equity Interests specified in the Forward Equity Transfer Agreement was changed to 31 December 2026. On 16 January 2025, Shanghai Petrochemical Investment has been entrusted by Sinopec Capital to actually exercise the management and operation rights in the Target Company. Relevant announcements were published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 27 January 2025 and 26 January 2025, respectively.

The Company entered into the Entrustment Contract with Baling New Materials on 25 December 2025, pursuant to which, the Company shall provide personnel secondment services to Baling New Materials at a consideration of RMB52,722,288.14 (including tax in total). Baling New Materials is an associate of Sinopec Corp., the controlling shareholder of the Company, and the transaction involved in the foregoing constitutes a connected transaction of the Company. In consideration of the location of the 250,000 tons/year thermoplastic elastomer project and the cost and convenience of the personnel allocation for construction, the aforesaid transaction will be conducive to successful implementation of the 250,000 tons/year thermoplastic elastomer project, thereby facilitating the Company’s transformation and development into “Chemical + Materials” “Basic + High-end”. Relevant announcements were published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 17 December 2025 and 16 December 2025, respectively.

On 28 February 2026, the Company, its wholly-owned subsidiary Inner Mongolia New Jinshan Carbon Fiber Co., Ltd. (the “Carbon Fiber Company”), and Sinopec Corp. entered into Capital Increase Agreement. Pursuant to which, Sinopec Corp. subscribed for the newly increased registered capital of RMB300 million of the Carbon Fiber Company at the consideration of RMB300,002,811.05, which represents 25% of registered capital of the Carbon Fiber Company following the capital increase. This capital increase will advance the restructuring, capital introduction, and high-quality development of the Company’s carbon fiber business, facilitating breakthroughs in the high-end segment of the new materials industry and establish a win-win cooperation system centered on industrial synergy. Relevant announcements were published on the website of the Shanghai Stock Exchange on 30 December 2025, 3 March 2026 and 14 March 2026 and the website of the Hong Kong Stock Exchange on 29 December 2025, 1 March 2026 and 13 March 2026.

The connected transactions among the Group, Sinopec Group, Sinopec Corp. and their associates, as disclosed in Note 33 to the financial statements prepared under IFRS Accounting Standards in the 2025 annual report of the Company constituted connected transactions under Chapter 14A of the Hong Kong Listing Rules. The relevant connected transactions have been disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules.

2. Connected parties' liabilities

Unit: RMB'000

Connected party	Connected relationship	Funds provided by connected parties to the listed company					
		Funds provided to connected parties			Funds provided by connected parties to the listed company		
		Balance as at the beginning of the period	Transaction amount	Balance as at the end of the period	Balance as at the beginning of the period	Transaction amount	Balance as at the end of the period
Sinopec Corp., its subsidiaries, joint ventures and associates & Sinopec Group and its subsidiaries	Controlling shareholder, de facto controller and their related parties	14,714	4,669	19,383	274,902	99,584	374,486

Note 1: The balance as at the end of the period of the funds provided by the Group to the connected parties was mainly the unsettled receivables for services rendered by the Group to joint ventures.

Note 2: The balance as at the end of the period of the funds provided by the connected parties to the Group was mainly unsettled payables arising from the provision of construction, installation and engineering design services by Sinopec Group and its subsidiaries.

(X) Material contracts and their performance

1. Entrustments, sub-contracts and lease arrangements

During the Reporting Period, the Company had no entrustments, sub-contracts or lease arrangements that generated 10% or more (including 10%) of the gross profit of the Company for the period.

2. Guarantees

There were no guarantees provided by the Company during the Reporting Period.

3. Entrusting others to conduct wealth management

Please refer to “Investment of the Company” in the section headed “Discussion and analysis of the Company’s operation” in Section II “Management Discussion and Analysis” of this chapter.

4. Other major contracts

There were no major contracts of the Company during the Reporting Period.

(XI) Equity-linked agreements

No equity-linked agreements were entered into by the Company or subsisted during the year.

(XII) Tax rate

The income tax rate currently applicable to the Group is 25% (2024: 25%), except for a subsidiary operating in the western of the PRC which is entitled to a preferential tax rate of 15% from 2025 to 2030.

(XIII) Deposits

The Group did not have any entrusted deposits during the Reporting Period. As at 31 December 2025, the Group did not have any term deposits which could not be collected upon maturity.

(XIV) Reserves

Details of changes in reserves are set out in Note 32 to the financial statements prepared under IFRS.

On 31 December 2025, the Company’ reserves available for distribution to shareholders of the Company (including share capital premium and undistributed profits) were RMB4,708,553 thousand (2024: RMB6,412,715 thousand).

(XV) Financial summary

A summary of the results, total assets, liabilities and shareholders' equity of the Group as of 31 December 2025 are set out on pages 7 to 8 of this annual report.

(XVI) Bank loans and other borrowings

Details of bank loans and other borrowings of the Company and the Group for the year ended 31 December 2025 are set out in Note 27 to the financial statements prepared under IFRS Accounting Standards.

(XVII) Interest capitalized

Details of interest capitalized during the year are set out in Note 13 to the financial statements prepared under IFRS Accounting Standards.

(XVIII) Property, plant and equipment

Changes in property, plant and equipment during the year are set out in Note 16 to the financial statements prepared under IFRS Accounting Standards.

(XIX) Purchase, sale and redemption of the Company's securities

On 6 June 2024, SPC's 2023 Annual General Meeting, the First A Shareholders Class Meeting for 2024 and the First H Shareholders Class Meeting for 2024 considered and approved the "Proposal to the Shareholders at the General Meeting to Authorize the Board to Repurchase the Domestic Shares and/or Overseas listed Foreign Shares of the Company". The proposal above authorized the Board (or the Directors authorised by the Board) to repurchase not more than 10% of the issued H shares of the Company. During the Reporting Period, the Company repurchased a total of 77,240,000 H shares from the Hong Kong Stock Exchange for a consideration of HK\$91,342,096.20. The details of share repurchase are as follows:

Repurchase month	Number of shares repurchased	Price Paid per Share		Total Consideration (HK\$)
		Highest price (HK\$)	Lowest price (HK\$)	
2025				
January	23,670,000	1.20	1.11	27,230,208.00
February	17,306,000	1.23	1.18	20,874,535.20
April	12,414,000	1.18	1.14	14,359,041.60
May	23,850,000	1.23	1.16	28,878,311.40
Total	77,240,000	–	–	91,342,096.20

A total of 96,346,000 H shares repurchased by the Company from September 2024 to February 2025 were cancelled on 3 March 2025. A total of 36,264,000 H shares repurchased in April and May 2025 were cancelled on 12 June 2025.

The Board is of the view that the repurchase of H shares has increased the net asset value per share of the Company, which is beneficial to the Company and its shareholders. For details, please refer to the relevant announcements on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

Save as disclosed in this report, neither the Company nor the Group has purchased, sold or redeemed any of the Company's listed securities.

(XX) Pre-emptive rights

According to the Articles of Association and the laws of the PRC, there is no pre-emptive right which requires the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

(XXI) Donations

During the Reporting Period, the Company donated RMB300,000 to Baingoin County Middle School in Nagqu Town, Tibet Autonomous Region to promote the education assistance and rural revitalization; donated RMB1 million to the Shanghai Flame Blue Fire and Rescue Fund to support the fire and rescue public welfare undertakings in Shanghai; and donated RMB700,000 to the Jinyu Education Development Foundation in Jinshan District of Shanghai to support these two local schools in carrying out reward projects relating to education and teaching achievements. The Company donated RMB200,000 to the Education Foundation of Zhaotong City, Yunnan Province to support local governments in carrying out rural revitalization assistance projects; donated RMB100,000 to the 2025 "SCIP+" Green Chemical and Chemical Engineering Innovation and Entrepreneurship Competition to facilitate the event's operations; and donated RMB1,587,500 for the livelihood project to eliminate safety hazards on Weijiu Branch Road, ensuring safe travel for nearby residents and employees of enterprises.

(XXII) Tax relief

During the Reporting Period, the holders of listed securities of the Company were not entitled to tax relief due to the holding of listed securities of the Company in accordance with the PRC laws.

Section V Business Review and Outlook

Please refer to Section II "Management Discussion and Analysis" of this chapter for the business review of the Group for the year ended 31 December 2025 and the outlook for 2026.

Corporate Governance, Environment and Society

(I) Notes for corporate governance and insider registration management

1. Corporate governance

In 2025, the Company strictly complied with the regulatory legislation such as Company Law, Securities Law and the Corporate Governance Principles for Listed Companies issued by the CSRC, as well as the relevant provisions and requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. It continued to improve its corporate governance structure, developed its corporate system, standardized the corporate operations and enhanced its overall corporate image.

Accomplishing appropriately specific corporate governance activities for listed companies: During the Reporting Period, the Company was committed to ensuring the compliance of relevant regulatory rules regarding corporate governance and continued to consolidate its achievements in specific areas of corporate governance. None of the Company, its Directors, senior management, shareholders and de facto controllers of the Company has been investigated by the CSRC, or punished or publicly criticized by the CSRC, the Securities and Futures Commission of Hong Kong, or publicly censured by the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Through continuous conduction of specific corporate governance activities and improvements of its governance system, the Company further enhanced its corporate governance level. The Company's internal system also became more robust and standardized. Under the guidance of the relevant regulatory authorities, the Company will operate in strict compliance with the relevant laws and regulations and will further strengthen the establishment of standardized and institutionalized corporate governance so as to ensure the lawful, robust and sustainable development of the Company.

2. Registration and management of persons with access to inside information

In order to administer the registration and management of persons with access to the Company's inside information, strengthen confidentiality of inside information and safeguard fairness of information disclosure, during the Reporting Period, the Company enhanced the confidentiality of inside information and the registration, management and reporting of the persons with access to the Company's inside information according to "System for the Registration and Management of Inside Information", so as to prevent the Company from suffering unusual stock price fluctuations due to leakage of inside information and the resulting legal risks, and further standardize the Company's operation.

(II) Details of Directors and Senior Management

1. Changes in shareholdings and remuneration of the current Directors and senior management and those resigned during the Reporting Period

Name	Used name/alias	Position	Gender	Age	Date of commencement of service term	Date of end of service term	Number of shares held at the beginning of the Reporting Period (ten thousand shares)	Number of shares held at the end of the Reporting Period (ten thousand shares)	Change in number of shares during the Reporting Period (ten thousand shares)	Reasons of change	Total Remuneration received from the Company during the Reporting Period (before taxation) (RMB ten thousand)	Whether received remuneration from connected person(s) of the Company
Guo Xiaojun	None	Executive Director and Chairman	M	57	June 2024	June 2026	0	0	0	-	126.24	No
Lu Zhiyong	None	Executive Director, Vice Chairman and President	M	48	November 2025	June 2026	0	0	0	-	8.35	No
Du Jun	Ma Jun	Executive Director, Vice President and Chief Financial Officer	M	55	June 2023	June 2026	0	0	0	-	128.48	No
Huang Xiangyu	None	Executive Director and Vice President	M	58	June 2023	June 2026	14	14	0	-	115.74	No
Xie Zhenglin	None	Non-executive Director	M	61	June 2023	June 2026	0	0	0	-	2.5	Yes
Qin Zhaohui	None	Non-executive Director	M	54	June 2023	June 2026	0	0	0	-	98.35	No
Tang Song	None	Independent Non-executive Director	M	46	June 2023	June 2026	0	0	0	-	15.00	No
Chen Haifeng	None	Independent Non-executive Director	M	52	June 2023	June 2026	0	0	0	-	15.00	No
Yang Jun	None	Independent Non-executive Director	M	69	June 2023	June 2026	0	0	0	-	15.00	No
Zhou Ying	None	Independent Non-executive Director	F	60	June 2023	June 2026	0	0	0	-	15.00	No
Huang Jiangdong	None	Independent Non-executive Director	M	47	June 2023	June 2026	0	0	0	-	15.00	No
Li Shantao	None	Vice President	M	48	October 2023	June 2026	0	0	0	-	106.21	No
Zhou Guoming	None	Vice President	M	53	April 2024	June 2026	0	0	0	-	97.69	No
Liu Gang	None	Secretary to the Board	M	54	June 2023	June 2026	0	0	0	-	89.87	No
Guan Zemin	None	Former Executive Director, Vice Chairman and President	M	62	June 2023	February 2025	0	0	0	-	31.27	No
Huang Fei	None	Former Vice President	M	49	June 2023	August 2025	0	0	0	-	101.78	No
Total	/	/	/	/	/	/	14	14	0	/	981.48	/

2. Profiles of Directors and senior management

Directors:

Guo Xiaojun, born in August 1969, is currently the Chairman, Executive Director, Chairman of the Strategy and ESG Committee, and member of the Nomination Committee of the Company. He is a director of Shanghai Secco and the Chairman of Chemical Industry Park. Mr. Guo Xiaojun joined Shanghai Petrochemical Complex in 1991. He served as Director of the Polyolefin Integrated Plant in the Plastics Division, Deputy Chief Engineer of the Plastics Division, Assistant to the Manager, Assistant Manager and Manager and Deputy Secretary of the CPC Committee of the Company. He was Deputy Chief Engineer and Director of the Production Department of the Company from March 2011 to April 2013. He was the Deputy President of the Company from April 2013 to June 2014. He was Executive Director and Deputy President of the Company from June 2014 to June 2017. He was Executive Director, Deputy President and Secretary to the Board of the Company from June 2017 to December 2019. He served as General Manager and Deputy Secretary of the CPC Committee of Sinopec Yizheng Chemical Fibre Limited Liability Company, as well as General Manager of Asset Corporation Yizheng Branch from December 2019 to December 2022. From December 2022 to April 2024, he served as Executive Director and the Secretary of the CPC Committee of Sinopec Yizheng Chemical Fibre Limited Liability Company. In April 2024, he was appointed as the Secretary of the CPC Committee of the Company. He has served as the director of Shanghai Secco and the chairman of Shanghai Chemical Industry Park Development Company Limited since May 2024. In June 2024, he was appointed as the Chairman, Executive Director, Chairman of the Strategy and ESG Committee, and member of the Nomination Committee of the Company. Mr. Guo Xiaojun graduated from the East China University of Science and Technology in 1991 with a bachelor's degree in engineering, majoring in basic organic chemical engineering and obtained a master's degree majoring in chemical engineering from the East China University of Science and Technology in 2008. He is a senior engineer by professional title.

Lu Zhiyong, born in May 1978, is currently the Vice Chairman, Executive Director, member of the Strategy and ESG Committee, and the President of the Company. Mr. Lu Zhiyong joined Sinopec Zhenhai Refining & Chemical Company (中國石化鎮海煉化公司) ("Zhenhai Refining & Chemical") in 2001. He successively served as deputy head engineer, head engineer chief safety officer, deputy head of Development Planning Department, deputy head of Development and Technology Department of refining division I, the director of the Design Management Department within the Management Office for the refining old area structure adjustment and quality upgrading project and the director of the Design Management Department within the Management Office for Zhenhai Base Project, the deputy secretary of the Party General Branch (presiding over work), Secretary of the General Party Branch, Deputy Director, Deputy Manager and Manager of refining division I, and the manager of Safety and Environmental Protection Department. From May to August 2022, he served as chief safety officer and manager of the Safety and Environmental Protection Department of Zhenhai Refining & Chemical. From August 2022 to October 2025, he served as the deputy general manager, Party Committee member and chief safety officer of Zhenhai Refining & Chemical. From May 2023 to October 2025, he concurrently served as deputy general manager of Management Office for the Zhenhai Base Project. In October 2025, he was appointed as the President and Deputy Secretary of the Communist Party Committee of the Company. In December 2025, he was appointed as the Vice Chairman, Executive Director, and the member of the Strategy and ESG Committee of the Company. Mr. Lu Zhiyong graduated from Nanjing Tech University in 2001 with a bachelor degree in engineering, majoring in chemical engineering and technology. He is a senior engineer by professional title.

Du Jun, born in March 1970, is currently the Executive Director, member of the Strategy and ESG Committee, Vice President and Chief Financial Officer of the Company, chairman of Jinshan Associated Trading, and director of Chemical Industry Park. Mr. Du started the work in 1990 and successively served as the chief of the second section of the Secretary of the general manager's office of Yangzi Petrochemical Co., Ltd., the deputy director of the finance division and the deputy director of the Finance Department of Yangzi Petrochemical Co., Ltd. From August 2004 to July 2007, he served as the director of the Finance Department of Yangzi Petrochemical Co., Ltd. From July 2007 to August 2012, he served as the director of the Finance Department of Yangzi Petrochemical Co., Ltd. From August 2012 to September 2020, he served as the chief accountant of Yangzi Petrochemical Co., Ltd. From December 2015 to September 2020, he served as the supervisor of BASF-YPC Company Limited. From June 2016 to September 2020, he served as a director of Yangzi Petrochemical Co., Ltd. He has been the vice president and chief financial officer of the Company since September 2020. He has been the chairman of Jinshan Associated Trading since December 2020. He has been a director of Chemical Industry Park since December 2020. He has been an Executive Director of the Company since June 2021. He has been a member of the Company's Strategy and ESG Committee since March 2022. Mr. Du graduated from Southeast University in 1990, majoring in industrial enterprise management, and obtained a master's degree in Business Administration from Southeast University in 2004. He has the title of senior accountant.

Huang Xiangyu, born in March 1968, is currently the Executive Director, member of the Strategy and ESG Committee, Vice President of the Company, and an executive director of Shanghai Jinshan Petrochemical Carbon Fiber Co., Ltd. Mr. Huang started his career in 1990 and joined Shanghai Petrochemical Complex in 1992. He successively served as the Deputy Director of the chemical workshop of Shanghai Jinyang Acrylic Plant, Deputy Director of Jinyang Equipment, Deputy Director and Director of Jinyang Acrylic Equipment of Acrylic Business Unit and Chief Engineer of Acrylic Business Unit. From July 2011 to January 2020, he served as the Director of the Acrylic Fiber Research Institute of the Company. From November 2011 to January 2020, he served as the Chief Engineer of the Acrylic Fiber Department of the Company. From February 2019 to January 2020, he served as Deputy Chief Engineer of the Company. From February 2020, he served as the Vice President of the Company. He has been an Executive Director of the Company since June 2020. Mr. Huang graduated from the Organic Chemical Major of the School of Chemical Engineering, East China University of Science and Technology with a Bachelor's degree in Engineering in July 1990. He obtained a Master's degree in Material Engineering from Donghua University in May 2004. He graduated from Polymeric Chemistry and Physics Major of Fudan University with a doctor's degree in Science in June 2013. He is a professorate senior engineer by title.

Xie Zhenglin, born in February 1965, is currently a Non-executive Director, member of the Strategy and ESG Committee of the Company, a director of Sinopec Finance Co., Ltd. and a director of Sinopec Shanghai Gaoqiao Petrochemical Co. Ltd. Mr. Xie started his work in 1989, served as Principal Staff Member of State Price Control Bureau and State Development Planning Commission. After joining Sinopec Group in September 1995, he successively served as Deputy Director of the Comprehensive Division of the Finance Department, Deputy Director of Capital Management Department, Director of the Capital Management Division of the Finance and Assets Department, Director of the Capital Management Division of the Financial Planning Department, Deputy Director of the Financial Planning Department of Sinopec Corp., Deputy Director of General Accounting Department of Sinopec Assets Management (presided over the work), Deputy Director of Assets Management Department of Sinopec Corp., Deputy General Manager of Sinopec Assets Management, Acting Director of Assets Management Department of Sinopec Corp., and Deputy Executive Director and Deputy General Manager of Sinopec Assets Management. From April 2014 to October 2020, he served as the Vice Chairman and director of China Merchants Energy Shipping Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601872). From April 2014 to December 2019, Mr. Xie served as Director of Assets Management Department of Sinopec Group, and Executive Director and General Manager of Sinopec Assets Management. He served as the Deputy President of Chemical Service Department of Sinopec Corp. (managed by departmental heads) and General Manager of Sinopec Assets Management from December 2019 to July 2025. He has served as the Non-executive Director and a member of the Strategy and ESG Committee of the Company since June 2020. Mr. Xie obtained a Master's degree in Economics from Graduate School of Chinese Academy of Social Science in August 1989. He obtained a Master's degree in Business Administration from University of Houston in May 2007. He is a Senior Accountant by professional title.

Qin Zhaohui, born in June 1972, is currently a Non-executive Director and the manager of the hydrocarbons department of the Company. Mr. Qin joined the Company in August 1994 and successively served as deputy director of the hydrogenation workshop of No. 2 aromatics combined unit of the Refining Unit of the Company, deputy director of the hydrogen production unit, deputy director of the production dispatching office of No. 1 aromatics combined unit, assistant to the director of the production and technology division of the aromatics division and director of the technology division, deputy director of the technology division, deputy director of the technology division of the aromatics division (presiding over the work) and director of the technology division of the automotive division, safety director of the division of the aromatics division, deputy chief engineer and director of the No. 2 aromatics combined unit, and deputy secretary of the CPC Committee of the Company and other positions. Mr. Qin was appointed as the deputy manager of the hydrocarbons department from December 2018 to December 2019 and presided over the work from December 2019 to March 2020. He was appointed as the deputy general manager of the hydrocarbons department (presiding over the work) from March 2020 to October 2020. He was appointed as the general manager and the deputy secretary of the CPC committee of the hydrocarbons department of the Company from October 2020 to June 2025, and presided over the work in the party committee from December 2022 to September 2023. He was appointed as a Non-executive Director of the Company in June 2023. He was appointed as the manager and the deputy secretary of the CPC committee of the hydrocarbons department of the Company in June 2025. Mr. Qin graduated from East China University of Science and Technology in July 1994, majoring in petroleum processing, and obtained a master's degree in chemical engineering in March 2005 from East China University of Science and Technology. Mr. Qin holds the title of senior engineer.

Tang Song, born in December 1980, is serving as the Independent Non-executive Director and the chairman of the Audit and Compliance Committee and Remuneration and Appraisal Committee of the Company, Professor of School of Accountancy, Shanghai University of Finance and Economics, Professor and PH. D and graduate student supervisor. Mr. Tang obtained a bachelor's degree in management (accountancy) in June 2003 from the School of Accountancy of the Shanghai University of Finance and Economics, and obtained a doctor's degree from a successive postgraduate and doctoral program in management (accountancy) in June 2008. Mr. Tang worked in the School of Accounting and Finance, Hong Kong Polytechnic University for collaborative research from August 2008 to August 2009. He worked in China Europe International Business School for collaborative research from August 2009 to June 2010. Mr. Tang served as a lecturer of School of Accountancy, Shanghai University of Finance and Economics from June 2010 to July 2012. He served as associate professor of the School of Accountancy, Shanghai University of Finance and Economics from August 2012 to June 2019. Mr. Tang served as a Professor of the School of Accountancy, Shanghai University of Finance and Economics since August 2019. Mr. Tang served as a Vice President of the School of Accountancy, Shanghai University of Finance and Economics since September 2023. Mr. Tang served as an independent director of the Shanghai Huate Enterprise Group Co., Ltd. (上海華特企業集團有限公司) from December 2017 to December 2023, served as an independent director of the Shanghai Qifan Cable Co. Ltd. (listed on Shanghai Stock Exchange, stock code: 605222) from July 2019 to July 2022, served as an independent director of Tibet Dongcai Fund Management Co., Ltd from August 2019 to January 2024, and as an Independent Director for the Shanghai Universal Biotech Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 301166) from April 2020 to February 2024. Mr. Tang served as the Independent Non-executive Director, member of the Audit and Compliance Committee and the Remuneration and Appraisal Committee of the Company since June 2020 and served as an independent director for Wuxi Commercial Mansion Grand Orient Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600327) from November 2020 to November 2023. He has served as an independent director for Shanghai Shine-Link International Logistics Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 603648) since September 2022. He has served as an independent director for Shanghai International Port (Group) Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600018) since December 2025.

Chen Haifeng, born in January 1974, is serving as an Independent Non-executive Director, member of the Audit and Compliance Committee and the Strategy and ESG Committee of the Company, and an investment manager of Jiangsu Shengkun Investment Management Co., Ltd. (江蘇盛坤投資管理有限公司). Mr. Chen Haifeng graduated from Fudan University with a Bachelor's degree in applied physics in July 1997. He served as clerk, project supervisor, and project manager of Investment Banking Department of CITIC Securities from July 1997 to August 2001. Mr. Chen served as Senior Manager of Strategic Investment Department of SVT Group from September 2002 to February 2006. He served as Senior Manager of Investment Banking Department of Orient Securities from August 2006 to March 2008. Mr. Chen served as senior vice president and Sponsor Deputy of Investment Banking Department of China Jianyin Investment Securities from April 2008 to May 2012. He served as CEO and Sponsor Deputy of Investment Banking Department of Gaida Securities from June 2012 to June 2015. Mr. Chen served as an independent director of Cnnc Hua Yuan Titanium Dioxide Company Limited (listed on Shenzhen Stock Exchange, stock code: 002145) from February 2015 to October 2018. He served as CEO and Sponsor Deputy of Investment Banking Department in Dongxing Securities from July 2015 to September 2017. Mr. Chen served as a non-independent director of Zhejiang Yueling Wheels Corporation (listed on the Shenzhen Stock Exchange, Stock Code: 002725) from October 2017 to December 2020. He was appointed an Independent Non-executive Director, member of the Audit and Compliance Committee of the Company in June 2020. He served as a senior director of Shanghai MindMotion Microelectronics Co., Ltd. from January 2021 to 31 December 2022. He served as a senior director of GCL Energy Technology Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002015) from January 2023 to April 2025. He has served as an investment manager of Jiangsu Shengkun Investment Management Co., Ltd. since May 2025. He served as a member of the Strategy and ESG Committee of the Company in May 2025.

Yang Jun, born in August 1957, is serving as an Independent Non-executive Director, Chairman of the Nomination Committee and the Remuneration and Appraisal Committee of the Company, a director (vice president level) of Gansu Gangtai Holding (Group) Co., Ltd., and the chief supervisor of Shanghai Aoqi Science and Technology Development Foundation. Mr. Yang Jun graduated from East China University of Political Science and Law with a degree in Law in September 1979 and from Peking University with a Master's degree in Civil Law in July 1991. He worked in Shanghai Intermediate Court and Supreme Court from July 1983 to July 2005. He served as an assistant to the president and general legal officer of Shanghai United Assets and Equity Exchange, general manager of Beijing Headquarter of Central Enterprise Equity Exchange, operation director of Equity Exchange and general manager of Financial Equity Exchange from July 2005 to September 2017. He served as an arbitrator of China International Economic and Trade Arbitration Commission from March 2007 to March 2015. He has been serving as an arbitrator of Shanghai International Economic and Trade Arbitration Commission and Shanghai Arbitration Commission since March 2007. He served as independent non-executive director of China Merchants Securities Co., Ltd. (listed on the Hong Kong stock exchange, stock code: 06099) from June 2011 to January 2018. He has served as independent director of Shanghai Zhenhua Heavy Industries Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600320) from April 2015 to March 2021 and a director (Vice President level) of Gansu Gangtai Holding (Group) Co., Ltd. since September 2017. He served as Independent Non-executive Director, Chairman of the Nomination Committee and Chairman of the Remuneration and Appraisal Committee of the Company since June 2020. He served as the chief supervisor of Shanghai Aoqi Science and Technology Development Foundation since January 2022.

Zhou Ying, born in December 1966, is currently an Independent Non-executive Director, a member of Remuneration and Appraisal Committee and a member of the Nomination Committee of the Company and an associate professor and the director of EMBA program in the Department of Marketing at Antai College of Economics and Management, Shanghai Jiaotong University. Ms. Zhou graduated from Jilin University with a Bachelor's Degree in Economics in 1989, Shanghai University of Finance and Economics with a Master's Degree in Management in 2001, and Antai College of Economics and Management of Shanghai Jiao Tong University with a Doctorate Degree in Management in June 2014, and served as a teacher of Anhui Provincial Troupe School from September 1989 to December 1996, and as a teacher of Shanghai Agricultural College from 1996 to 1999, and she has been a teacher of Antai College of Economics and Management of Shanghai Jiao Tong University since 2000. Since December 2021, she has been an independent director of Shanghai New World Company Limited (listed on the Shanghai Stock Exchange (stock code: 600628)), and from September 2022 to February 2024, she served as an independent director of Hengtian Kaima Limited (listed on the Shanghai Stock Exchange (stock code: 900953)). Since May 2022, she has been an independent director of Shanghai Jin Feng Wine Co. (listed on the Shanghai Stock Exchange (stock code: 600616)). She served as a member of the Nomination Committee of the Company in May 2025.

Huang Jiangdong, born in June 1979, with a doctoral degree, is currently an Independent Non-executive Director and member of the Audit and Compliance Committee of the Company, a partner of Guoco Law Firm (Shanghai), a director of Guoco Financial Securities Compliance Committee, an arbitrator of Shanghai Arbitration Commission, an arbitrator of Shanghai International Arbitration Center, an arbitrator of Shenzhen International Arbitration Court, a member of the Research Association of Securities Law of the China Association of Laws, and a member of the Independent Directors Committee of the Association of Listed Companies of China. Mr. Huang graduated from the Graduate School of East China University of Political Science and Law with a Master's Degree in Civil and Commercial Law in July 2003, and graduated from the Graduate School of East China University of Political Science and Law with a Doctorate Degree in Economic Law in July 2012, and served as a Deputy Chief Officer of the Judicial Bureau of the Pudong New District, Shanghai, from June 2003 to June 2005; and served as a deputy director, director and deputy researcher of the Second Division of the Institution of Shanghai Securities Regulatory Commission (SFC), from July 2005 to April 2013. From April 2013 to April 2014, he was seconded to the Legal Department of the SFC; from April 2014 to May 2019, he was a deputy researcher and director of the Office of the Commissioner of the Shanghai Commission of the SFC; from May 2019 to date, he has been a senior advisor and partner at Guoco Law Firm (Shanghai); from April 2023 to date, he has been an independent director of Universal Scientific Industrial (Shanghai) Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601231).

Senior Management:

Li Shantao, born in December 1978, is the Vice President of the Company. Mr. Li joined the Company in 2001. Mr. Li has served as the deputy director of the No. 1 combined heat and power plant of the Company's heat and power department, the deputy secretary and secretary of the group committee of the heat and power department, and the assistant to the manager of the heat and power department. He served as the deputy manager of the heat and power department from April 2014 to July 2017. He served as the manager of the heat and power department and the deputy secretary of the party committee from July 2017 to March 2020. He served as the deputy chief engineer of the Company from March 2020 to October 2023. He served as the general manager of the Company's engineering department from December 2022 to October 2023. Mr. Li was appointed as the Vice President of the Company in October 2023. Mr. Li graduated from Southeast University in June 2001 with a Bachelor's Degree in Engineering, majoring in Thermal and Power Engineering. He obtained a Master's degree in electrical engineering from Shanghai Jiaotong University in December 2011. Mr. Li holds the title of senior engineer.

Zhou Guoming, born in September 1973, is currently a Vice President of the Company. Mr. Zhou joined the Company in March 1994. He has held various positions, including Deputy Director, Director, and Secretary of the CPC Committee of the No. 5 Refining Integrated Plant in the Oil Refining Department of the Company. He served as the Deputy Manager of the Oil Refining Department of the Company from May 2017 to May 2019. He served as the Manager and Deputy Secretary of the CPC Committee of the Oil Refining Department of the Company from May 2019 to March 2020. He served as the General Manager and Deputy Secretary of the CPC Committee of the Oil Refining Department of the Company from March 2020 to November 2022. He served as the General Manager of the Production Department of the Company from November 2022 to June 2024. He concurrently served as Director of Energy Office of the Company from December 2022 to June 2024. He served as the Deputy Chief Engineer of the Company from May 2023 to June 2024. In April 2024, he was appointed as the Vice President of the Company. Mr. Zhou graduated from East China University of Science and Technology with a major in Automation in 2007. He is a senior engineer by profession title.

Liu Gang, born in September 1972, is currently the Secretary to the Board, the Joint Company Secretary, an Assistant to the General Manager, the General Counsel, and the Chief Compliance Officer of the Company. Mr. Liu Gang joined the work in 1995 and successively served as the deputy director and director of the supply management department of the Company's material supply company and the business operation manager of the Commercial Department of Shanghai Secco. From November 2015 to August 2018, he served as the Deputy Director of the Company's Material Procurement Center. From August 2018 to April 2019, he served as the Deputy Director (presiding over the work) of the Company's Material Procurement Center. From April 2019 to January 2021, he served as the General Manager of the Material Procurement Center of the Company. He has been the Assistant to the General Manager of the Company since December 2019. He has been the General Counsel of the Company since March 2021. He has been the Secretary to the Board and Joint Company Secretary of the Company since April 2021. He has been the General Manager of the Company's Capital Operation Department and Shanghai Petrochemical Investment Development Co., Ltd. from August 2021 to June 2024. He has been appointed as the executive deputy director and head of the strategy department of the Company's Carbon Fiber Industry Development Center and the general manager of Shanghai Jinshan Petrochemical Carbon Fiber Co., Ltd. since March 2022. He has been the company's Chief Compliance Officer since June 2023. Mr. Liu graduated from China Textile University in 1995, majoring in mechatronics, and obtained a master's degree in power engineering from East China University of technology in 2007, with the title of senior economist.

3. Share options held by the Directors and senior management during the Reporting Period

There were no share options held by the Directors and senior management during the Reporting Period.

4. Directors and senior management who hold the position in the Company's shareholders entities currently or resigned during the Reporting Period

Name	Name of shareholder entity	Position held	Date of commencement of service term	Date of end of service term
Xie Zhenglin	Sinopec Corp.	Deputy general manager of chemical business department	December 2019	July 2025
Xie Zhenglin	Sinopec Asset Management Co., Ltd.	General manager	December 2019	July 2025

5. Directors and senior management who hold the position in other companies currently or resigned during the Reporting Period

Name	Name of other company	Position held	Date of commencement of service term	Date of end of service term
Guo Xiaojun	Shanghai Secco	Director	May 2024	/
Guo Xiaojun	Chemical Industry Park	Chairman	May 2024	December 2027
Du Jun	Jinshan Associated Trading	Chairman	December 2020	March 2027
Du Jun	Chemical Industry Park	Director	December 2020	December 2027
Huang Xiangyu	Shanghai Jinshan Petrochemical Carbon Fiber Co., Ltd.	Executive Director	March 2021	June 2026

Apart from the information set out in the tables above and in Section (II) "Profiles of Directors and senior management", no Director or senior management of the Company holds any other position at any other company.

6. Remuneration of Directors and senior management during the Reporting Period

Procedures for determining the remuneration of Directors and senior management	Remuneration for Independent Non-executive Directors are determined in accordance with the Remuneration System for Independent Directors amended at the 2007 Annual General Meeting. Remuneration of the other Directors, Employee Representatives and senior management are determined in accordance with the Remuneration System for Directors, Supervisors and Senior Management approved at the 2002 Annual General Meeting. For details of the remuneration of the Directors of the Company, please refer to Note 11 and Note 37 to the financial statements prepared under IFRS Accounting Standards.
Whether a director recuses himself from the Board's discussion of his own emoluments	Yes
The specific circumstances under which the Remuneration and Appraisal Committee or the Independent Directors' Specialized Meeting has issued recommendations on matters relating to the remuneration of Directors and senior management staff	The fifth meeting of the eleventh session of the Remuneration and Appraisal Committee of the Board was held on 18 March 2025 and it was agreed that the Company's remuneration policy would continue to be applied in 2025.
Basis for determining the remuneration of Directors and senior management	The remuneration of Directors and senior management of the Company is determined on the principles of "efficiency, motivation and fairness" and in accordance with the Remuneration System for Directors, Supervisors and Senior Management.
The assessment basis and performance achievement for the remuneration received by all Directors and senior management as at the end of the Reporting Period	The assessment has been completed. The assessment basis is the Management Measures for Performance Assessment of SPC's Leaders and the Management Measures for Remuneration of SPC's Leaders.
Deferred payment arrangements for the remuneration received by all Directors and senior management as at the end of the Reporting Period	According to the Management Measures for Remuneration of SPC's Leaders, the retained portion shall be paid after the annual assessment. 5% of the annual performance bonus payable shall be deferred payment for 2025.
Suspension of payment and recovery arrangements for the remuneration received by all Directors and senior management as at the end of the Reporting Period	Not involved.
Remuneration paid to Directors and senior management	Please refer to item (I) "Shareholdings and remuneration of Directors and senior management" of this chapter.
Total remuneration received by all Directors and senior management for the Reporting Period	RMB9.8148million
The five highest paid individuals	Please refer to Note 37(a) to the financial statements prepared under IFRS Accounting Standards. The five individuals are the Directors, former Supervisors and senior management of the Company.
Pension scheme	Please refer to Notes 2.22 and 37(b) to the financial statements prepared under IFRS Accounting Standards.

7. Changes in Directors and senior management during the Reporting Period

Name	Position held	Change	Reason
Lu Zhiyong	Vice chairman, executive Director, President, member of the Strategy and ESG Committee	Elected	–
Guan Zemin	Vice chairman, executive Director, President, member of the Strategy and ESG Committee	Resigned	Reaching retirement age
Huang Fei	Vice President	Resigned	Change of work arrangements

8. Interests and short positions of Directors and chief executives in the shares, underlying shares and debentures of the Company or associated corporations

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or 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 taken or deemed to have under such provisions of the SFO); or to be recorded in the register of interests required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions set out in Appendix C3 to the Hong Kong Listing Rules were as follows:

Interests in the shares and underlying shares of the Company

Name	Position	Number of shares held (Shares)	Percentage of total		Capacity
			issued shares of the Company (%)	issued A shares (%)	
Huang Xiangyu	Executive Director and Vice President	140,000 A shares (L)	0.001328	0.001910	Beneficial owner

(L): Long position

Save as disclosed above, as at 31 December 2025, so far as was known to the Directors and chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be disclosed or recorded pursuant to the SFO and the Hong Kong Listing Rules as mentioned above.

9. Transactions, arrangements or interests of Directors

None of the Directors of the Company and the entities associated with each Director had any material interests, either directly or indirectly, in any material contract which was entered into by the Company or any of its subsidiaries and subsisted during the year or at the end of the year.

None of the Directors in this year and as at the end of this year had any interests in any businesses (other than the Group's businesses) that competed directly or indirectly with the Group's business.

None of the Directors of the Company has entered into any service contracts with the Company which are not terminable by the Company within one year without payment of compensation other than statutory compensation.

10. Directors' rights to acquire shares or debentures

During the Reporting Period, the Company did not grant the Directors the rights to acquire shares or debentures.

11. Compliance of Model Code for Securities Transactions

The Company has adopted and implemented the Model Code for Securities Transactions to regulate securities transactions of the Directors. After making specific enquiries with all the Directors, the Company obtained written confirmations from each Director that they have fully complied with the Model Code for Securities Transactions during their terms of office.

The Model Code for Securities Transactions is also applicable to the senior management of the Company who are in possession of unpublished inside information of the Company. No incident of non-compliance of the Model Code for Securities Transaction by the senior management was noted by the Company.

12. Management contracts

During the Reporting Period, the Company did not enter into any management and administration contract regarding the whole or any substantial part of its businesses (other than the service contracts with the Directors or any full-time employee of the Company).

13. Permitted indemnity provision

Appropriate Directors' liability insurance which is currently in force has been arranged to indemnify the Directors for liabilities arising out of corporate activities.

14. Punishment by securities regulatory authorities in the recent three years

Not applicable.

15. Risk warning regarding abnormalities in management and control over subsidiaries

The Company exercises standardized management and control over its subsidiaries in accordance with laws and regulations, the Articles of Association and internal control systems. During the Reporting Period, no irregularities occurred in the Company's management and control of its subsidiaries.

(III) Performance of duties by the Directors

1. Directors' attendance at the Board meetings and general meetings

Number of Board meetings held during the year	11
Including: number of meetings held on site	1
Number of meetings held by correspondence	9
Number of meetings held on site and by correspondence concurrently	1

Please refer to Chapter 8, Corporate Governance Report, for the information on Directors' attendance at the Board meeting and general meeting.

2. Disagreements of the Directors on relevant issues of the Company

During the Reporting Period, none of the Directors of the Company raised any disagreements on any Board resolutions or other issues of the Company.

(IV) Major comments and recommendations put forward by the special committees under the Board while discharging their duties during the Reporting Period

Please refer to Chapter 8, Corporate Governance Report, for the membership of the special committees under the Board and the meetings held.

(V) Employees**1. Employees of the Group**

	Number (Person)
Number of employees of the Company	6,860
Number of employees of the subsidiaries	80
Total number of employees of the Group	6,940
Number of retired workers whose retirement costs are borne by the Group	20,320
Professionals	
Production staff	4,506
Sales staff	88
Technical staff	1,586
Financial staff	65
Administrative staff	695
Total	6,940
Education level	
Technical secondary school graduate and below	4,214
Bachelor's degree	2,128
Master's degree	598
Total	6,940

2. Remuneration policy

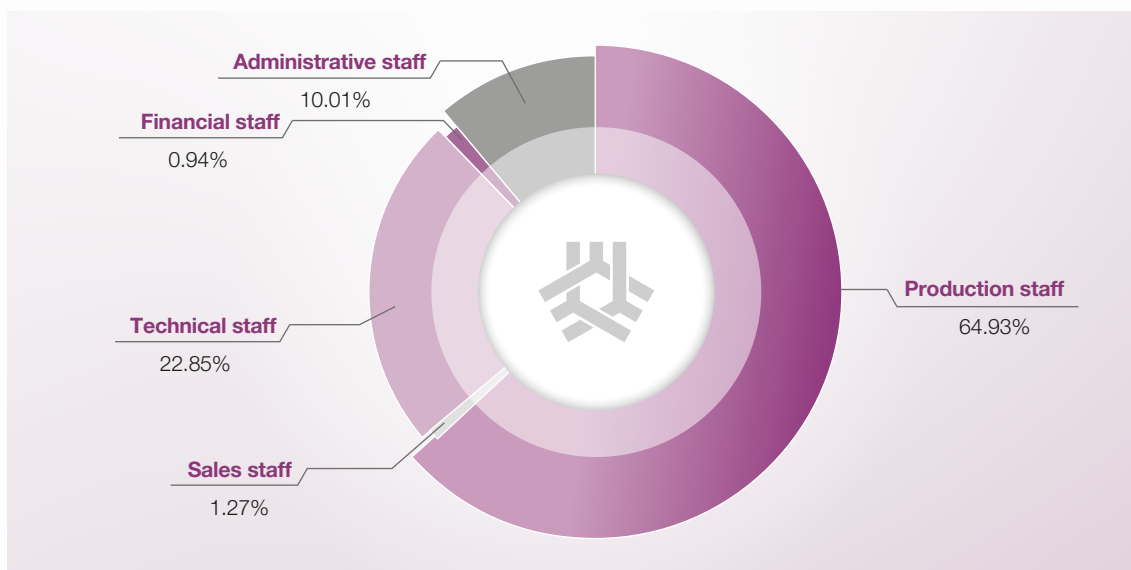
Remuneration packages of the Company's staff include salary, share options and allowances. In accordance with the relevant regulations of the PRC, the Company participates in the social security scheme implemented by the relevant government authorities, and makes contribution for the employees in proportion to their monthly salary. Employees of the Company can also enjoy supplementary medical insurance, enterprise annuity, retirement and other benefits.

During the Reporting Period, the total staff costs of the Group amounted to RMB2,941.9556 million, including salaries, five social insurance and one housing fund, enterprise annuity, welfare, education fee, labour union fee, labor cost, non-monetary benefits, employee reduction expenses, labor protection fees and others.

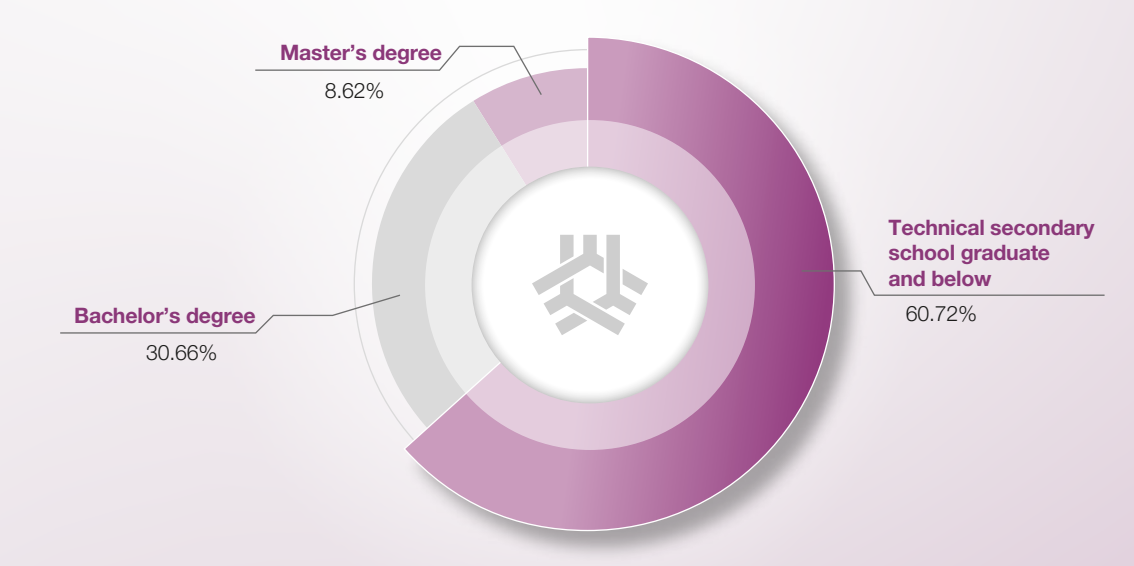
3. Training programs

To scientifically and effectively carry out training activities for the new year, and in accordance with the “SPC Staff Training Management Measures” and requirements such as relevant provisions of training in the current system of professional lines to cultivate a “new-quality” talent team that aligns with the Company’s new productivity development strategy, the Company has formulated the “SPC 2025 Training Plan.” The Company insists on “being goal-led and problem-oriented”, identifies the capability gaps by duties and responsibilities of the position, focuses on the shortcomings of the training program to improve the safety production skills and professional technical proficiency of the Company’s staff. It adheres to the “effective training on a case-by-case basis”, focuses on the effectiveness of training programs, and carries out training by level, classification, and specialty in combination with evaluations from past training sessions. By leveraging digital tools, standardized teaching materials, and diverse application scenarios, it aims to enhance the relevance, convenience, and effectiveness of talent training. It is committed to building a scientific, precise, and efficient training program system to accelerate the cultivation of talents who can adapt to the Company’s development, possess innovative qualities, and technical skills, thereby providing talent support for the development of new quality productivity. The Company’s training plan is divided into three categories of projects.

4. Professional structure chart



5. Statistics on the education level



6. Outsourcing services

Not applicable

(VI) Plan for profit distribution of ordinary shares or capital reserve capitalization

1. Cash dividend policy and its formulation, implementation or adjustment

In 2016, the Company made amendments to its cash dividend policy in the Articles of Association. The proposed amendments to the Articles of Association and its appendices were considered and approved at the annual general meeting of 2015 held on 15 June 2016. According to Article 160 of the Articles of Association currently in force and the relevant provisions of the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies:

The profit distribution policy of the Company maintains consistency and steadiness, and considers the long-term interests of the Company, overall interests of all the shareholders and the sustainable development of the Company. The Company gives priority to adopting cash dividends for profit distribution, and is able to deliver an interim profit distribution. When the net profits and retained earnings of the Company are positive in current year, and in the event that the cash flow of the Company can satisfy the normal operation and sustainable development, the Company should adopt cash dividends, and the distributed profits in cash every year are no less than 30% of the net profits of the Company realised during the corresponding year.

The profit distribution plan of the Company for the corresponding year will be carried out in accordance with the policy and procedures stipulated in the Articles of Association, with the advice of minority shareholders being heard and considered. Meanwhile, the independent Directors fulfilled their responsibilities and played their role.

2. Plan for profit distribution or capitalization of capital reserves for the Reporting Period

In 2025, the net loss attributable to equity shareholders of the Company amounted to RMB1,432,595 thousand under CAS (net loss of RMB1,612,325 thousand attributable to equity shareholders of the Company under IFRS Accounting Standards). The Board did not recommend distribution of annual dividends, and will not conduct capitalization of capital reserves.

3. Cash dividends in the past three accounting years

Unit: RMB'000

Amount of cumulative cash dividends (tax inclusive) in the past three accounting years	210,852
Average annual net profit in the past three accounting years	(838,959)
Cash dividend ratio in the past three accounting years (%)	N/A
Net profit attributable to ordinary shareholders of the listed company in the consolidated statement for the most recent accounting year	(1,432,595)
Retained profits at end of the year in the parent company's financial statements for the most recent accounting year	4,708,553

(X) The share option incentive scheme of the Company

During the Reporting Period, the Company did not implement any share option incentive scheme.

During the Reporting Period, the Company did not grant A-share share options under the share option incentive scheme, nor did the grantees exercise any A-share share options, and no A-share share options were cancelled or lapsed.

(XI) Information on whether the Company fails to guarantee independence from its controlling shareholder or maintain autonomous operational ability in respect of business, personnel, assets, organization and finances, etc.

The Company is independent of the controlling shareholder with regard to its business, personnel, assets, organizations and finances. The Company has full ability to conduct its business independently and has the ability to operate autonomously.

(XII) Description of the situation where the Company's controlling shareholders, actual controllers and other units under their control are engaged in the same or similar business as the Company, as well as the impact of horizontal competition or major changes in horizontal competition on the Company, the solution measures taken, the solution progress and the subsequent solution plan

The Company's main business is to process crude oil into a variety of petroleum products and chemical products. This kind of business is the same as or similar to some businesses engaged in by the Company's controlling shareholders, actual controllers and other units under their control. The Company adheres to legal and compliant operation. At present, the Company is actively committed to transformation and upgrading, focusing on the development of high-end chemicals, new materials and new energy, and striving to achieve differentiated development. The foregoing situation will not have a significant adverse impact on the production and operation of the Company, or damage the independence of the listed company.

(XIII) Evaluation mechanism for senior management as well as the establishment and implementation of incentive mechanism during the Reporting Period

During the Reporting Period, the Remuneration and Appraisal Committee of the Company reviewed the remuneration policy and appraisal plan of the Directors and senior management, and conducted the appraisal on the Directors and senior management in accordance with the appraisal criteria and submitted it to the Board for consideration. On 22 May 2025, the 17th meeting of the eleventh session of the Board of the Company considered and approved the Resolution on the Performance Assessment and Bonus Payment of the Members of the Company's Manager. By virtue of this proposal, the Company conducted an annual assessment on the operational performance of its management for the year 2024 in accordance with the Management Measures for Performance Assessment of SPC's Leaders and the Management Measures for Remuneration of SPC's Leaders.

(XIV) Statement of responsibility for internal control and the establishment of the internal control system

1. Statement of responsibility for internal control

The Board of the Company is responsible for establishing and maintaining a comprehensive internal control system pertinent to financial reporting.

The objectives of internal control pertinent to financial reporting are to ensure that the financial information reported is true, complete and reliable and to prevent the risk of material misstatements. However, due to inherent limitations of the internal control, the Company can only provide reasonable level of assurance for the achievement of the objectives mentioned above.

The Board has evaluated the internal controls pertinent to financial reporting in accordance with the requirements under the Basic Standards for Enterprise Internal Control, and is of the view that such internal control was effective in the year 2025.

2. Establishment of internal control system

Overall plan of internal control establishment

Since 2004, the Company has established and implemented a comprehensive internal control system which covers aspects such as production, operations, finance, investment, human resources and information disclosure, and amends the Internal Control Manual annually in accordance with domestic and overseas regulatory requirements, risk prevention needs and recommendations by external auditors on internal control review.

The Company's internal control system has been established primarily for the following basic objectives: ① to standardize the enterprise's business operation, prevent operational and managerial risks, ensure that financial statements and relevant information are truthful and complete, improve operational efficiency and effectiveness, and facilitate the achievement of the Company's development strategy; ② to plug loopholes and eliminate potential hazards so as to prevent, detect and correct mistakes and fraudulent acts in a timely manner, thereby ensuring that the Company's assets are secure and integral; and ③ to ensure that the relevant state laws and regulations, the Articles of Association and internal rules and regulations are thoroughly enforced so as to fulfill the regulatory requirements for listed companies in both domestic and overseas capital markets.

Work plan on establishing and improving the internal control system and implementation thereof

The Company's internal control manual (2025 Edition) includes 22 categories and 61 risk control matrices with 1,840 controls. The monitoring scope mainly involves the main aspects of the Company's production and operation development and important links of related businesses, such as financial management, accounting, material procurement, product sales, capital expenditure, human resources, information management, etc. In 2025, the Company conscientiously implemented the Internal Control Manual approved by the Board, and conducted comprehensive self-examination, process walk through test and annual evaluation of internal control in accordance with the regulations. KPMG Huazhen LLP, an external auditor, audited the Company's internal control. The management of the Company believes that the internal control of the Company was effective during the Reporting Period.

Establishment of the department inspecting and supervising internal control

The Company has established a comprehensive risk management leading group, with the Chairman, the President and the Chief Financial Officer as its chief and deputy chief, respectively. As the comprehensive risk management leading group is the leading organization of the Company's internal control work, and its main responsibilities are: strengthening risk management and control, promoting special risk assessment, establishing a risk monitoring and reporting mechanism, and conducting annual comprehensive risk assessment; organizing the formulation and revision of the Company's internal control manual; organizing the self-inspection of risk control and internal control of Company's own level and special inspection of subordinate enterprises, and guiding and coordinating the management of the Company's risk control and internal control.

The internal control office under the comprehensive risk management leading group is the centralized management department of the comprehensive supervision of the Company's risk and internal control management, which is responsible for the daily supervision and special supervision of the Company's risk and internal control, and the Enterprise Management Department is responsible for the daily work. The Company has established an internal control supervisor working network which is in charge of each department (unit) in the Company. These internal control supervisors, representing their respective departments, and administrative heads of second-tier units, conduct internal control work and activities within their respective supervisory scope and functionally report to the internal control office of the Company.

<p>The Board's work arrangements for internal control</p>	<p>The Audit and Compliance Committee reports to the Board on the establishment of the internal control system of the Company and the findings of the implementation and inspection of the internal control on a regular basis. The Board also considers and publishes a self-assessment report on the internal control of the Company on an annual basis, and considers and approves the revised Internal Control Manual of the Company annually.</p> <p>KPMG Huazhen LLP, the Company's external auditor, issued an auditor's report on internal control over financial reporting according to "Audit Guidelines for Enterprise Internal Control" in 2025.</p>
<p>Improvements in the internal control system in relation to financial audit</p>	<p>The Company took the lead for the assessment of the rules and regulations and fully assessed the compliance and effectiveness of each system. A total of 120 amendments were made and published.</p>
<p>Deficiencies in internal control and the relevant rectification</p>	<p>The Company conducted a self-assessment on its internal control work in 2025. The results of the assessment are: no material deficiencies were detected in the design or implementation of the internal control of the Company from 1 January 2025 to 31 December 2025.</p>

(XV) Disclosure of the assessment report on internal control

The Company has separately disclosed the assessment report on internal control. The assessment report on internal control for 2025 was approved by the Board on 18 March 2026. Details of the report are available for review on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange simultaneously.

(XVI) Auditor's report on internal control

The auditor's report on internal control is disclosed or not: Disclosed

The Company has engaged KPMG Huazhen LLP to conduct an audit on the effectiveness of the internal control over financial reporting of the Company for the year ended 31 December 2025 pursuant to the requirements of the Audit Guidelines for Enterprise Internal Control and an auditor's report on internal control has been issued.

(XVII) The Company's establishment of an accountability system for major errors in the disclosure of information in annual reports

The Company's Information Disclosure Management System (2025 Revision) sets out specific regulations for the preparation and disclosure of annual reports, the internal reporting mechanism for material information, and responsibilities for violations of information disclosure requirements. During the Reporting Period, there were no major errors in the disclosure of information in the Company's annual report, which required amendments to major accounting errors, supplements to material omission of information or amendments to results forecasts.

(XVIII) Rectification of problems in self inspection of special actions for governance of listed companies

The problems of the Company's self-inspection in the special action of governance of listed companies were all rectified in 2022.

(XIX) Environmental information of listed companies and their major subsidiaries included in the list of enterprises for legal disclosure of environmental information

Number of enterprises included in the list of enterprises for legal disclosure of environmental information			0
			Inquiry index for report on legal disclosure of environmental information
No.	Name of enterprise		-
-		-	-

1. Environmental protection situation of key pollutant-discharging companies and their subsidiaries as announced by the Ministry of Environmental Protection

The Company is one of the polluting enterprises under Intensive Monitoring and Control by the State proclaimed by the Ministry of Environmental Protection. According to the Measures for Self-Monitoring and Information Disclosure of the Enterprises subject to Intensive Monitoring and Control by the State (Trial Implementation), the Company has disclosed to the public on the website of the Shanghai Municipal Bureau of Ecology and Environment about the sites of the pollution sources, the types and concentration of pollutants which are subject to intensive monitoring and control by the State.

The Company, as a manufacturing enterprise in the petrochemical industry, consistently places environmental protection as its priority. It has maintained ISO14001 Environmental Management System Certification. In January 2013, it obtained the certifications from the Shanghai Audit Center of Quality, including quality (GB/T19001: 2008), environment (GB/T24001: 2004) and occupational health and safety (GB/T28001: 2011). In December 2022, the Company was awarded the title “Sinopec Green Enterprise for 2022”; and continued to use the title “All-China Environmentally Friendly Enterprise” (effective until 15 December 2028) through the review of China’s environmentally friendly enterprises on 16 December 2025. In 2025, the green workplace construction was completed at 48 grassroots units, accounting for 96% of the total (50 units). In December 2025, the Company successfully passed the clean production assessment organized by the Shanghai Municipal Bureau of Ecology and Environment for key enterprises in Shanghai.

In 2025, the Company achieved a 100% comprehensive standard rate of effluents, a 100% standard rate of controlled exhaust gas discharge, and a 100% rate of proper disposal of hazardous waste.

The Company continued to progress the LDAR related work. From January to December 2025, LDAR detected a total of 3,103,962 points, with 8,675 points identified as leak points, of which 7,430 points were repaired, resulting in a cumulative repair rate of 85.65%.

In 2025, the Company paid environmental tax totaling RMB8.6492 million to Jinshan District Tax Bureau.

2. Pollutant treatment information

(a) Details of air pollutant emissions¹

No.	Category of pollutant	Discharge outlet ²	Discharge method ³	Emission standard under implementation ⁴	Permissible concentration limit ⁵	Actual average concentration in 2025 ⁶	Approved actual emissions in 2025	Emission standard compliance in 2025
1	SO ₂	71	Continuous	Air Pollutant Emission Standard for Coal-fired Power Plants in Shanghai (DB31/963-2016), Air Pollutant Emission Standard for Coal-fired Power Plants (GB 13223-2011), Air Pollutant Emission Standard (DB31/933-2015), Emission Standard of Air Pollutants for Boiler in Shanghai (DB31/387-2018), Pollutant Emission Standards for Petroleum Refining Industry (GB31570-2015), Pollutant Emission Standard for Petrochemical Industry (GB31571-2015), Pollutant Emission Standards for Synthetic Resin Industry (GB31572-2015)	10-100 mg/m ³	0.01-50 mg/m ³	179.15 tons	Standard compliance rate: 100%, subject to the announcement of the competent department of ecological environment.
2	NO _x	68	Continuous	Air Pollutant Emission Standard for Coal-fired Power Plants in Shanghai (DB31/963-2016), Air Pollutant Emission Standard for Coal-fired Power Plants (GB 13223-2011), Air Pollutant Emission Standard (DB31/933-2015), Emission Standard of Air Pollutants for Boiler in Shanghai (DB31/387-2018), Pollutant Emission Standards for Petroleum Refining Industry (GB31570-2015), Pollutant Emission Standard for Petrochemical Industry (GB31571-2015), Pollutant Emission Standards for Synthetic Resin Industry (GB31572-2015)	50-150 mg/m ³	0.1-100 mg/m ³	1047.59 tons	Standard compliance rate: 100%, subject to the announcement of the competent department of ecological environment.

Note 1: This report discloses the exhaust emissions that the Company has included in the key management items of pollution discharge permits. The data is calculated based on self-monitoring data, and the final data released by the local ecological environment department shall prevail.

Note 2: This item is designed to count the number of organized discharge outlets in relation to respective pollutant.

Note 3: Some outlets discharge intermittently.

Note 4: For the names of the main industry emission standards, the local emission standards and other standards under implementation, please refer to the public information of the ecological environment department.

Note 5: The industry discharge standard concentration prevails, and for other standard concentrations implemented, please refer to the public information of the ecological environment department.

Note 6: The annual average discharge concentrations of major discharge outlets in the year are all within the corresponding range as disclosed. For details, please refer to the public information of the ecological environment department.

(b) Details of water pollutant emissions¹

No.	Category of pollutant	Discharge outlet	Discharge method	Emission standard under implementation ²	Permissible	Actual	Approved actual emissions	Emission standard compliance in 2025
					concentration limit ³	average concentration in 2025 ⁴		
1	COD	2	Continuous	Pollutant Emission Standards for Petroleum Refining Industry (GB31570-2015), Pollutant Emission Standard for Petrochemical Industry (GB31571-2015), Pollutant Emission Standards for Synthetic Resin Industry (GB31572-2015)	60mg/L	20-35 mg/L	540.13 tons	100% up-to-standard daily average.
2	Ammonia nitrogen	2	Continuous	Pollutant Emission Standards for Petroleum Refining Industry (GB31570-2015), Pollutant Emission Standard for Petrochemical Industry (GB31571-2015), Pollutant Emission Standards for Synthetic Resin Industry (GB31572-2015)	8mg/L	0.02-1mg/L	1.51 tons	100% up-to-standard daily average.

Note 1: This report discloses the wastewater emissions that the Company has included in the key management items of pollution discharge permits. The data is calculated based on self-monitoring data, and the final data released by the local ecological environment department shall prevail.

Note 2: For the names of the main industry emission standards, the local emission standards and other standards under implementation, please refer to the public information of the ecological environment department.

Note 3: The industry discharge standard concentration prevails, and for other standard concentrations implemented, please refer to the public information of the ecological environment department.

Note 4: The average discharge concentrations of major discharge outlets in the year are all within the corresponding range as disclosed. For details, please refer to the public information of the ecological environment department.

3. Construction and operation of pollution prevention facilities

Main pollution facilities	Pollutant	Emission limits(mg/m ³)	Actual emission in 2025(mg/m ³)	Reach (or not reach) the standard
Thermoelectric boiler	SO ₂	35	6.44	Reach
	NO _x	50	16.53	Reach
	Particulate matter	10	1.67	Reach
2#sulfur	SO ₂	100	15.13	Reach
3#sulfur	SO ₂	100	2.17	Reach
4#sulfur	SO ₂	100	18.88	Reach
Catalytic cracking	SO ₂	50	7.29	Reach
	NO _x	100	17.67	Reach
	Particulate matter	30	13.08	Reach
Process heating furnace	SO ₂	50	2.19	Reach
	NO _x	100	32.99	Reach
	Particulate matter	20	0.87	Reach
Sewage treatment plant	CODmg/l	60	28.90	Reach
	Ammonia nitrogen mg/l	8	0.26	Reach

4. Environmental impact assessment and other environmental protection administrative licensing of construction projects

According to the requirements of laws and regulations such as the Environmental Impact Assessment Law, the Classified Management Directory of Environmental Impact Assessment of Construction Projects and the Implementation Specifications on Classified Management Directory of Environmental Impact Assessment of Construction Projects in Shanghai (2021), the Company implemented classification management in consideration of the impact of Company's construction projects on the environment. The Company also strictly verified the implementation of environmental protection measures during different stages such as feasibility study, design, construction and confirmation of trial production conditions, etc.

In 2025, two projects, including the Comprehensive Technological Transformation and Quality Upgrading Project and the Park Planning Project of SPC, obtained their environmental impact assessment approvals. Nine projects, including the Renovation of the 220kV Power Distribution Facility in the Eastern District of the Thermal Power Division, the Research and Development of High-Temperature Resistant and High-Toughness Pultruded Epoxy Resin, and the Carbon Fiber Application Project, have completed their acceptance inspections.

5. Emergency response plan for emergent environmental incidents

The Company organized the revision of the “Emergency Response Plan for Emergent Environmental Incidents” in accordance with the Sinopec Group Company’s “Guidelines for the Preparation of Enterprise Emergency Plans for Environmental Emergencies”, formulated annual drill plans, equipped emergency materials as needed, and organized regular environmental emergency drills to improve emergency response and disposal capabilities. On 26 June 2025, the Company conducted a drill simulating a leakage and fire accident involving a tanker truck at the Light Oil Filling Station of the First Workshop of the Storage and Transportation Division. The exercise tested the coordination and operability of the emergency response plans for work safety incidents among the Management Department, the workshop, and the emergency repair unit, as well as the implementation of the plant’s fire-fighting coordination. It fully verified the effectiveness, applicability, and pertinence of the Company’s existing emergency plans, enhanced the rescue capabilities of the emergency response teams, and improved the emergency response capabilities of all employees of the Company. On the afternoon of 12 November 2025, drills were conducted in two scenarios, including the “Water Pollution Incident Caused by an Explosion and Subsequent Fire at Refining Units in the SPC’s Park” and the “Ethylene Oxide Leakage from a Tanker Truck at an Enterprise in Carbon Valley Luwan Industrial Park”. Addressing the critical and challenging issues of cross-regional environmental pollution in extreme scenarios, the Company focused on the objectives of “practical combat, practical utility, and tangible results”. It fully tested the outcomes of the “One Park (River), One Policy, One Map” initiative, as well as the capability for coordinated, cross-regional, and multi-departmental response involving all relevant elements. By leveraging the effectiveness of the three-tier emergency command system (municipal, district, and park levels), the Company ultimately achieved the emergency response goal of “containing pollutants within the park and preventing their cross-provincial transfer”.

6. Environmental self-monitoring programme

In accordance with the Company’s established 2025 environmental monitoring plan, the environmental monitoring station has fundamentally organised and completed multiple routine monitoring tasks covering wastewater, atmospheric environment, exhaust gases, noise and other areas.

According to the environmental monitoring plan for 2025, the quality management center organized to complete six daily monitoring tasks such as discharged wastewater, atmospheric environment, exhaust gas, noise, groundwater and soil. A total of 31,274 water quality monitoring data were collected; a total of 3,584 air and exhaust gas monitoring data were collected; and a total of 163 noise monitoring data were collected; and groundwater and soil were monitored by external institutions, including 30 groundwater points and 33 soil points (including 20 surface soil points and 13 deep soil points).

7. Administrative penalties for environmental problems during the Reporting Period

Nil

8. Measures and effects taken to reduce carbon emissions during the Reporting Period

Whether to take carbon reduction measures	Yes
Emission reduction of CO ₂ equivalent (in tons)	115,008
Type of carbon reduction measures (such as using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that help reduce carbon emissions, etc.)	<ol style="list-style-type: none"> 1. Further increased the purchase of green power, and the purchased green power was 260.97 million kilowatt hours in 2025, comprising 68.71 million kilowatt hours from within the city and 192.26 million kilowatt hours from other provinces. This represented a reduction in carbon emissions of approximately 93,054 tons. (Note: Calculated on the carbon emission factors for externally purchased electricity in Shanghai) 2. Full utilization of photovoltaic power stations: The Phase II 3.48MW rooftop-distributed photovoltaic power generation project for the large-tow carbon fiber facility was completed and put into operation on 28 August 2025. In 2025, the project generated 16.9698 million kilowatt hours of green electricity, reducing carbon emissions by 8,213 tons. (Note: Calculated on the carbon emission factors for externally purchased electricity in Shanghai) 3. The energy efficiency improvement project for the operation, maintenance, and supervision of the 2# Hydrogen Plant K5101B Reciprocating Compressor was implemented, generating annual electricity savings of 7.15 million kWh and reducing carbon emissions by 3,461 tons per year (Note: Calculated based on the carbon emission factors for externally purchased electricity in Shanghai). 4. In 2025, 7,014 tons of biomass fuel was combusted throughout the year, reducing carbon emission by approximately 10,280 tons.

(XX) The Company's fulfillment of its corporate social responsibility

For the Company's performance of corporate social responsibility in 2025 and the Company's 2025 ESG Report, please refer to the "2025 Environmental, Social and Corporate Governance Report of Sinopec Shanghai Petrochemical Company Limited" ("2025 ESG Report") published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

(XXI) Consolidate and expand the poverty alleviation and rural revitalization

Poverty alleviation and rural revitalization projects	Number/Content	Explanation
Total investment (RMB)	500,000	Including: <ol style="list-style-type: none"> 1. Donation of RMB300,000 to Baingoin County Middle School in Nagqu Town, Tibet Autonomous Region, aimed at advancing educational support and assisting in rural revitalization efforts; 2. Donation of RMB200,000 to Yunnan Zhaotong Education Foundation to support local governments to carry out rural revitalization assistance projects.
Number of beneficiaries (person)	2,344	Beneficiaries of education assistance
Forms of poverty alleviation (such as industry, employment, education poverty alleviation, etc.)	Education assistance, industry development, charity assistance	–

Profile of Bonds

During the Reporting Period, the Company had no outstanding or newly issued bonds.

Corporate Governance Report (under the Hong Kong Listing Rules)

The Company is committed to operating in compliance with corporate governance standards by implementing stringent corporate governance measures and enhancing accountability and transparency to deliver higher returns to shareholders. It is the Board's belief that maintaining a good corporate governance system and a world-class governance model are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies and to develop the Company into a competitive international petrochemical enterprise.

(I) Corporate Governance Practices

The Company has applied the principles set out in part 2 of the Corporate Governance Code.

In the opinion of the Directors, throughout the Reporting Period, the Company has complied with all applicable code provisions set out in the part 2 of the Corporate Governance Code.

In the opinion of the Directors, throughout the Reporting Period, the Company has complied with all the reporting principles and the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide, details of which are set out in the Company's "2025 ESG Report".

(II) Board of Directors

1. Composition of the Board

The Board currently consists of 11 Directors, including 4 Executive Directors, 2 Non-executive Directors and 5 Independent Non-executive Directors. Among them, there is 1 Chairman, 1 Vice Chairman and President, and 2 Vice Presidents. The detailed composition of the Board is as follows:

Executive Directors:

Guo Xiaojun, *Chairman, Chairman of the Strategy and ESG Committee and Member of the Nomination Committee*

Lu Zhiyong, *Vice Chairman, President, Chairman of the Strategy and ESG Committee and member of the Nomination Committee*

Du Jun, *Vice President, Chief Financial Officer and member of the Strategy and ESG Committee*

Huang Xiangyu, *Vice President and member of the Strategy and ESG Committee*

Non-executive Directors:

Xie Zhenglin, *member of the Strategy and ESG Committee*

Qin Zhaohui

Independent Non-executive Directors:

Tang Song, *Chairman of the Audit and Compliance Committee and member of the Remuneration and Appraisal Committee*

Chen Haifeng, *members of the Audit and Compliance Committee and the Strategy and ESG Committee*

Yang Jun, *Chairmen of the Remuneration and Appraisal Committee and the Nomination Committee*

Zhou Ying, *members of the Remuneration and Appraisal Committee and the Nomination Committee*

Huang Jiandong, *member of the Audit and Compliance Committee*

During the Reporting Period, Mr. Guan Zemin resigned from his positions as Vice Chairman, Executive Director, President and Vice Chairman of the Strategy and ESG Committee due to reaching retirement age on 26 February 2025. Mr. Lu Zhiyong was appointed as an Executive Director of the Company on 11 December 2025 and was appointed as Vice Chairman and member of the Strategy and ESG Committee on 16 December 2025. Mr. Lu Zhiyong has obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules on 11 December 2025, and he has confirmed that he understands all requirements and responsibility under the Hong Kong Listing Rules applicable to his positions as directors of a listed issuer, and the possible consequences incurred by making false statements or providing false information to the Hong Kong Stock Exchange.

The biographical information of the Directors is set out in section “Corporate Governance, Environment and Society” on pages 50 to 54 of this annual report. Any Directors and senior management personnel have no financial, business, relative or other material relationships with each other.

2. Attendance Records of the Directors

The Board meets at least once per quarter. In 2025, the Board held 11 meetings. Most of the Directors entitled to attend the meetings had actively attended the 11 meetings held during the year in person or by alternates. Before each Board meeting, the joint company secretary would consult each Director on matters to be tabled at the Board meeting. Any matters raised by the Directors would be included in the agenda of the Board meeting. During the Reporting Period, notices and draft agenda of Board meetings were sent to all Directors at least 14 days before the date of the meeting.

To facilitate the Directors in performing their duties effectively and obtaining relevant information to make informed decisions, the agenda of all meetings of the Board or Board committees, together with all relevant documents, are sent to each Board member at least five days before the date of the relevant meetings. The Directors may hold formal or informal meetings with the senior management before any Board meeting.

The Directors and members of the Board committees have access to the papers and minutes of meetings of the Board or the Board committees.

Corporate Governance Report (under the Hong Kong Listing Rules) *(continued)*

The attendance records of each Director at the Board meetings and the general meetings of the Company held during the Reporting Period are set out in the table below:

Name of Director	Board Meeting				General Meeting
	Number of Meetings	Attendance in Person	Attendance by Communication Method	Attendance by Alternate	Attendance/ Number of Meetings
Guo Xiaojun	11	11	0	0	5/5
Lu Zhiyong ⁽¹⁾	2	2	3	0	1/5
Guan Zemin ⁽²⁾	2	2	4	0	0/5
Du Jun	11	11	4	0	5/5
Huang Xiangyu	11	11	4	0	5/5
Xie Zhenglin	11	10	6	1	0/5
Qin Zhaohui	11	11	4	0	5/5
Tang Song	11	11	5	0	4/5
Chen Haifeng	11	11	4	0	5/5
Yang Jun	11	11	4	0	4/5
Zhou Ying	11	11	5	0	1/5
Huang Jiangdong	11	10	6	0	3/5

Notes:

- (1) Mr. Lu Zhiyong was appointed as an Executive Director of the Company on 11 December 2025, and was appointed as the Vice Chairman of the Company and a member of the Strategy and ESG Committee on 16 December 2025.
- (2) Mr. Guan Zemin resigned from his positions as Vice Chairman, Executive Director, President and Vice Chairman of the Strategy and ESG Committee due to reaching retirement age on 26 February 2025.

Apart from the abovementioned Board meetings, the Chairman also held 1 meeting with the Independent Non-executive Directors without the presence of the other Directors during the Reporting Period to discuss the Board's annual work plan and the implementation of such plans and to review the state of the Company's productions and operations and its development prospects.

3. Chairman and President (equivalent to Chief Executive Officer)

The Chairman of the Company is responsible for providing to all Directors all information concerning the performance of Board duties. He is also committed to improving the quality of the information and timeliness of the delivery of information to the Directors. The Chairman of the Company plays an important role in promoting good corporate governance within the Company. He is to lead the Board, encourage the Directors to carry out their duties in good faith with mutual support and close cooperation, and make an active contribution to the production, operations, reform and development of the Company. The President is accountable to the Board. With the authorization of the Board, the President shall have the power to fully manage the Company's business, deal with all internal and external affairs of the Company including presiding over the management of the Company's production and operations, developing basic rules and regulations of the Company, organizing and implementing the annual business plan and investment proposals of the Company, etc.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and president should be separate and should not be performed by the same individual.

During the Reporting Period, Mr. Guo Xiaojun served as the Chairman of the Company. Mr. Guan Zemin served as the President of the Company from 3 February 2020 to 26 February 2025. Mr. Lu Zhiyong served as the President of the Company from 11 November 2025 to the date of publication of this annual report.

4. Independent Non-executive Directors

During the Reporting Period, the Board at all times has five Independent Non-executive Directors representing more than one-third of the Board, meeting the requirements of the Hong Kong Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Independent Non-executive Directors possess extensive experience as well as academic and professional qualifications in various areas that include management, accounting, finance, and law thereby ensuring the Board's ability to protect the interests of the Company's shareholders as a whole. During the Reporting Period, the Independent Non-executive Directors contributed significantly in improving the Company's corporate governance structure and protecting the interests of the Company's minority shareholders.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company considers all Independent Non-executive Directors independent.

5. Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism in 2022 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board to effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board will collectively discuss the results and the action plan for improvement, if appropriate.

All Directors have completed the independence evaluation for the year ended 2025 in the form of a questionnaire individually and presented it to the Board. The Board discussed and assessed the Board independence during the Board meeting, the evaluation results for the year ended 2025 were satisfactory.

6. Appointment and Re-election of Directors

All Directors (including Non-executive Directors and Independent Non-executive Directors) are appointed for a specific term. According to the Articles of Association, among the board members, non-employee representative directors shall be elected by the general meeting, and employee representative directors shall be democratically elected by the Company's employees through the employee representative assembly, the employee general assembly or other forms. The term of office of the directors shall be three years, and shall be eligible for re-election upon expiry of their term of office. However, the term of an Independent Director may not exceed a total of six years.

7. Responsibilities of the Directors

The Board is primarily responsible for formulating and supervising the strategic development of the Company, setting the objectives, strategies, policies and business plans of the Company, reviewing and monitoring the Company's operations and financial performance directly and indirectly through its committees, as well as devising the appropriate risk management and internal control policies and systems, thereby ensuring the achievement of the Company's strategic objectives.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The functions of the Non-executive Directors include participating in Board meetings to provide independent opinions, taking a lead at Board meetings where potential conflict of interests arises, serving as members of the Board committees when invited, scrutinizing the Company's performance and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. When the Directors are required to give opinions on matters such as external guarantees, financing and connected transactions, the Company will appoint relevant independent professionals such as auditors, financial advisers and lawyers to provide independent opinions to help the Directors discharge their duties.

The Board reserves the power to make decisions relating to all major matters including policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Rules of Procedures for the Board, an appendix to the Articles of Association, contains detailed provisions on the terms of reference, authorization, meeting policies and rules of discussion of the Board. The Company has also developed the Work Rules for the President which contains detailed provisions on the duties and responsibilities as well as the rules of procedure for the management.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Company has purchased Directors' and officers' liabilities insurance in respect of any possible legal action against its Directors and officers arising out of corporate activities.

8. Continuous Professional Development of Directors & Company Secretary

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

To ensure that the Directors adequately understand the operations and businesses of the Company, every newly-appointed Director will receive a comprehensive set of introductory materials after his/her appointment which include an introduction to the Group's business, the duties and responsibilities of a Director and other legal requirements. Relevant on-going professional training sessions will also be organized for newly-appointed Directors to help them fully understand the duties that a Director should fulfill as stipulated in the relevant requirements of the laws and regulations, including the Hong Kong Listing Rules, and to enable them to have a timely and comprehensive understanding of the operations of the Company.

In addition, all Non-executive Directors will receive updated information from the management regularly, including strategic plans, business reports and analyses on economic activities etc., with a view to assist them to perform their duties effectively.

All Directors should participate in continuous professional development to upgrade their expertise and skills and to refresh their knowledge to ensure that they perform their duties better in contributing to the Board. Each of the Directors has provided to the Company records of their participation in the relevant training in 2025. The Company has also committed to organizing training programs for its Directors. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

During the Reporting Period, Mr. Huang Jiangdong had attended the Follow-up Training for Independent Directors organized by the Shanghai Stock Exchange in July 2025; Mr. Chen Haifeng and Ms. Zhou Ying had attended the Follow-up Training for Independent Directors organized by the Shanghai Stock Exchange in November 2025; Mr. Lu Zhiyong had attended the Initial Training for Directors and Senior Executives of Listed Companies organized by the Shanghai Stock Exchange in December 2025; Mr. Guo Xiaojun, Mr. Du Jun, Mr. Huang Xiangyu, Mr. Xie Zhenglin, Mr. Qin Zhaohui, Mr. Tang Song and Mr. Yang Jun had attended the 2025 Training Course for Directors and Executives of Listed Companies in Shanghai organized by the Shanghai Association of Listed Companies in December 2025.

During the Reporting Period, Mr. Liu Gang and Ms. Xu Haiyan, joint company secretaries of the Company, have received no less than 15 hours of relevant professional training respectively.

(III) Board Committees

The Board has established four committees, namely, the Audit and Compliance Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy and ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees stipulate their terms of reference. The Rules of Procedures of the Board committees are posted on the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company and are available to shareholders upon request. The Board committees submit minutes, resolutions and reports to the Board subsequent to their meetings in respect of the progress of work and results of discussion.

1. The Remuneration and Appraisal Committee

(i) Role and Functions of the Remuneration and Appraisal Committee

The principal duties of the Remuneration and Appraisal Committee are to formulate and review the remuneration policies and proposals, including the compensation determination mechanisms, decision-making processes, payment, suspension of payment and clawback arrangements for the Directors and senior management personnel, to set performance appraisal standards and conduct performance appraisals of the Directors and senior management personnel of the Company, and to establish transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his directly interested parties is involved in deciding his own remuneration.

The Remuneration and Appraisal Committee may seek advice from independent professionals if required in accordance with the applicable procedures at the expense of the Company.

(ii) Members of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Board comprises three Independent Non-executive Directors.

Members of the Remuneration and Appraisal Committee during the Reporting Period are as follows:

Chairman: Yang Jun, *Independent Non-executive Director*

Members: Tang Song, *Independent Non-executive Director*
Zhou Ying, *Independent Non-executive Director*

(iii) Meetings of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee convenes at least one meeting each year. In 2025, the Remuneration and Appraisal Committee held 3 meetings with a record of attendance as follows:

Name of Director	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Yang Jun	3/3	0/3
Tang Song	3/3	0/3
Zhou Ying	3/3	0/3

(iv) Procedures and Basis for the Determination of Remuneration of Directors and Senior Management

The remuneration of Independent Non-executive Directors is determined in accordance with the “Remuneration System for Independent Directors” amended at the 2007 annual general meeting held in June 2008. The remuneration of other Directors and senior management is determined according to the “Remuneration System for Directors, Supervisors and Senior Management” passed at the 2002 annual general meeting held in June 2003.

The Remuneration and Appraisal Committee reviews the implementation of the remuneration evaluation every year. It also appraises the annual performance of the Directors and senior management of the Company, and makes recommendations to the Board on their remuneration according to the results of the appraisal.

(v) The Work of the Remuneration and Appraisal Committee during the Reporting Period

During the Reporting Period, the Remuneration and Appraisal Committee reviewed the remuneration policy of the Directors, conducted annual appraisals of the Directors and the senior management and reviewed the terms of service contracts for Executive Directors. The Remuneration and Appraisal Committee also reviewed the remuneration structure of the Directors and senior management. Save for the aforesaid, the Remuneration and Appraisal Committee also considered and approved the “Resolution on the Matters Relating to the Tenure System and Contractual Management of the Members of the Company’s Management” and “Rules of Procedure of the Remuneration and Appraisal Committee of SPC (2025 Edition)”.

2. The Audit and Compliance Committee

(i) Role and Functions of the Audit and Compliance Committee

The Audit and Compliance Committee exercises the powers of supervisory committee as stipulated in the Company Law and is principally responsible for advising the Board on the appointment, re-appointment, dismissal and audit fees of external auditors, supervising and evaluating the external audit work, reviewing the effectiveness of the Company's internal audit function, supervising and evaluating the Company's internal audit work, supervising the internal audit system and its implementation, reviewing the financial information of the Company and its disclosure including verifying the completeness of financial statements, annual reports and interim reports of the Company, reviewing the major opinions stated in the financial statements and reports of the Company, reviewing the financial policies, internal audit system, internal control system, risk management systems, compliance management system and their implementation of the Company, reviewing arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The establishment of the Audit and Compliance Committee reflects the Company's determination to improve the transparency of its financial reporting system and its financial arrangements. The Company pays close attention to the minutes and reports prepared by the Audit and Compliance Committee. The Audit and Compliance Committee may seek advice from independent professionals in accordance with the applicable procedures at the expense of the Company.

(ii) Members of the Audit and Compliance Committee

The Audit and Compliance Committee of the Board comprises three Independent Non-executive Directors.

Members of the Audit and Compliance Committee during the Reporting Period are as follows:

Chairman: Tang Song, *Independent Non-executive Director*

Members: Chen Haifeng, *Independent Non-executive Director*
Huang Jiangdong, *Independent Non-executive Director*

(iii) Meetings of the Audit and Compliance Committee

The Audit and Compliance Committee should convene at least four meetings each year. In 2025, the Audit and Compliance Committee held 4 meetings without the presence of the Executive Directors with a record of attendance as follows:

Name of Director	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Tang Song	4/4	0/4
Chen Haifeng	4/4	0/4
Huang Jiangdong	4/4	0/4

(iv) The Work of the Audit and Compliance Committee during the Reporting Period

During the Reporting Period, the Audit and Compliance Committee reviewed the accounting principles and standards adopted by the Company, the interim, quarterly and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems, the effectiveness of the Company's internal audit function, appointment of external auditors and relevant scope of works, and continuing connected transactions of the Company. Save for the aforesaid, the Audit and Compliance Committee also considered and approved the "Re-appointment of Domestic and International Accounting Firms for 2024 and the Recommendation of Authorizing the Board to Determine Their Remuneration", the "Internal Control Evaluation Report of 2024", the "Audit Work Plans of 2025" and the "Internal Control Manual (2025 Edition)" and "Rules of Procedure of the Audit and Compliance Committee of SPC (2025 Edition)" during the Reporting Period.

3. The Nomination Committee

(i) Role and Functions of the Nomination Committee

The Nomination Committee is accountable to the Board, and is mainly responsible for reviewing the Board composition, making recommendations to the Board regarding the selection and review of candidates for the Directors and senior management personnel of the Company as well as their qualifications, formulating the procedures and criteria for appointment, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria such as character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Company provides adequate resources to the Nomination Committee for the performance of its duties. The Nomination Committee may seek independent professional advice during the performance of its duties at the Company's expense.

(ii) Members of the Nomination Committee

The Nomination Committee of the Board comprises 1 Executive Director and 2 Independent Non-executive Directors.

Members of the Nomination Committee during the Reporting Period are as follows:

Chairman: Yang Jun, *Independent Non-executive Director*

Members: Guo Xiaojun, *Executive Director*
 Zhou Ying, *Independent Non-executive Director*
(Appointed as a member of the Nomination Committee on 22 May 2025)
 Chen Haifeng, *Independent Non-executive Director*
(Resigned as a member of the Nomination Committee on 22 May 2025)

(iii) Meetings of the Nomination Committee

The Nomination Committee should convene at least one meeting each year. In 2025, the Nomination Committee held 1 meeting during the Reporting Period. The attendance record of the meetings of the Nomination Committee is set out in the table below:

Name of Director	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Yang Jun	1/1	0/1
Guo Xiaojun	1/1	0/1
Zhou Ying ⁽¹⁾	1/1	0/1
Chen Haifeng ⁽²⁾	0/1	0/1

Notes:

- (1) Ms. Zhou Ying was appointed as a member of the Nomination Committee on 22 May 2025.
- (2) Mr. Chen Haifeng resigned as a member of the Nomination Committee on 22 May 2025.

(iv) The Work of the Nomination Committee during the Reporting Period

During the Reporting Period, the Nomination Committee reviewed the structure, number and composition of the Board, and assessed the independence of the Independent Non-executive Directors.

The Nomination Committee also reviewed the composition of the Board in terms of diversity. As of now, the Board has a total of 11 Directors, including 4 Executive Directors, 2 Non-executive Directors, and 5 Independent Non-executive Directors. The four Executive Directors are from state-owned enterprises and hold important positions such as chairman, vice chairman, president, vice president or chief financial officer. They have rich experience in enterprise management. The two Non-executive Directors have senior engineer and senior accountant by professional title, with extensive experience in enterprise management, finance and investment development management, and have a deep understanding of the chemical industry. The five Independent Non-executive Directors are professors of accounting, researchers of law, financial professionals and scholars of business administration with rich professional experience. The Board has one female Director who provides professional advice for the Company in different areas. The diversified portfolio of the Board provides a wide range of professional advice to the Board, so as to ensure that the Board is provided with independent views and opinions and enable the Board to effectively perform its duties, promote the Company's corporate performance and sustainable development. The Nomination Committee considers that the Board is sufficiently diversified in terms of age, cultural and educational background, professional experience, skills, and knowledge. In selecting directors, the Nomination Committee will pay special attention to other aspects such as gender and race, so as to achieve the goal of diversification of the Board. For the gender, age and term of service of Board members, please refer to Chapter 5 "Corporate Governance, Environment and Society". In addition to the matters set forth above, during the Reporting Period, the Nomination Committee also considered and approved the Rules of Procedure of the Nomination Committee of SPC (2025 Edition) and the Board Diversity Policy (2025 Edition).

(v) Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

According to the Diversity Policy of the Board and in order to achieve sustainable and balanced development, the Company regards the increasing diversity of the Board as the key element to support its strategic objectives and maintain sustainable development. When setting the composition of the Board members, the Board considers the diversity of Board members from many aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and service tenure. All appointments of the Board are based on the principle of “talents are the only people to be appointed”. According to specific needs and business models of the Company, the benefits of diversity of Board members are fully considered under objective conditions. The selection of directors will be based on a wide range of criteria, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and tenure of service. The final decision will be based on strengths of the candidates and the contribution they can make to the Board. The composition of the Board (including gender, age and term of service) will be disclosed in the Corporate Governance Report every year.

An analysis of the Board’s current composition based on the measurable objectives is set out below:

<p>Gender</p> <p>Male: 10 Directors</p> <p>Female: 1 Director</p>	<p>Age Group</p> <p>31-40: 0 Director</p> <p>41-50: 3 Directors</p> <p>51-60: 6 Directors</p> <p>61-70: 2 Directors</p>
<p>Designation</p> <p>Executive Directors: 4 Directors</p> <p>Non-executive Directors: 2 Directors</p> <p>Independent non-executive Directors: 5 Directors</p>	<p>Educational Background</p> <p>Business Administration: 3 Directors</p> <p>Account and Finance: 1 Director</p> <p>Legal: 2 Directors</p> <p>Other: 5 Directors</p>
<p>Nationality</p> <p>Chinese: 11 Directors</p>	<p>Business Experience</p> <p>Account and Finance: 3 Directors</p> <p>Legal: 2 Directors</p> <p>Petrochemical: 4 Directors</p> <p>Business Administration: 2 Directors</p>

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will report on the composition of the Board in terms of diversity in the Corporate Governance Report every year and monitor the implementation of this policy.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	9.09% (1)	90.91% (10)
Senior Management	0% (0)	100% (3)
Other employees	17.48% (1,212)	82.52% (5,720)
Overall workforce	17.46% (1,213)*	82.54% (5,733)*

* Non-executive Directors and Independent Non-executive Directors are included.

The Board had targeted to achieve and had achieved at least 1 female Director and 17.48% (1,212) of female employees of the Group and considers that the above current gender diversity is satisfactory. When necessary, the Board or the Nomination Committee will hire an independent specialized institution to assist the selection of potential successors to female Directors so as to maintain gender diversity.

Details on the gender ratio of the Group together with relevant data can be found in the 2025 ESG Report.

(vi) Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including the following:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge, length of service, experience related to the Company's business and corporate strategy, and diversity aspects under the Board Diversity Policy.

- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent non-executive directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Hong Kong Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Other factors that are appropriate to the Company's business and succession plan and where applicable, may be amended by the Nomination Committee and/or the Board from time to time.
- Other conditions as set out in the Company's Articles of Association (if any).

The Director Nomination Policy also sets out the procedures for the election and appointment of new Directors and re-election of Directors at general meetings. During the Reporting Period and up to the date of this annual report, there were changes in the composition of the Board and details of the changes are set out in section "Composition of the Board" of this Corporate Governance Report.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

4. The Strategy and ESG Committee

(i) Role and Functions of the Strategy and ESG Committee

During the Reporting Period, the Strategy and ESG Committee, focusing on the theme and core objective of building a "New Jinshan" and promoting high-quality development, and guided by the vision of a "Centennial Jinshan" and the goal of becoming a "leading domestically, first-class globally" energy and chemical and new material enterprise, strengthened internal and external environmental analysis, assessed the opportunities and challenges be faced in the Company's development, and prepared the "15th Five-Year Plan" in consideration of the Company's resources and technological reserves, outlining the development blueprint for the next five years. Save for the aforesaid, during the Reporting Period, the Strategy and ESG Committee also reviewed and approved the Proposal on the Investment and Construction in the Comprehensive Technological Transformation and Quality Upgrading Project, the Proposal on the Investment in the Construction Project of the Large-Tow Carbon Fiber Outside of Shanghai, the 2024 ESG Report, and the Rules of Procedure for the Strategy and ESG Committee of SPC (2025 Edition).

(ii) Members of the Strategy and ESG Committee

The Strategy and ESG Committee comprises four Executive Directors, one Non-executive Director and one Independent Non-executive Director.

Chairman: Guo Xiaojun *Executive Director*

Members: Lu Zhiyong *Executive Director*
(Appointed as a member of the Strategy and ESG Committee on 16 December 2025)
 Guan Zemin *Executive Director*
(Resigned as a Vice Chairman of the Strategy and ESG Committee on 26 February 2025)
 Du Jun *Executive Director*
 Huang Xiangyu *Executive Director*
 Xie Zhenglin *Non-executive Director*
 Chen Haifeng *Independent non-executive Director*
(Appointed as a member of the Strategy and ESG Committee on 22 May 2025)
 Zhou Ying *Independent non-executive Director*
(Resigned as a member of the Strategy and ESG Committee on 22 May 2025)

Meetings of the Strategy and ESG Committee

In 2025, the Strategy and ESG Committee held 3 meetings. The attendance record of the meetings of the Strategy and ESG Committee is set out in the table below:

Name of Director	Attendance in Person/Number of Meetings	Attendance by Alternate/Number of Meetings
Guo Xiaojun	3/3	0/3
Lu Zhiyong ⁽¹⁾	0/3	0/3
Du Jun	3/3	0/3
Huang Xiangyu	3/3	0/3
Xie Zhenglin	3/3	0/3
Chen Haifeng ⁽²⁾	1/3	0/3
Guan Zemin ⁽³⁾	1/3	0/3
Zhou Ying ⁽⁴⁾	2/3	0/3

Notes:

- (1) Mr. Lu Zhiyong was appointed as a member of the Strategy and ESG Committee on 16 December 2025.
- (2) Mr. Chen Haifeng was appointed as a member of the Strategy and ESG Committee on 22 May 2025.
- (3) Mr. Guan Zemin resigned as the Vice Chairman of the Strategy and ESG Committee on 26 February 2025.
- (4) Ms. Zhou Ying resigned as a member of the Strategy and ESG Committee on 22 May 2025.

(iii) The Work of the Strategy and ESG Committee during the Reporting Period

During the Reporting Period, the functions of the Strategy Committee were optimised and adjusted, the committee was renamed the Strategy and ESG Committee and its scope was expanded to include environmental, social and governance (ESG) responsibilities. Strategic research focused on the needs of the Company's medium to long-term high-quality transformation and development against the backdrop of the "dual carbon" goals, and closely aligning with the current status and actual circumstances of the petrochemical industry and the Group, forward-looking in-depth research was conducted throughout the year on topics including the structural adjustment of the oil refining, olefin, and aromatics industry chains, as well as the medium to long-term development of carbon fibre and other new businesses. The Company tracked and studied the trends in the development of waste plastic recycling and utilisation, and the development trends of the new energy storage industry both domestically and internationally.

5. Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

6. Supervisory Committee

On 11 December 2025, the Company held its second extraordinary general meeting for 2025, considered and approved the Resolution Regarding the Reduction of Registered Capital, Abolishment of Supervisory Committee, Adjustment of Business Scope and Amendments to the Articles of Association and its Appendices. With effect from such date, the Company has abolished the Supervisory Committee, the functions and powers of which are now exercised by the Audit and Compliance Committee of the Board, and the positions of the Company's supervisors have been automatically vacated.

(IV) Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and the review of their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board ensures that risk management and internal control systems of the Company are sound and effective to safeguard the shareholders' interests and its assets. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit and Compliance Committee assists the Board in leading the management and overseeing its design, implementation and monitoring of the risk management and internal control systems.

In 2025, the Company conducted quarterly reporting and monitoring of the ten major key risk indicators to ensure that risks remained controllable and under control. Quarterly internal control tests were organized with a review period from 1 December 2024 to 30 November 2025; and an annual internal control supervision and evaluation was organized with a review period from 1 January 2025 to 31 December 2025. The review covered seven risk control matrices at the company level and 61 risk control matrices at the business level, and the overall testing and evaluation results were satisfactory.

The Company has developed and adopted various internal control and risk management procedures and guidelines including the Internal Control Manual, the SPC Comprehensive Risk Management Procedures and SPC Comprehensive Risk Management Implementation Programme, set defined authority for implementation by key business processes and office functions, including project management, sales, financial reporting, human resources and information technology, etc.

All divisions conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security etc.

The management, in coordination with division heads, assessed the likelihood of risk occurrence, provided treatment plans, monitored the risk management process, and reported to the Audit and Compliance Committee and the Board on all findings and the effectiveness of the systems.

The Internal Audit Department is responsible for performing an independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit and Compliance Committee. The Company has engaged KPMG Huazhen LLP to conduct an audit on the effectiveness of the internal control over financial reporting of the Company according to the guidelines set out in the Audit Guidelines for Enterprise Internal Control (the "Guidelines") and the Audit Report on Internal Control was issued pursuant to the Guidelines.

The Company has developed its disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. The Company has in place a “System for the Registration and Management of Inside Information” and an “Information Disclosure Management System” which were regularly reviewed by the Board to administer the registration and management of persons with access to the Company’s insider information including but not limited to the Directors, senior officers and senior management, strengthen the confidentiality of the flow of inside information, monitor information disclosure to safeguard the leakage of inside information and respond to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

1. Implementation of internal control

Internal control task force is the leading unit of the internal control work of the Company with the President and the Chief Financial Officer as chief and deputy chief, respectively, and an internal control office was established under the task force. It is responsible for organizing and coordinating the establishment, implementation and daily operation of internal control, as well as the submission of work reports on the inspection and supervision of internal control to the Audit and Compliance Committee on a regular basis. A supervisory working network consisting of special personnel of each department (unit) responsible for internal control function was established within the Company. The internal control supervisors, on behalf of their own departments, and administrative heads each carry out internal control work within their own scope.

Since the implementation of the internal control system of the Company in 2004, the Company has strictly complied with the requirements of internal control regulations of the CSRC. Combining with corporate management and internal controls, the Internal Control Manual was reviewed annually so as to improve the internal control business process, to specify responsibilities of different departments and positions in charge of the respective control processes, and to urge staff to perform internal control responsibility. The Internal Control Manual (2025 Edition) specifies 22 categories, 61 risk control matrices and a total of 1,840 control points.

In 2011, the Company launched an internal control management information system and built a dynamic validation and correction system of system data to continuously improve the internal control management information system annually. At the same time, the internal control office actively guides the respective departments responsible for different processes and the secondary units for the online management of internal control and gradually enforces online enquiry and online quarterly testing under the Internal Control Manual.

2. Implementation of comprehensive risk management

In 2011, the Company set up a comprehensive risk management task force with key heads of the Company as leaders. The task force has set up an office in the Corporate Management Department of the Company and functions as the daily risk managing organ of the Company.

In 2013, based on the then “Integrated Management System” and other professional management systems, the Company extensively carried out risk management status research, arranged and analysed existing issues and learnt from the successful experience and typical practices of domestic and overseas advanced enterprises and prepared the SPC Comprehensive Risk Management Procedures, which are included in the Integrated Management System. The risk management procedures specify five basic processes of comprehensive risk management, namely risk information collection, risk evaluation, risk response, monitoring and warning, and supervisory assessment and improvement. Through risk identification and assessment, the Company conducts analysis of the effectiveness of the existing internal control system and professional management and creates foundation system of the Company for the establishment of the risk warning system and risk response strategy and measures.

In 2016, the Company developed the SPC Comprehensive Risk Management Implementation Programme according to control capability, management strength and company management conditions, and standardized assessment methods and standards. The Company launched resources management, interest rate and Forex rate special risk identification, and evaluation work to enhance the comprehensive risk management of the Company.

Pursuant to the planning and requirements of State-Owned Assets Supervision and Administration Commission of the State Council, the Company is focusing on its goal of establishing an energy and chemical and new material enterprise which is “leading domestically, first-class globally”. The Company vigorously implements annual risk assessment work, organizes some of the Company’s leaders, key department heads to participate in the material and significant online risk identification evaluation to start and perform comprehensive risk management of the Company to provide foundation for the establishment of the risk warning system and risk response strategy and measures. On the basis of the revised Internal Control Manual, the Company organized the persons in charge of the business process to comprehensively identify, analyse and assess material and significant tier 3 risks and attend to tier 4 risks based on the risk list in the business matrix. The Company has preliminarily set up the “SINOPEC Risk Database” and improved the key information maintenance of “Inherent Risk Rating” and “Risk Response Measures” in the system.

The Company set up a comprehensive risk management office which is responsible for collecting and organizing risk information regarding the Company as well as domestic and foreign companies in the same industry. It sorts out, analyzes and summarizes, forms a risk list, and regularly improves and updates the risk list. The Company set up an internal control office to establish risk assessment work standards, procedures and management rules, formulate company risk assessment plans, and organize risk assessment task.

Through the implementation of effective supervision and evaluation and improved supervision, the Company effectively promotes the Company's overall risk management, and forms a closed-loop management mechanism for self-improvement and continuous optimization. Internal supervision of the Company is divided into daily supervision and special supervision. Daily supervision refers to the routine and continuous supervision and inspection of the Company's establishment and implementation of internal control; special supervision refers to the situation where the Company undergoes major adjustments or changes in its development strategy, organizational structure, business activities, business processes, and key positions, there will be a targeted supervision and inspection of one or more aspects of internal control. The scope and frequency of special supervision depends on the impact of the risk and the effectiveness of the control.

The Company has established a comprehensive internal inspection and evaluation mechanism, designating internal audit as the Company's responsible division to supervise and improve risk management, and the audit department is responsible for the independent supervision and evaluation of the setting up of the risk management system and the effectiveness of implementation, reporting according to prescribed procedures and monitoring the rectification and improvement. The Board is responsible for the supervision of the Company's internal control evaluation work, identifies the Company's major internal control deficiencies, reviews the relevant rectification measures and oversees the management in the implementation of the measures, reviews and approves the internal control evaluation report. The Audit and Compliance Committee of the Board of the Company oversees the establishment and implementation of internal controls by the Board.

The management has reported to the Board and the Audit and Compliance Committee on the effectiveness of the risk management and internal control systems of the Group for the Reporting Period. The Board, as supported by the Audit and Compliance Committee and the management, reported the internal audit findings for the Reporting Period, reviewed the risk management and internal control systems including the financial, operational and compliance controls, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experience and relevant resources.

For further details of the risk management and internal controls of the Company, please refer to the chapter headed "Corporate Governance, Environment and Society" of this annual report.

(V) Directors' Responsibilities in relation to the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2025.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

All Directors regularly receive comprehensive reports from the management covering strategic proposals, operations updates, financial objectives, plans and initiatives. The Board presents a balanced, clear and understandable assessment of the affairs and prospects of the Group in the Company's annual and interim reports, announcements relating to inside information and other financial disclosures as required under the Hong Kong Listing Rules.

During the Reporting Period, the management provided to members of the Board with monthly information on the Company's production and financial analysis, as well as Xinjinshan Post (《新金山報》), a newspaper published by the Company that covers recent developments in the Company's production and operations. In addition, Directors including Independent Non-executive Directors were also able to learn about the latest updates on the Company's business and information disclosure on the Company's website in a timely manner.

The statements of the independent auditor of the Company (both international and domestic) about their reporting responsibilities on the financial statements are set out in the respective Independent Auditor's Report and Report of the PRC Auditor on pages 218 to 223 and pages 82 to 87, respectively of this annual report.

(VI) Auditors' Remuneration

An analysis of the remuneration paid to the international and domestic auditors of the Company, KPMG and KPMG Huazhen LLP, in respect of audit services and non-audit services for the Reporting Period is set out in the table below:

Auditor	Service Category	Fees Paid/Payable
KPMG and KPMG Huazhen LLP	– Audit services	RMB6,556,000
	– Non-audit services-Tax consulting services	RMB115,000

(VII) Company Secretary

Currently, Mr. Liu Gang and Ms. Xu Haiyan are joint company secretaries of the Company. Mr. Liu Gang was appointed as secretary to the Board and joint company secretary on 28 April 2021. Ms. Xu Haiyan was appointed as the joint company secretary on 21 August 2024. They all report to the Chairman and/or the President.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

(VIII) Shareholders' Rights

The Company engages shareholders through various communication channels and the "Work System of Investor Relations Management" is in place to ensure that shareholders' views and concerns are appropriately addressed.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll and poll results will be posted on the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company after each general meeting.

The rights of shareholders holding ordinary shares of the Company are also set out in the Articles of Association. Upon written requests of the shareholders and verification of their identities and shareholding by the Company, they will be allowed to access relevant information as permitted by law, administrative regulations and the Articles of Association.

1. Convening an Extraordinary General Meeting

Pursuant to Article 57(3) of the Articles of Association, the Board shall convene an extraordinary general meeting within two months upon written requisition by the shareholders individually or jointly holding 10% or more of the issued and outstanding voting shares of the Company.

2. Putting Forward Proposals at General Meeting

Pursuant to Article 59 of the Articles of Association, when the Company convenes a general meeting, the Board, the Audit and Compliance Committee and shareholders who individually or jointly hold one per cent (1%) or more of the issued and outstanding voting shares of the Company shall have the right to propose proposals in writing for general meetings. Shareholders who individually or jointly hold one per cent (1%) or more of the issued and outstanding voting shares of the Company may propose and submit in writing an additional proposal to the convener ten (10) days prior to the convening of the general meeting. The convener shall issue a supplementary notice of the general meeting within two (2) days upon receipt of such proposal and shall make an announcement on the content of the additional proposal and submit the same at the general meeting for consideration. Where more stringent provisions are related to regulatory rules, such provisions shall prevail, which exclude those violating the requirements of the laws, administrative regulations or Articles of Association, or falling out of the scope of the authority of the general meeting.

3. Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

4. Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company's registered address as follows:

48 Jinyi Road, Jinshan District, Shanghai, the PRC

For the attention of Mr. Liu Gang, Secretary to the Board

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

(IX) Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company maintains communications with its shareholders. The Company's major communication channels include annual general meeting, other general meetings, the Company's website, email, fax and telephone numbers of the Secretary Office of the Board. Through the above communication channels, shareholders may adequately express their opinions or exercise their rights.

The Company is committed to enhancing its relationship with investors. The Chairman or the president presides over and participates in major investor relations activities (including general meetings, results presentations, press conferences, significant events and roadshows, important domestic and overseas capital market conferences, major financial media interviews, etc.) and maintains contact with shareholders to ensure that the views of the shareholders can be conveyed to the entire Board.

During the Reporting Period, the Company continuously monitored and reviewed the implementation and effectiveness of the shareholders' communication policy to ensure its efficacy. The Company will continue to strengthen the management of investor relations, and implement in good faith the "Work System of Investor Relations Management", engage in active interaction and communications with investors and submit investors' opinions and suggestions to the Company's management in a timely manner.

In principle, the Company convenes results briefings every six months after the release of its annual and interim results. In 2025, the Company held two large-scale results briefings in Hong Kong while several "one-to-one" meetings were held within and outside the PRC. The Company has also welcomed domestic and foreign investors to its headquarters, and replied to telephone queries and letters from investors, intermediaries and fund managers. In addition, the Directors and senior management also actively attended capital market online meetings organized by securities research companies and investment banks.

The information on the Company's website is updated regularly to keep the investors and the public informed of the Company's latest developments.

(X) Relevant policies relating to Shareholders

The Company has formulated a shareholders' communication policy to ensure that the opinions and concerns of shareholders are properly addressed, and the policy has been reviewed during the Reporting Period to ensure its effectiveness.

The Company has formulated a dividend policy. According to the Articles of Association, the Company's net profit attributable to the parent company was positive and the accumulated undistributed profit was positive during the year. While the Company's cash flow can meet its normal operation and sustainable development, the Company shall carry out cash dividend distribution and shall not be less than 30% of the net profit attributable to the parent company realized in that year. For details, please refer to chapter 5 "Corporate Governance, Environment and Society".

(XI) Amendments to Constitutional Documents

On 11 December 2025, the Company held its second extraordinary general meeting for 2025, considered and approved the Resolution Regarding the Reduction of Registered Capital, Abolishment of Supervisory Committee, Adjustment of Business Scope and Amendments to the Articles of Association and its Appendices. Pursuant to the relevant laws and regulations, and in order to standardize the corporate governance systems and facilitate the Company's strategic development, the Company amended the Articles of Association and its appendices based on its actual circumstances. Upon completion of the amendments, the Company no longer had the supervisory committee or any supervisor positions, and the Audit and Compliance Committee of the Company's Board of Directors exercises the functions and powers of the supervisory committee as stipulated under the Company Law. The Rules of Procedure for the Supervisory Committee and other relevant policies of the supervisory committee was repealed accordingly. Details of the amendments are set out in the circular dated 24 November 2025 to the shareholders. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website.



Independent auditor's report to the shareholders of Sinopec Shanghai Petrochemical Company Limited
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Sinopec Shanghai Petrochemical Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 151 to 280, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Assessment of net realizable value of raw materials, work in progress and finished goods	
<i>Refer to notes 2.14, 4.2 (a) and 21 to the consolidated financial statements and the accounting policies.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group is principally engaged in processing of crude oil into petroleum products and other chemical products. The crude oil can be processed into various finished goods by different processing procedures. Inventories are valued at the lower of cost and net realizable value.</p> <p>The gross carrying amount of raw materials, work in progress and finished goods, and provision for diminution in value were RMB5,960,668 thousand and RMB395,612 thousand, respectively, as at 31 December 2025.</p> <p>The net realizable value is determined based on the estimated selling prices in the ordinary course of business less the estimated costs to completion, and other costs necessary to make the sale.</p> <p>We identified the assessment of net realizable value of raw materials, work in progress and finished goods as a key audit matter because evaluation of estimated selling prices of inventories, estimated costs to completion, and other costs necessary to make the sale involved a high degree of auditor judgements.</p>	<p>Our audit procedures to assess net realizable value of raw materials, work in progress and finished goods included the following:</p> <ul style="list-style-type: none"> Evaluating the design, implementation and operating effectiveness of key internal controls over the process of determination of net realizable value of raw materials, work in progress and finished goods, including controls related to the determination of estimated selling prices, estimated costs to completion, other costs necessary to make the sale; Evaluating the estimated selling price at the reporting date for a sample of inventory items by comparison of the estimated selling prices to prices from publicly available market data and the actual prices of sales transactions subsequent to the reporting date if available; and Evaluating the estimated costs to completion and other costs necessary to make the sale by comparing with the historical costs to completion and other costs necessary to make the sale for the same type of inventories on a sample basis.

Key audit matters (continued)

Assessment of value in use of certain production facilities	
<i>Refer to notes 2.12 (b), 4.2 (b) and 16 to the consolidated financial statements and the accounting policies.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The carrying amount of property, plant and equipment was RMB12,225,736 thousand as of 31 December 2025, a portion of which related to certain intermediate petrochemicals production and synthetic fibres production under chemical products segment ("certain production facilities"). At the end of each reporting period, if any indication of impairment exists, the Group estimates the recoverable amount of an asset, or a cash-generating unit, at the higher of its fair value less costs of disposal and its value in use, to determine the impairment losses, if any. The Group's estimated value in use includes assumptions on product sales growth rates, related costs growth rates ("forecasted growth rates") and discount rate.</p> <p>We identified the assessment of value in use of certain production facilities as a key audit matter because high degree of subjectivity and auditor judgment was involved to evaluate the forecasted growth rates and the discount rate used to estimate value in use of these assets. The forecasted growth rates and the discount rate were challenging to test as minor changes to those assumptions would have a significant effect on the Group's assessment of value in use of these assets. In addition, specialized skills and knowledge were required to assess the discount rate used to estimate value in use of these assets.</p>	<p>Our audit procedures to assess value in use of certain production facilities included the following:</p> <ul style="list-style-type: none"> • Evaluating the design, implementation and operating effectiveness of key internal controls related to the process in assessing the value in use of certain production facilities, including controls related to the determination of the forecasted growth rates and the discount rate; • Assessing the forecasted growth rates adopted in the Group's value in use assessment by comparing them with historical results, future operation plans and external market data; • Involving valuation professionals with specialized skills and knowledge assisted in evaluating the discount rate used by comparing it against discount rate that was independently developed using publicly available industry data; and • Performing sensitivity analysis over the forecasted growth rates and the discount rate assumptions to assess their impact on the certain production facilities' impairment assessment.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements

(continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo (*practising certificate number: P04854*).

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 March 2026

Consolidated Income Statement

For the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Revenue	5	75,513,468	87,060,094
Taxes and surcharges		(11,505,216)	(12,777,797)
Net sales		64,008,252	74,282,297
Cost of sales	10	(65,832,658)	(74,121,403)
Gross (loss)/profit		(1,824,406)	160,894
Selling and administrative expenses	10	(239,070)	(234,569)
Other operating income	6	87,422	112,660
Other operating expenses	7	(24,926)	(24,040)
Other (losses)/gains – net	8	(33,892)	34,236
(Loss)/profit from operations		(2,034,872)	49,181
Finance income	9	205,267	309,542
Finance expenses	9	(16,326)	(114,987)
Finance income – net		188,941	194,555
Share of net profits of associates and joint ventures accounted for using the equity method	20	177,335	179,579
(Loss)/profit before taxation		(1,668,596)	423,315
Income tax	12	58,514	(106,318)
(Loss)/profit for the year		(1,610,082)	316,997

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Income Statement (continued)

For the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
(Loss)/profit attributable to:			
– Equity shareholders of the Company		(1,612,325)	310,980
– Non-controlling interests		2,243	6,017
(Loss)/profit for the year		(1,610,082)	316,997
(Losses)/earnings per share attributable to equity shareholders of the Company for the year (expressed in RMB per share)			
Basic	13 (a)	RMB(0.153)	RMB0.029
Diluted	13 (b)	RMB(0.153)	RMB0.029

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
(Loss)/profit for the year		(1,610,082)	316,997
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)	32	(304)	2
Items that are or may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates accounted for using the equity method	32	(5,240)	3,659
Cash flow hedges: net movement in hedging reserve	32	(29,407)	(60,059)
Other comprehensive income for the year, net of tax		(34,951)	(56,398)
Total comprehensive income for the year		(1,645,033)	260,599
Attributable to:			
– Equity shareholders of the Company		(1,647,276)	254,582
– Non-controlling interests		2,243	6,017
Total comprehensive income for the year		(1,645,033)	260,599

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2025

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	16	12,225,736	13,204,423
Right-of-use assets	15	339,960	331,067
Investment properties	17	290,131	305,142
Construction in progress	18	4,315,241	2,064,067
Investments accounted for using the equity method	20	3,533,937	3,489,573
Financial assets at fair value through other comprehensive income	23	3,466	3,872
Financial assets measured at fair value through profit or loss	26	37,500	36,500
Time deposits with banks	24	2,539,640	–
Deferred tax assets	12	1,274,737	1,211,961
Amounts due from related parties	22	4,719	–
Other non-current assets	14	392,579	407,592
		24,957,646	21,054,197
Current assets			
Derivative financial assets	3.1 (a)	13,493	49
Inventories	21	5,742,490	6,552,263
Trade receivables	22	29,059	151
Other receivables	22	209,938	675,823
Amounts due from related parties	22	825,906	717,168
Prepayments		150,081	187,663
Value added tax recoverable		33,796	15,315
Financial assets at fair value through other comprehensive income	23	332,015	388,230
Restricted cash and bank deposits		3,965	3,848
Time deposits with banks	24	–	3,883,516
Cash and cash equivalents	25	7,511,597	8,209,113
		14,852,340	20,633,139
Total assets		39,809,986	41,687,336

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Balance Sheet (continued)

As at 31 December 2025

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
Equity and liabilities			
Equity attributable to equity shareholders of the Company			
Share capital	31	10,542,618	10,675,228
Reserves	32	12,577,868	14,353,023
		23,120,486	25,028,251
Non-controlling interests		101,910	104,241
Total equity		23,222,396	25,132,492
Liabilities			
Non-current liabilities			
Borrowings	27	811,768	67,685
Lease liabilities	15	140	192
Deferred tax liabilities	12	24,319	29,241
Deferred income	30	231,053	168,679
		1,067,280	265,797

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Balance Sheet (continued)

As at 31 December 2025

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
Current liabilities			
Borrowings	27	756	1,500,987
Lease liabilities	15	6,918	1,112
Derivative financial liabilities	3.1(a)	7,108	–
Contract liabilities	29	248,656	235,224
Trade and other payables	28	6,220,178	3,308,308
Amounts due to related parties	28	8,100,989	9,590,947
Current tax liabilities		757,611	1,419,016
Staff salaries and welfares payable		176,037	232,725
Income tax payable	12	2,057	728
		15,520,310	16,289,047
Total liabilities		16,587,590	16,554,844
Total equity and liabilities		39,809,986	41,687,336

Approved and authorized for issue by the Board of Directors on 18 March 2026

Guo Xiaojun

Director

Du Jun

Director

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

Note	Attributable to equity shareholders of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000		
	(note 31)	(note 32)	(note 32)			
Balance at 31 December 2024 and						
1 January 2025	10,675,228	7,041,612	7,311,411	25,028,251	104,241	25,132,492
Changes in equity for 2025						
(Loss)/profit for the year	-	-	(1,612,325)	(1,612,325)	2,243	(1,610,082)
Other comprehensive income	32	(34,951)	-	(34,951)	-	(34,951)
Total comprehensive income for the year						
	-	(34,951)	(1,612,325)	(1,647,276)	2,243	(1,645,033)
Amounts transferred from hedging reserve to						
initial carrying amount of hedged items	3.1a(ii)	34,160	-	34,160	-	34,160
Dividends proposed and approved	34	-	(210,852)	(210,852)	-	(210,852)
Dividends paid by subsidiaries to						
non-controlling interests		-	-	-	(4,574)	(4,574)
Purchase of own shares	31(ii)	(84,117)	-	(84,117)	-	(84,117)
Cancellation of shares	31(ii)	(132,610)	132,610	-	-	-
Utilization of safety production fund	32	(155,318)	155,318	-	-	-
Share of change of capital reserve of						
investees	32	320	-	320	-	320
Balance at 31 December 2025						
	10,542,618	6,934,316	5,643,552	23,120,486	101,910	23,222,396

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2025

	Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings	Total			
		RMB'000 (note 31)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000		
Balance at 31 December 2023 and 1 January 2024		10,799,286	7,018,729	6,992,901	24,810,916	117,978	24,928,894	
Changes in equity for 2024								
Profit for the year		-	-	310,980	310,980	6,017	316,997	
Other comprehensive income	32	-	(56,398)	-	(56,398)	-	(56,398)	
Total comprehensive income for the year		-	(56,398)	310,980	254,582	6,017	260,599	
Amounts transferred from hedging reserve to initial carrying amount of hedged items	3.1a(ii)	-	60,097	-	60,097	-	60,097	
Dividends paid by subsidiaries to non-controlling interests		-	-	-	-	(7,514)	(7,514)	
Purchase of equity interests from non- controlling interests	32b(ii)	-	12,240	-	12,240	(12,240)	-	
Purchase of own shares	31(ii)	-	(109,584)	-	(109,584)	-	(109,584)	
Cancellation of shares	31(ii)	(124,058)	124,058	-	-	-	-	
Utilization of safety production fund	32	-	(7,530)	7,530	-	-	-	
Balance at 31 December 2024		10,675,228	7,041,612	7,311,411	25,028,251	104,241	25,132,492	

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Operating activities			
Cash generated from operations	25(b)	1,999,907	7,747,305
Interest paid		(15,821)	(116,144)
Net income tax paid		(6,577)	(6,858)
Net cash generated from operating activities		1,977,509	7,624,303
Investing activities			
Proceeds from disposal of investments		31,724	–
Net cash received from disposal of a subsidiary		29,799	–
Dividends received from joint ventures and associates		96,815	115,606
Interest received from time deposits with maturity more than three months		6,950	16,636
Net proceeds from settlement of derivative financial instruments		4,631	4,028
Payment for the purchase of property, plant and equipment and construction in progress		(3,179,163)	(1,909,708)
Net proceeds from disposal of property, plant and equipment and construction in progress		30,753	167,575
Cash received from time deposits with maturity more than three months		3,883,513	700,642
Cash payment for investment in time deposits with maturity more than three months		(2,500,000)	(1,000,000)
Payment for investment in a joint venture	20	–	(150,000)
Net cash used in investing activities		(1,594,978)	(2,055,221)

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Financing activities			
Proceeds from borrowings	25(c)	744,083	17,567,685
Repayments of borrowings	25(c)	(1,500,000)	(19,700,000)
Principal elements of lease payments	25(c)	(15,760)	(15,051)
Payment for repurchase of shares		(91,111)	(113,279)
Dividends paid by subsidiaries to non-controlling interests		(4,574)	(7,514)
Dividends paid to the Company's shareholders		(210,725)	(245)
Net cash used in financing activities		(1,078,087)	(2,268,404)
Net (decrease)/increase in cash and cash equivalents		(695,556)	3,300,678
Cash and cash equivalents at the beginning of the year	25	8,209,113	4,906,368
Exchange (losses)/gains on cash and cash equivalents		(1,960)	2,067
Cash and cash equivalents at the end of the year	25	7,511,597	8,209,113

The notes on pages 161 to 280 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 General Information

Sinopec Shanghai Petrochemical Company Limited (“the Company”), formerly Shanghai Petrochemical Company Limited, was established in the People’s Republic of China (“the PRC”) on 29 June 1993 with registered capital of RMB4,000,000 thousand, invested by its holding company-China National Petrochemical Corporation (“Sinopec Group”); these shares were converted from assets of former Shanghai Petrochemical Complex.

H shares were listed on the Hong Kong Stock Exchange on 26 July 1993, and listed on the New York Stock Exchange in the form of American Depositary Shares at the same time; the A shares were listed on the Shanghai Stock Exchange on 8 November 1993.

Sinopec Group completed its reorganization on 25 February 2000. After the reorganization, China Petroleum & Chemical Corporation (“Sinopec Corp.”) was established. As part of the reorganization, Sinopec Group transferred its 4,000,000,000 of the Company’s state-owned legal shares, which represented 55.56 percent of the issued share capital of the Company, to Sinopec Corp.. Sinopec Corp. became the largest shareholder of the Company.

The Company changed its name to Sinopec Shanghai Petrochemical Company Limited on 12 October 2000.

Ordinary A shares of RMB14,177 thousand and RMB9,637 thousand were registered on 27 September 2017 and 12 January 2018.

On 17 February 2023 the Company cancelled 24,528 thousand H-shares which were repurchased in the year of 2022.

On 17 June 2024, the Company cancelled 124,058 thousand H shares repurchased.

On 3 March 2025 and 17 June 2025, the Company cancelled 132,610 thousand H shares repurchased.

As at 31 December 2025, total share capital of the Company were 10,542,618 thousand, 1 Yuan per share. Detailed changes to share capital refers to note 31.

The Company and its subsidiaries (“the Group”) is a highly integrated entity which processes crude oil into chemical products and petroleum products. Details of the Company’s principal subsidiaries are set out in note 19.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance and basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards (“IFRSs”), International Accounting Standards (IASs) and related Interpretations, promulgated by the International Accounting Standards Board (IASB), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new or amended IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2.1 (c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- derivative financial instruments (see note 2.13);
- investment in debt and equity securities (see note 2.11); and
- debt instruments measured at FVOCI (see note 2.11).

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Material accounting policies *(continued)*

2.1 Statement of compliance and basis of preparation *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 21, The effects of changes in foreign exchange rates-Lack of exchangeability

The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Inter-company transactions, balances and unrealized gains on transactions (except for foreign currency transaction gains or losses) between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income and changes in equity respectively.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations by the Group, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the statement of profit or loss as a bargain purchase.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the statement of profit or loss.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Investments in joint ventures and associates are accounted for using the equity method of accounting.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or loss on dilution of equity interest in associates are recognized in the statement of profit or loss.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.4 Joint arrangements

Under IFRS 11 'Joint Arrangements' investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.12.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in the statement of profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognized in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	12 to 40 years
– Plant and machinery	5 to 20 years
– Vehicles and other equipment	4 to 20 years

*(Expressed in Renminbi Yuan unless otherwise indicated)***2 Material accounting policies** *(continued)***2.7 Property, plant and equipment** *(continued)*

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12 (b)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within Other (losses)/gains – net in the statement of profit or loss.

2.8 Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less government grants that compensate the Company for the cost of construction, and impairment losses. Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction. Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

2.9 Investment properties

Investment properties are properties which are owned either to earn rental income and/or for capital appreciation.

Investment properties are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (note 2.12(b)). Depreciation is provided over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values. Estimated useful lives of the Group's investment properties are 30-40 years.

2.10 Other non-current assets

Other non-current assets mainly represent intangible assets and long-term prepaid expense, which are amortized on a straight-line basis over the following periods:

Intangible assets – patents	2 to 28 years
Long-term prepaid expense – catalyst	1.5 to 10 years
Long-term prepaid expense – leasehold improvement	15 to 27 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.11 Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 3.3. These investments are subsequently accounted for as follows, depending on their classification.

(a) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2.27).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(b) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 2.28.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets

(a) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortized cost (including cash and cash equivalents, time deposits with banks, trade receivables and other receivables); and
- debt instruments measured at FVOCI (recycling);

Other financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(a) Credit losses from financial instruments *(continued)*

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(a) Credit losses from financial instruments *(continued)*

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with note 2.27 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(a) Credit losses from financial instruments *(continued)*

Basis of calculation of interest income (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(b) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- investment properties;
- construction in progress
- other non-current assets; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

At the end of each reporting period, if any indication of impairment exists, the Company estimates the recoverable amount of an asset, or a cash-generating unit, at the higher of its fair value less costs of disposal and its value in use, to determine the impairment losses.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.12 Credit losses and impairment of assets *(continued)*

(b) Impairment of other non-current assets *(continued)*

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(c) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2.12(a) and (b)).

2.13 Derivative and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.13 Derivative and hedging activities *(continued)*

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 3.1(a). Movements in the hedging reserve in shareholders' equity are shown in note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss, within Other (losses)/gains – net.

When swap contracts are used to hedge forecast transactions, the Group may designate the full change in fair value of the swap contract as the hedging instrument. The gains or losses relating to the effective portion of the change in fair value of the entire swap contract are recognized in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the statement of profit or loss as follows:

Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognized in the statement of profit or loss as the hedged item affects profit or loss (for example through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to other (losses)/gains – net.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the statement of profit or loss and are included in Other (losses)/gains – net.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.14 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. The net realizable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs to completion, and other costs necessary to make the sale.

2.15 Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2.26). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2.16).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.27).

2.16 Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price.

Receivables are subsequently stated at amortized cost using the effective interest method less allowance for credit losses (see note 2.12(a)).

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are presented within borrowings in current liabilities in the statement of financial position. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.12(a).

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Safety production fund

Under China's law and regulation, the Group is required to accrue safety production fund at a certain percentage of the sales of dangerous goods. The fund is earmarked for improving the safety of production. The fund is accrued from retained earnings to other reserves and converted back to retained earnings when used.

2.20 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables generally are financial liabilities and are recognized initially at fair value plus transaction costs and subsequently measured at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

2.21 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.22 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.23 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.24 Employee benefits

(a) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(b) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.25 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.25 Provisions and contingent liabilities *(continued)*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time.

value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.26 Revenue recognition

(a) Sales of petroleum and chemical products

The Group manufactures and sells petroleum and chemical products. Sales are recognized when control of the products has transferred, being when the products are delivered to or accepted by the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Advance from customers but goods not yet delivered is recorded as contract liabilities and is recognized as revenue when a customer obtains control over the relevant goods.

Revenue excludes value added tax and is after deduction of any estimated trade discounts.

The Group has elected to apply the practical expedient that contract costs incurred related to contracts with an amortization period of less than one year have been expensed as incurred. The Group also applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(b) Overseas shipping services

The Group arranges overseas shipping services for the customer and revenue is recognized over time and based on the actual shipping service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual passages of time (days) relative to the total expected shipping days.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.27 Interest income

Interest income from financial assets at FVPL is included in Other (losses)/gains – net, see note 8 below. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in the consolidated statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as Finance income where it is earned from financial assets that are held for cash management purposes, see note 9 below.

2.28 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in the statement of profit or loss over the useful life of the asset by way of reduced depreciation expense.

2.30 Leases

The Group leases various land, buildings, equipment, vehicles and others. Rental contracts of buildings, equipment, vehicles and others are typically made for fixed periods of 2 to 8 years. Rental contracts of land use rights are typically made for fixed periods of 20 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.30 Leases *(continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.30 Leases *(continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight – line basis, as follows:

Land use rights	20 – 50 years
Buildings	2 – 8 years
Equipment	2 – 3 years
Others	2 – 4 years

Payments associated with short-term leases of equipment and vehicles are recognized on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. A single discount rate was applied to the portfolio of the leases with reasonably similar characteristics.

Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.32 Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for use or sale;
- management intends to complete the research and development project, and use or sell it;
- it can be demonstrated how the research and development project will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the research and development project; and
- the expenditure attributable to the research and development project during its development phase can be reliably measured.

Other research and development expenditures that do not meet these criteria are recognized as an expense as incurred. Research and development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2.33 Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Material accounting policies *(continued)*

2.33 Related parties *(continued)*

(b) **An entity is related to the Group if any of the following conditions applies:**

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.34 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management policies focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

(a) Derivatives

The Group has the following derivative financial instruments in the following line items in the consolidated statement of financial position:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current derivative financial instrument assets		
Commodity swaps contracts applied hedge accounting	13,493	49
Total derivative financial assets	13,493	49
	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current derivative financial instrument liabilities		
Commodity swaps contracts applied hedge accounting	7,108	–
Total derivative financial liabilities	7,108	–

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Derivatives (continued)

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in note 2.13.

(ii) Hedging reserves

The following table provides a reconciliation of the hedging reserve in respect of commodity price risk and shows the effectiveness of the hedging relationships:

	Pre-tax amount	Tax effect	Post-tax amount
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024	–	–	–
Effective portion of the cash flow			
hedge recognized in other			
comprehensive income	28,246	(7,060)	21,186
Amounts reclassified to profit or loss	(108,326)	27,081	(81,245)
Reclassified to inventory	80,129	(20,032)	60,097
Balance at 31 December 2024			
and 1 January 2025	49	(11)	38
Effective portion of the cash flow			
hedge recognized in other			
comprehensive income	(27,842)	6,961	(20,881)
Amounts reclassified to profit or loss	(11,369)	2,843	(8,526)
Reclassified to inventory	45,547	(11,387)	34,160
Balance at 31 December 2025	6,385	(1,594)	4,791

*(Expressed in Renminbi Yuan unless otherwise indicated)***3 Financial risk management** *(continued)***3.1 Financial risk factors** *(continued)***(a) Derivatives** *(continued)**(iii) Amounts recognized in the consolidated statement of profit or loss*

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognized in the consolidated statement of profit or loss in relation to derivatives:

	2025 RMB'000	2024 RMB'000
Net gains on commodity swaps contracts not qualifying as hedges included in other (losses)/ gains – net	4,689	4,055
Net losses on foreign exchange forward contracts not qualifying as hedges included in other (losses)/ gains – net	(58)	(27)
Total	4,631	4,028

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into commodity swaps contracts that have similar critical terms as the hedged item, such as reference rate, payment dates, transaction price, oil variety and oil quantity.

Hedge ineffectiveness for commodity swaps contracts may occur due to the changes in the timing of the hedged transactions. There was no recognized ineffectiveness during the year ended 31 December 2025 in relation to the commodity swaps.

As at 31 December 2025, the Group had certain commodity contracts of crude oil designed as qualified cash flow hedges, which will be matured within the next 3 months. As at December 31, 2025, the fair value of such derivative hedging financial instruments is derivative financial assets of RMB13,493 thousand (31 December 2024: RMB49 thousand) and derivative financial liabilities of RMB7,108 thousand (31 December 2024: Nil).

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Market risk

(i) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Nevertheless, the Group is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollar. The Group's finance department at its headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimize the foreign exchange risk. For the year ended 31 December 2025 and 31 December 2024, the Group used foreign exchange forward contracts to mitigate its exposure to foreign exchange risk respect to US dollar.

As at 31 December 2025, there were no foreign exchange forward contract that had not been matured (31 December 2024: Nil).

As at 31 December 2025, if US dollar and HK dollar had weakened/strengthened by 5% against RMB with all other variables held constant, the Group's net loss for the year ended 31 December 2025 would increase/decrease by RMB28 thousand (31 December 2024: net profit would increase/decrease by RMB5,157 thousand) before considering the impact of forward and option contracts as a result of foreign exchange gains/losses which is mainly resulted from the translation of US dollar denominated trade receivables and payables.

The aggregate net foreign exchange losses recognized in the consolidated statement of profit or loss were:

	2025	2024
	RMB'000	RMB'000
Net foreign exchange losses included in other (losses)/		
gains – net (note 8)	(13,592)	(12,622)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

*(Expressed in Renminbi Yuan unless otherwise indicated)***3 Financial risk management** *(continued)***3.1 Financial risk factors** *(continued)***(b) Market risk** *(continued)**(ii) Cash flow and fair value interest rate risk (continued)*

The Group's finance department at its headquarter continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the years ended 31 December 2025 and 31 December 2024, the Group did not enter into any interest rate swap agreements.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows.

	2025 RMB'000	2024 RMB'000
Fixed rate:		
Cash and cash equivalents	2,700,000	–
Time deposits with maturity less than one year	–	3,600,000
Time deposits with maturity more than one year	2,500,000	–
Borrowings	–	(1,500,000)
Lease liabilities	(7,058)	(1,304)
	5,192,942	2,098,696
Variable rate:		
Cash and cash equivalents	4,809,735	8,209,113
Borrowings	(811,768)	(67,685)
	3,997,967	8,141,428

As at 31 December 2025, if interest rates on the floating rate financial instruments had risen/fallen by 100 basis points while all other variables had been held constant, the Group's net loss would have decreased/increased by approximately RMB29,735 thousand (2024: RMB60,880 thousand increased/decreased in net loss), mainly as a result of higher/lower interest on floating rate cash and cash equivalents.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) **Market risk** *(continued)*

(iii) *Commodity price risk*

The Group principally engages in processing crude oil into chemical products and petroleum products. The selling price of petroleum products is periodically adjusted by the government department based on the market price adjustment mechanism, and generally in connection with the crude oil price. The fluctuations in prices of crude oil, refined oil products and chemical products and petroleum products could have significant impact on the Group. The Group uses commodity swaps contracts to manage a portion of this risk.

As at 31 December 2025 and 31 December 2024, the Group had certain unexpired commodity contracts of crude oil and refined oil designated as qualified cash flow hedges balances of which have been disclosed in note 3.1 (a).

(c) **Credit risk**

(i) *Risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk is managed on group basis. It mainly arises from cash and cash equivalents, time deposits with banks, bills receivable, trade receivables measured at amortized cost and FVOCI, other receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank (including time deposits) and bills receivable because the counterparties are banks and financial institutions with a relatively higher credit rating, which the Group considers representing low credit risk. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on trade receivables, other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) **Credit risk** *(continued)*

(i) *Risk management (continued)*

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtors;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors, etc.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(i) Risk management *(continued)*

It has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2025, 96.26% and 99.91% of the total trade receivables were due from the Group's largest customer and the five largest customers respectively within the Group (31 December 2024: 99.54% and 99.99%).

For other receivables, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and forward-looking information. The management believes that there is no material credit risk inherent in the Group's outstanding balance of other receivable.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales of goods and from the providing services,
- Other financial assets carried at amortized cost, and
- Debt instruments carried at FVOCI.

While cash and cash equivalents, time deposits with banks and bills receivable are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including trade receivables with related parties) and financial assets at fair value through other comprehensive income.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2025 and 31 December 2024 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Impairment losses on trade receivables are presented as provision of impairment losses on financial assets within loss from operations. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortized cost

Other financial assets at amortized cost include other receivables.

As at 31 December 2025 and 31 December 2024, the internal credit rating of other receivables was all performing. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method.

Management considered that there was no significant increase in credit risk for other receivables including receivables from related parties by taking into account of their past history of making payments when due and current ability to pay, and thus the impairment provision recognized during the period was limited to 12 months expected losses.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Other financial assets at amortized cost *(continued)*

The provision for loss allowance was recognized in the statement of profit or loss in provision of impairment losses on financial assets.

Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade and other receivables are presented as provision of impairment losses within loss from operations. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt instruments carried at FVOCI

Debt instruments carried at FVOCI include trade receivables and bills receivable with a business model which is achieved both by collecting contractual cash flows and selling of these assets. The loss allowance for debt instruments carried at FVOCI is recognized in OCI and accumulated in the fair value reserve does not reduce the carrying amount of the financial asset in the statement of financial position.

As at 31 December 2025 and 31 December 2024, no loss allowance was provided for financial assets at FVOCI.

*(Expressed in Renminbi Yuan unless otherwise indicated)***3 Financial risk management** *(continued)***3.1 Financial risk factors** *(continued)***(c) Credit risk** *(continued)*

(iii) *Provision of impairment losses on financial assets recognized in the consolidated statement of profit or loss*

During the year, the following (provision)/reversal was recognized in selling and administrative expenses in relation to impaired financial assets:

	2025 RMB'000	2024 RMB'000
Impairment losses		
– provision in loss allowance for trade receivables	(102)	–
– provision in loss allowance for other receivables	(4,002)	–
Impairment losses reversed	–	51
(Provision)/reversal of impairment losses on financial assets	(4,104)	51

(iv) *Financial assets at fair value through profit or loss*

The Group is also exposed to credit risk in relation to investments such as shares investments with sell-back clauses, which are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

(d) Liquidity risk

Cash flow forecast is performed by the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk (continued)

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations, the renewal of its short-term bank loans and its ability to obtain adequate external financing to support its working capital and meet its debt obligation when they become due. As at 31 December 2025, the Group had credit facilities with several PRC financial institutions which provided the Group to draw down to RMB8,676,500 thousand, within which amounted to RMB7,864,732 thousand were unused. Management assessed that all the facilities could be renewed upon the expiration dates.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group treasury. As at 31 December 2025, the Group held cash and cash equivalents of RMB7,511,597 thousand (31 December 2024: RMB8,209,113 thousand) (note 25), time deposits with banks – current of RMB Nil (31 December 2024: RMB3,883,516 thousand) (note 24) and trade receivables (including trade receivables with related parties and those carried at fair value through other comprehensive income (“FVOCI”)) of RMB902,998 thousand (31 December 2024: RMB956,736 thousand), that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyzes the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31 December 2025					Carrying amount
	Contractual maturities of financial liabilities					
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Non-derivatives						
Borrowings	20,770	202,389	490,136	168,588	881,883	812,524
Lease liabilities	7,239	144	–	–	7,383	7,058
Bills payables	3,211,391	–	–	–	3,211,391	3,211,391
Trade payables	1,960,186	–	–	–	1,960,186	1,960,186
Other payables	1,048,601	–	–	–	1,048,601	1,048,601
Amounts due to related parties excluded non-financial liabilities	8,100,989	–	–	–	8,100,989	8,100,989
	14,349,176	202,533	490,136	168,588	15,210,433	15,140,749

*(Expressed in Renminbi Yuan unless otherwise indicated)***3 Financial risk management** *(continued)***3.1 Financial risk factors** *(continued)***(d) Liquidity risk** *(continued)*

	As at 31 December 2024					
	Contractual maturities of financial liabilities					Carrying amount
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Non-derivatives						
Borrowings	1,505,302	1,800	5,400	70,086	1,582,588	1,568,672
Lease liabilities	1,160	200	–	–	1,360	1,304
Bills payables	1,047,541	–	–	–	1,047,541	1,047,541
Trade payables	1,428,598	–	–	–	1,428,598	1,428,598
Other payables	832,169	–	–	–	832,169	832,169
Amounts due to related parties excluded non-financial liabilities	9,577,271	–	–	–	9,577,271	9,577,271
	14,392,041	2,000	5,400	70,086	14,469,527	14,455,555

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, other than amounts recognized in equity relating to cash flow hedges, less unaccrued proposed dividends.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management (continued)

3.2 Capital management (continued)

The Group's adjusted net debt-to-capital ratios at 31 December 2025 and 2024 were as follows:

	Note	2025 RMB'000	2024 RMB'000
Current liabilities:			
Borrowings	27	756	1,500,987
Lease liabilities	15	6,918	1,112
		7,674	1,502,099
Non-current liabilities:			
Borrowings	27	811,768	67,685
Lease liabilities	15	140	192
Total Debt		819,582	1,569,976
Less: Cash and cash equivalents	25	(7,511,597)	(8,209,113)
Adjusted net debt		(6,692,015)	(6,639,137)
Total equity		23,222,396	25,132,492
Less: Hedging reserve		(4,791)	(38)
Adjusted capital		23,217,605	25,132,454
Adjusted net debt-to-capital ratio		N/A	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2025 and 2024 by the level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques that maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

		As at 31 December 2025			
	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<i>Recurring fair value measurements</i>					
Financial assets					
Financial assets measured at fair value through profit or loss					
– Redeemable preference share investments	26	–	–	37,500	37,500
Financial assets measured at fair value through other comprehensive income					
– Commodity swaps contracts	3.1(a)	–	13,493	–	13,493
– Trade and bills receivable	23	–	332,015	–	332,015
– Equity investments	23	–	–	3,466	3,466
		–	345,508	40,966	386,474
Financial liabilities					
Financial liabilities measured at fair value through other comprehensive income					
– Commodity swaps contracts	3.1(a)	–	7,108	–	7,108
		–	7,108	–	7,108

*(Expressed in Renminbi Yuan unless otherwise indicated)***3 Financial risk management** *(continued)***3.3 Fair value estimation** *(continued)*

	Note	As at 31 December 2024			Total RMB'000
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<i>Recurring fair value measurements</i>					
Financial assets					
Financial assets measured at fair value through profit or loss					
– Redeemable preference share investments	26	–	–	36,500	36,500
Financial assets measured at fair value through other comprehensive income					
– Commodity swaps contracts	3.1(a)	–	49	–	49
– Trade and bills receivable	23	–	388,230	–	388,230
– Equity investments	23	–	–	3,872	3,872
		–	388,279	40,372	428,651

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of commodity swaps contract is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

The fair value of trade and bills receivable is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

Valuation techniques and inputs used in Level 3 fair value measurements

For equity investment, the fair value is determined by the operating conditions and financial information of the investee entities, which based on a comprehensive consideration of investee entities' net asset, asset liquidity and cash ability.

For other non-current assets, the fair value is determined by reference to the most recent transaction price and the effect of liquidation preferences, which based on a comprehensive consideration of investee entities' net asset, asset liquidity and cash ability.

During the year ended 31 December 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Financial assets and financial liabilities not measured at fair value mainly represent trade receivables, other receivables, amounts due from related parties excluded prepayments, trade payables, amounts due to related parties, other payables (except for the staff salaries and welfare payables and taxes payables), borrowings. The carrying amounts of these financial assets and liabilities not measured at fair value are a reasonable approximation of their fair value.

*(Expressed in Renminbi Yuan unless otherwise indicated)***3 Financial risk management** *(continued)***3.3 Fair value estimation** *(continued)***Valuation techniques and inputs used in Level 3 fair value measurements** *(continued)*

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

Financial assets at fair value through other comprehensive income	Equity investments
	RMB'000
As at 1 January 2024	3,869
Changes in fair value recognized in other comprehensive income during the period	3
As at 31 December 2024	3,872
Changes in fair value recognized in other comprehensive income during the period	(406)
As at 31 December 2025	3,466
	Redeemable preference share investments
	RMB'000
As at 1 January 2024 and 31 December 2024	36,500
Changes in fair value recognized in profit or loss during the period	1,000
As at 31 December 2025	37,500

(Expressed in Renminbi Yuan unless otherwise indicated)

4 Critical accounting judgement and estimates

4.1 Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(a) Classification of financial assets

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group determines the business model for managing financial assets at the level of the financial asset portfolio. The factors considered include the way to evaluate and report the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, and the way for relevant business management personnel to obtain remuneration, etc.

When evaluating whether the contractual cash flow of financial assets is consistent with the basic lending arrangements, the Group has the following main judgments: whether the time distribution or amount of the principal may change in the duration due to prepayment and other reasons; whether the interest only includes the time value of money, credit risk, other basic lending risks and the consideration of cost and profit. For example, does the amount of prepayment only reflect the outstanding principal and the interest based on the outstanding principal, as well as the reasonable compensation paid for the early termination of the contract.

4.2 Sources of estimation uncertainty

Significant sources of estimation uncertainty are as follows:

(a) Net realizable value ("NRV") of inventories

As described in note 2.14, inventories are valued at the lower of cost and net realizable value. The net realizable value is determined based on the estimated selling prices in the ordinary course of business less the estimated costs to completion, and other costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of each reporting period to ensure inventory is measured at the lower of cost and net realizable value.

4 Critical accounting judgement and estimates *(continued)*

4.2 Sources of estimation uncertainty *(continued)*

(b) Impairments for non-current assets

As discussed in note 2.12, at the end of each reporting period, the Group estimates the recoverable amount of an asset or a cash-generating unit ("CGU") (a portion of which related to certain production facilities), at the higher of its fair value less costs of disposal and its value in use, to determine the impairment losses. If circumstances indicate that the carrying amount of the asset or CGU may not be recoverable, the asset or CGU may be considered "impaired", and an impairment loss may be recognized.

The recoverable amount of assets or CGUs is the higher of the fair value less costs of disposal and value in use. As the fair value of certain assets or CGUs may not be publicly available, the Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions for projections of product sales and operating costs and discount rate. In particular, in determining the value in use of the Group's specific CGUs, significant judgements are required on the accounting estimates which are based on the assumptions relating to product sales growth rates, related costs growth rates and discount rate applied.

(c) Useful life and residual value of property, plant and equipment

Property, plant and equipment, are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives and estimated residual value of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets, taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors.

Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the profit or loss in future years.

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue

5.1 Segment information

The Group manages its business by divisions, which are organized by business lines. In view of the fact that the Company and its subsidiaries operate substantially all in the PRC, no geographical segment information is presented.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker, Board of Directors, for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interests in associates and joint ventures, deferred tax assets, cash and cash equivalents, time deposits, financial assets at fair value through other comprehensive income – equity investments, financial assets measured at fair value through profit or loss – other non-current financial assets, derivative financial assets and incomes relating to these assets (such as share of net profits of associates and joint ventures accounted for using the equity method and interest income), borrowings and interest expenses, financial assets measured at fair value through profit or loss – derivative financial liabilities and deferred tax liabilities.

The Group has identified three reportable segments: petroleum products, chemical products and trading of petrochemical products. Petroleum products and chemical products are produced through intermediate steps from the principal raw material of crude oil. The specific products of each segment are as follows:

- (i) The petroleum products segment is equipped with crude oil refinery facilities used to produce qualified refined gasoline, fuel, diesel oil, heavy oil and liquefied petroleum gas, and provide raw materials for the Group's downstream petrochemical processing facilities.
- (ii) The chemical products segment primarily produces p-xylene, benzene, ethylene oxide, polyethylene resins, polypropylene resins, acrylic fibres and carbon fibres.

Produces p-xylene, benzene, and ethylene oxide are both served as raw materials in the production of other petrochemicals and sold to external customers. Polyethylene resins and plastics are used to produce insulated cable, mulching films and moulded products such as housewares and toys. Polypropylene resins are used for films, sheets and moulded products such as housewares, toys, consumer electronics and automobile parts. Acrylic fibres and carbon fibres are mainly used in the textile, wind turbine blades and drones, and other related areas.

- (iii) The trading of petrochemical products segment is primarily engaged in importing and exporting of petrochemical products.
- (iv) Other business includes investment property leasing, service provision and a variety of other commercial activities, which are not included in above mentioned operating segments.

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue (continued)**5.1 Segment information** (continued)

2025	Petroleum products RMB'000	Chemical products RMB'000	Trading of petrochemical products RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	62,747,653	33,375,588	8,060,952	1,230,430	105,414,623
Inter segment revenue	(11,308,753)	(16,294,799)	(1,688,906)	(608,697)	(29,901,155)
Revenue from external customers	51,438,900	17,080,789	6,372,046	621,733	75,513,468
Timing of revenue recognition					
– At a point in time	51,438,900	17,080,789	6,343,002	621,733	75,484,424
– Over time	–	–	29,044	–	29,044
	51,438,900	17,080,789	6,372,046	621,733	75,513,468
Segment result – (loss)/profit from operations	(351,162)	(1,716,363)	2,451	30,202	(2,034,872)

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue (continued)

5.1 Segment information (continued)

2024	Petroleum products RMB'000	Chemical products RMB'000	Trading of petrochemical products RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	72,489,244	33,998,333	8,219,429	1,267,023	115,974,029
Inter segment revenue	(10,420,018)	(16,556,664)	(1,307,051)	(630,202)	(28,913,935)
Revenue from external customers	62,069,226	17,441,669	6,912,378	636,821	87,060,094
Timing of revenue recognition					
– At a point in time	62,069,226	17,441,669	6,877,007	636,821	87,024,723
– Over time	–	–	35,371	–	35,371
	62,069,226	17,441,669	6,912,378	636,821	87,060,094
Segment result – profit/(loss) from operations	1,319,360	(1,307,087)	17,789	19,119	49,181

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue (continued)

5.1 Segment information (continued)

	2025	2024
	RMB'000	RMB'000
Segment result –(loss)/profit from operations		
Petroleum products	(351,162)	1,319,360
Chemical products	(1,716,363)	(1,307,087)
Trading of petrochemical products	2,451	17,789
Others	30,202	19,119
(Loss)/profit from operations	(2,034,872)	49,181
Finance income – net	188,941	194,555
Share of net profits of investments accounted for using the equity method	177,335	179,579
(Loss)/profit before taxation	(1,668,596)	423,315

Other profit and loss disclosures

	2025			2024		
	Depreciation and amortization RMB'000	Impairment loss and credit loss RMB'000	Inventory write-down RMB'000	Depreciation and amortization RMB'000	Impairment loss and credit loss RMB'000	Inventory write-down RMB'000
Petroleum products	(1,043,033)	–	(28,348)	(986,964)	–	(20,853)
Chemical products	(722,551)	(3,482)	(363,771)	(856,511)	51	(265,076)
Trading of petrochemical products	(14,322)	–	(552)	(14,566)	–	–
Others	(243,458)	(622)	–	(199,282)	–	–
	(2,023,364)	(4,104)	(392,671)	(2,057,323)	51	(285,929)

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue (continued)

5.1 Segment information (continued)

Other profit and loss disclosures (continued)

	As at 31 December	
	2025	2024
	Total assets	Total assets
	RMB'000	RMB'000
Allocated assets		
Petroleum products	12,855,617	13,672,827
Chemical products	9,597,116	8,354,937
Trading of petrochemical products	480,913	761,330
Others	1,879,186	2,002,267
Allocated assets	24,812,832	24,791,361
Unallocated assets		
Investments accounted for using the equity method	3,533,937	3,489,573
Cash and cash equivalents	7,511,597	8,209,113
Time deposits with banks	2,539,640	3,883,516
Deferred tax assets	1,274,737	1,211,961
Financial assets measured at fair value through profit or loss	37,500	36,500
Value added tax recoverable	33,796	15,315
Restricted cash and bank deposits	3,965	3,848
Derivative financial assets	13,493	49
Others	48,489	46,100
Unallocated assets	14,997,154	16,895,975
Total assets	39,809,986	41,687,336

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue (continued)

5.1 Segment information (continued)

Other profit and loss disclosures (continued)

	As at 31 December	
	2025 Total liabilities RMB'000	2024 Total liabilities RMB'000
Allocated liabilities		
Petroleum products	10,739,082	10,089,439
Chemical products	4,549,707	4,128,538
Trading of petrochemical products	441,453	699,079
Others	13,484	38,763
Allocated liabilities	15,743,726	14,955,819
Unallocated liabilities		
Borrowings	812,524	1,568,672
Deferred tax liabilities	24,319	29,241
Others	7,021	1,112
Unallocated liabilities	843,864	1,599,025
Total liabilities	16,587,590	16,554,844
	2025 RMB'000	2024 RMB'000
Additions to property, plant and equipment, construction in progress, right-of-use assets, other non-current assets		
Petroleum products	1,167,161	882,433
Chemical products	2,190,942	966,014
Trading of petrochemical products	500	560
Others	8,730	8,654
	3,367,333	1,857,661

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Segment information and revenue (continued)

5.2 Revenue

The Group's revenue from external customers is substantially all within Mainland China in 2025 and 2024. As at 31 December 2025 and 31 December 2024, assets are also substantially all within Mainland China.

Revenue of approximately RMB54,371,195 thousand (2024: RMB63,739,540 thousand) are derived from a single customer. These revenues are attributable to the petroleum products, chemical products, trading of petrochemical products and others segments.

Details of concentrations of credit risk arising from these customers are set out in note 3.1(c).

6 Other operating income

	2025 RMB'000	2024 RMB'000
Government grants (a)	23,322	37,111
Rental income from investment properties (note 17)	19,982	42,914
Rental income from property, plant and equipment	29,736	29,812
Others	14,382	2,823
	87,422	112,660

(a) Government grants

Grants related to R&D, other tax refund and subsidies are included in the government grants line item. There are no unfulfilled conditions or other contingencies attaching to these grants.

7 Other operating expenses

	2025 RMB'000	2024 RMB'000
Cost related to lease of investment properties	(20,590)	(15,000)
Others	(4,336)	(9,040)
	(24,926)	(24,040)

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 Other (losses)/gains – net

	2025	2024
	RMB'000	RMB'000
Net foreign exchange losses	(13,592)	(12,622)
Losses on sale of financial assets at FVOCI	(1,675)	(3,501)
Net losses on disposal of inventories	(216)	(1,786)
Net losses on foreign exchange forward contracts	(58)	(27)
Net (losses)/gains on disposal of property, plant and equipment and other long-term assets	(33,444)	41,482
Net gains from commodity swaps contracts not qualified for hedging accounting	4,689	4,055
Gains from liquidation of associates	488	4,878
Gains from disposal of a subsidiary	6,944	–
Gains from insurance claim	317	1,691
Gains from derecognition of expired payables	1,655	66
Net changes in fair value of financial assets at fair value through profit or loss	1,000	–
	(33,892)	34,236

9 Finance income and expenses

	2025	2024
	RMB'000	RMB'000
Interest income from time deposits with maturity more than 3 months	46,590	115,518
Interest income from time deposits with maturity less than 3 months	155,608	189,685
Others	3,069	4,339
Finance income	205,267	309,542
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	(26,931)	(119,075)
Less: interest expense capitalized into construction in progress	10,605	4,088
Finance expenses	(16,326)	(114,987)
Finance income – net	188,941	194,555

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

10 Expense by nature

	2025	2024
	RMB'000	RMB'000
Cost of raw materials	52,406,986	59,834,774
Cost of trading products	6,303,231	6,817,560
Employee benefit expenses (note 11)	2,948,099	3,132,454
Depreciation and amortization:		
Property, plant and equipment (note 16)	1,783,863	1,775,419
Investment properties (note 17)	15,011	15,076
Other non-current assets (note 14)	192,587	235,982
Right-of-use assets (note 15)	31,903	30,846
Repairs and maintenance expenses	1,235,417	815,311
Changes of work in progress and finished goods	(529,644)	(67,215)
Transportation costs	156,560	162,051
Inventory write-down (note 21)	392,671	285,929
External processing fee	157,432	161,453
Commission expense	45,019	41,724
Auditors' remuneration – audit services	6,556	6,556
Auditors' remuneration – non-audit services	115	115
Expenses relating to short-term leases	11,764	10,043

*(Expressed in Renminbi Yuan unless otherwise indicated)***11 Employee benefit expenses**

	2025 RMB'000	2024 RMB'000
Wages and salaries	1,709,719	1,852,361
Social welfare costs	803,164	835,015
Others	435,216	445,078
Total employee benefit expense	2,948,099	3,132,454

(a) Five highest paid individuals

For the years ended 31 December 2025 and 31 December 2024, all five individuals with the highest emoluments are directors and supervisors whose emoluments are disclosed in note 38.

- (b)** Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as stipulated by the local municipal government to the scheme to fund the retirement benefits of the employees.

In addition, the Group provides a supplementary retirement plan for its staff at rates not exceeding 8% of the salaries. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

For the year ended 31 December 2025, the Group's total contributions to defined contribution retirement plans was RMB398,537 thousand. (2024: RMB420,325 thousand)

- (c)** As at 31 December 2025 and 31 December 2024, there was no material outstanding contribution to the above defined contribution retirement plans.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Income tax

	2025	2024
	RMB'000	RMB'000
Current income tax	(7,906)	(6,773)
Deferred taxation	66,420	(99,545)
Income tax	58,514	(106,318)

A reconciliation of the expected income tax calculated at the applicable tax rate and (loss)/profit before taxation, with the actual income tax is as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
(Loss)/profit before taxation	(1,668,596)	423,315
Expected PRC income tax at the statutory tax rate of 25%	417,149	(105,829)
Tax effect of share of net profits of investments accounted for using the equity method	40,951	41,512
Tax effect of other non-taxable income	10,860	5,776
Tax effect of additional deductions for R&D expenses	13,750	15,000
Additional deduction of wages for disabled employees	709	960
Tax effect of non-deductible loss, expenses and costs	(60,648)	(64,436)
True up for final settlement of enterprise income taxes in respect of previous years	(2,909)	(5)
Derecognition of tax losses previously recognized	(350,000)	-
Tax losses for which no deferred tax asset was recognized	(11,348)	(7,557)
Other items	-	8,261
Actual income tax	58,514	(106,318)

*(Expressed in Renminbi Yuan unless otherwise indicated)***12 Income tax** *(continued)*

The provision for PRC income tax is calculated at the rate of 25% (2024: 25%) on the estimated taxable income of the year ended 31 December 2025 determined in accordance with relevant income tax rules and regulations, except for a subsidiary operating in the western developing region of the PRC which is qualified to be entitled to a preferential tax rate of 15% from 2025 to 2030. The Group did not carry out business overseas and therefore does not incur overseas income taxes.

(a) Current taxation in the consolidated statement of financial position represents:

	2025 RMB'000	2024 RMB'000
At beginning of the year	728	813
Provision for current income tax for the year	7,906	6,773
Payment during the year	(6,577)	(6,858)
At the end of the year	2,057	728
Representing		
Income tax		
– Payable	2,757	728
– Prepaid	(700)	–
	2,057	728

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Income tax (continued)

(b) Movements in deferred tax assets and liabilities are as follows:

	Balance as at 1 January 2025 RMB'000	(Credited)/ charged to profit or loss RMB'000	Disposal of subsidiary RMB'000	Charged to reserves RMB'000	Balance as at 31 December 2025 RMB'000
Deferred tax assets:					
Impairment for bad and doubtful debts and provision for inventories	119,207	(781)	-	-	118,426
Provision for impairment losses in property, plant and equipment and construction in progress	308,969	(4,335)	-	-	304,634
Tax losses	1,356,845	18,756	-	-	1,375,601
Lease liabilities	326	1,450	(11)	-	1,765
Fair value gain and loss	282	-	-	102	384
Government grants	42,170	15,593	-	-	57,763
Accruals and others	3,110	(1,988)	(492)	-	630
	1,830,909	28,695	(503)	102	1,859,203
Deferred tax liabilities:					
Difference in depreciation	(644,538)	39,180	3,254	-	(602,104)
Capitalization of borrowing costs	(841)	201	-	-	(640)
Right-of-use assets	(299)	(1,406)	10	-	(1,695)
Derivative financial assets	(11)	-	-	(1,585)	(1,596)
Fair value gain and loss	(2,500)	(250)	-	-	(2,750)
	(648,189)	37,725	3,264	(1,585)	(608,785)
Deferred tax assets – net	1,211,961	63,177	(503)	102	1,274,737
Deferred tax liabilities – net	(29,241)	3,243	3,264	(1,585)	(24,319)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Income tax (continued)**(b) Movements in deferred tax assets and liabilities are as follows** (continued):

	Balance as at 1 January 2024 RMB'000	(Credited)/ charged to profit or loss RMB'000	Charged to reserves RMB'000	Balance as at 31 December 2024 RMB'000
Deferred tax assets:				
Impairment for bad and doubtful debts and provision for inventories	123,507	(4,300)	–	119,207
Provision for impairment losses in property, plant and equipment and construction in progress	434,307	(125,338)	–	308,969
Tax losses	1,391,728	(34,883)	–	1,356,845
Lease liabilities	2,114	(1,788)	–	326
Fair value gain and loss	283	–	(1)	282
Government grants	7,523	34,647	–	42,170
Accruals and others	15,483	(12,373)	–	3,110
	1,974,945	(144,035)	(1)	1,830,909
Deferred tax liabilities:				
Difference in depreciation	(687,051)	42,513	–	(644,538)
Capitalization of borrowing costs	(1,043)	202	–	(841)
Right-of-use assets	(2,074)	1,775	–	(299)
Derivative financial assets	–	–	(11)	(11)
Fair value gain and loss	(2,500)	–	–	(2,500)
	(692,668)	44,490	(11)	(648,189)
Deferred tax assets – net	1,313,841	(101,880)	–	1,211,961
Deferred tax liabilities – net	(31,564)	2,335	(12)	(29,241)

The Group recognizes deferred tax assets only to the extent that it is probable that future taxable income will be available against which the assets can be utilized. Based on the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets will be utilized, management believes that it is probable the Group will realize the benefits of these temporary differences for which deferred tax assets have been recognized.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Income tax (continued)

(c) Deferred tax assets not recognized:

As at 31 December 2025, certain subsidiaries of the Company did not recognize the deferred tax assets in respect of the provision for impairment losses on property, plant and equipment amounting to RMB29,856 thousand (31 December 2024: RMB29,856 thousand), because it was not probable that the related tax benefit would be realized.

As at 31 December 2025, the Company and certain subsidiaries of the Company did not recognize the deferred tax assets in respect of tax losses of RMB1,660,274 thousand (31 December 2024: RMB400,709 thousand) carried forward for PRC income tax purpose because it was not probable that the related tax benefit would be realized.

Tax losses carried forward that are not recognized as deferred tax assets will expire in the following years:

	2025	2024
	RMB'000	RMB'000
2025	–	41,475
2026	53,239	95,144
2027	1,472,538	107,558
2028	60,974	126,304
2029	30,026	30,228
2030	43,497	–
	<u>1,660,274</u>	<u>400,709</u>

As at 31 December 2025, the Company derecognized deferred tax assets of RMB350,000 thousand in respect of tax losses amounting to RMB1,400,000 thousand.

*(Expressed in Renminbi Yuan unless otherwise indicated)***13 (Losses)/earnings per share****(a) Basic (losses)/earnings per share**

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2025 RMB'000	2024 RMB'000
Net (loss)/profit attributable to equity shareholders of the Company	(1,612,325)	310,980
Weighted average number of ordinary shares in issue (thousand of shares)	10,555,114	10,667,315
Basic (losses)/earnings per share (RMB per share)	RMB(0.153)	RMB0.029

Weighted average number of ordinary shares

	2025 '000	2024 '000
Issued share capital at 1 January (note 31)	10,675,228	10,799,286
Treasury shares at 1 January (note 31)	(55,370)	(70,192)
Issued ordinary shares at 1 January	10,619,858	10,729,094
Effect of shares repurchased (note 31)	(64,744)	(61,779)
Weighted average number of ordinary shares at 31 December	10,555,114	10,667,315

(b) Diluted (losses)/earnings per share

There were no dilutive potential ordinary shares for the years ended 31 December 2025 and 2024, therefore diluted (losses)/earnings per share is the same as basic (losses)/earnings per share.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 Other non-current assets

	Intangible assets RMB'000	Long-term prepaid expense RMB'000	Total RMB'000
As at 1 January 2024			
Cost	85,908	2,113,218	2,199,126
Accumulated amortization	(79,912)	(1,471,890)	(1,551,802)
Net book amount	5,996	641,328	647,324
Year ended 31 December 2024			
Opening net book amount	5,996	641,328	647,324
Additions	–	88,751	88,751
Charge for the year	(2,924)	(233,058)	(235,982)
Decrease	–	(92,501)	(92,501)
Closing net book amount	3,072	404,520	407,592
As at 31 December 2024			
Cost	85,908	2,109,468	2,195,376
Accumulated amortization	(82,836)	(1,704,948)	(1,787,784)
Net book amount	3,072	404,520	407,592
Year ended 31 December 2025			
Opening net book amount	3,072	404,520	407,592
Additions	–	177,604	177,604
Charge for the year	(2,918)	(189,669)	(192,587)
Decrease	(30)	–	(30)
Closing net book amount	124	392,455	392,579
As at 31 December 2025			
Cost	85,878	2,287,072	2,372,950
Accumulated amortization	(85,754)	(1,894,617)	(1,980,371)
Net book amount	124	392,455	392,579

For the year ended 31 December 2025, the amortization of intangible assets and long-term prepaid expense of RMB192,587 thousand (2024: RMB235,982 thousand) has been charged in Cost of sales.

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Leases**(a) Amounts recognized in the consolidated statement of financial position**

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	332,952	329,632
Buildings	6,382	315
Equipment	228	573
Others	398	547
	339,960	331,067
Lease liabilities		
Current	6,918	1,112
Non-current	140	192
	7,058	1,304

For the year ended 31 December 2025, additions to the right-of-use assets were RMB41,156 thousand (2024: RMB7,032 thousand).

The lease liabilities were repayable as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within 1 year	7,239	1,160
After 1 year but within 2 years	144	200
	7,383	1,360

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Leases (continued)

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2025	2024
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	(17,422)	(17,044)
Buildings	(13,152)	(12,260)
Equipment	(513)	(542)
Others	(816)	(1,000)
	(31,903)	(30,846)
Interest expense (included in Finance expenses)	(736)	(365)
Expense relating to short-term leases (included in Cost of sales)	(11,764)	(10,043)

The total cash outflow for leases in 2025 was RMB27,524 thousand (2024: RMB25,094 thousand).

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Vehicles and other equipment RMB'000	Total RMB'000
Cost:				
At 1 January 2024	4,703,063	47,979,178	2,249,192	54,931,433
Additions	878	178,663	36,856	216,397
Transferred from construction in progress (note 18)	168,776	478,756	36,143	683,675
Reclassification	(27,346)	(6,797)	34,143	–
Disposals	(148,835)	(2,348,243)	(43,426)	(2,540,504)
Transferred from investment properties – net (note 17)	4,272	–	–	4,272
At 31 December 2024 and 1 January 2025	4,700,808	46,281,557	2,312,908	53,295,273
Additions	238	201,073	49,780	251,091
Transferred from construction in progress (note 18)	–	540,363	105,945	646,308
Reclassification	73,630	(142,015)	68,385	–
Disposals	(71,331)	(656,445)	(126,465)	(854,241)
At 31 December 2025	4,703,345	46,224,533	2,410,553	53,338,431
Accumulated depreciation:				
At 1 January 2024	(2,915,522)	(34,382,878)	(1,711,436)	(39,009,836)
Charge for the year	(103,842)	(1,537,637)	(133,940)	(1,775,419)
Reclassification	22,148	(18,239)	(3,909)	–
Written back on disposals	86,724	1,844,431	34,619	1,965,774
Transferred from investment properties – net (note 17)	(3,453)	–	–	(3,453)
At 31 December 2024 and 1 January 2025	(2,913,945)	(34,094,323)	(1,814,666)	(38,822,934)
Charge for the year	(104,265)	(1,558,816)	(120,782)	(1,783,863)
Reclassification	(22,540)	19,393	3,147	–
Written back on disposals	61,950	561,229	121,499	744,678
At 31 December 2025	(2,978,800)	(35,072,517)	(1,810,802)	(39,862,119)

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Property, plant and equipment (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Vehicles and other equipment RMB'000	Total RMB'000
Impairment losses:				
At 1 January 2024	(105,029)	(1,628,684)	(11,070)	(1,744,783)
Reclassification	(276)	367	(91)	–
Transferred from construction in progress (note 18)	–	(2,333)	–	(2,333)
Written back on disposals	56,302	416,981	5,917	479,200
At 31 December 2024 and 1 January 2025	(49,003)	(1,213,669)	(5,244)	(1,267,916)
Reclassification	(971)	1,118	(147)	–
Written back on disposals	109	17,221	10	17,340
At 31 December 2025	(49,865)	(1,195,330)	(5,381)	(1,250,576)
Net book value:				
At 31 December 2025	1,674,680	9,956,686	594,370	12,225,736
At 31 December 2024	1,737,860	10,973,565	492,998	13,204,423

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Property, plant and equipment *(continued)*

- (i) During the year ended 31 December 2025, due to deteriorating market conditions, the increasing production cost is not expected to be covered by the estimated selling price of the products, the Group identified an impairment indicator for property, plant and equipment in relation to certain production facilities under chemical products segment, and performed an impairment assessment of these assets based on their estimated recoverable amounts, which indicated that no further impairment loss provision was required.

The recoverable amounts of certain production facilities of intermediate petrochemicals are estimated using the present value of future cash flows based on the financial budgets approved by management, which is determined based on remaining life of primary facilities. Forecasted cash flows are developed using several key assumptions, including the product sales growth rates, related costs growth rates (“forecasted growth rates”) and discount rate. The forecasted growth rates are based on past business performance and market participants’ expectations for market development, with a compound average growth rate of 3.25% for revenue and a compound average cost growth rate of 1.98%, which are consistent with the forecasts included in industry reports. The discount rate used is a pre-tax ratio of 12.07% (2024: 10.93%) and reflects specific risks relating to the Group.

The recoverable amounts of certain production facilities of synthetic fibres are estimated by independent valuer using the present value of future cash flows based on the financial budgets approved by management, which is determined based on remaining life of primary facilities. Forecasted cash flows are developed using several key assumptions, including the product sales growth rates, related costs growth rates (“forecasted growth rates”) and discount rate. The forecasted growth rates are based on past business performance and market participants’ expectations for market development, with a compound average growth rate of 6.72% for revenue and a compound average cost growth rate of 2.65%, which are consistent with the forecasts included in industry reports. The discount rate used is a pre-tax ratio of 13.78% (2024:Nil) and reflects specific risks relating to the Group.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 Investment properties

	RMB'000
Cost:	
As at 1 January 2024	623,147
Transferred to property plant and equipment – net (note 16)	(4,272)
At 31 December 2024, 1 January 2025 and 31 December 2025	618,875
Accumulated depreciation:	
At 1 January 2024	(302,110)
Charge for the year	(15,076)
Transferred to property plant and equipment – net (note 16)	3,453
At 31 December 2024 and 1 January 2025	(313,733)
Charge for the year	(15,011)
At 31 December 2025	(328,744)
Net book value:	
At 31 December 2025	290,131
At 31 December 2024	305,142

*(Expressed in Renminbi Yuan unless otherwise indicated)***17 Investment properties** *(continued)*

As at 31 December 2025, the Group has no contractual obligations for future repairs and maintenance (31 December 2024: Nil).

Investment properties represent certain floors of an office building leased to other entities including related parties.

- a. The fair value of the investment properties of the Group as at 31 December 2025 was estimated by the directors to be approximately RMB1,109,879 thousand by reference to market values of similar properties in the nearby area (31 December 2024: RMB1,202,753 thousand). This fair value estimation was at level 3 of fair value hierarchy by using market observable inputs. The investment properties have not been valued by external independent appraisers.
- b. Rental income of RMB19,982 thousand was recognized in other operating income by the Group for the year ended 31 December 2025 (2024: RMB42,914 thousand).
- c. Leasing arrangements

The investment properties are leased out under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually renegotiated every year to reflect market rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2025	2024
	RMB'000	RMB'000
Within 1 year	17,065	19,982
Between 1 and 2 years	1,292	133
Above 2 years	5,334	996
	23,691	21,111

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 Construction in progress

	2025 RMB'000	2024 RMB'000
As at 1 January	2,064,067	1,200,602
Additions	2,897,482	1,545,482
Disposal	–	(675)
Transferred to property plant and equipment (note 16)	(646,308)	(681,342)
As at 31 December	4,315,241	2,064,067

As at 31 December 2025, the impairment loss in construction in progress was nil (31 December 2024: nil).

For the year ended 31 December 2025, the Group capitalized borrowing costs amounting to RMB10,605 thousand (2024: RMB4,088 thousand) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its borrowings of 2.60% (2024: 2.01%).

(Expressed in Renminbi Yuan unless otherwise indicated)

19 Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of paid-up capital '000	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Shanghai Petrochemical Investment Development Company Limited ("Toufa")	Mainland China	RMB1,000,000	100.00	100.00	–	Investment management
China Jinshan Associated Trading Corporation ("Jinmao")	Mainland China	RMB25,000	67.33	67.33	–	Import and export of petrochemical products and equipment
Inner Mongolia Xinjinshan Carbon Fiber Company Limited ("IMXCF")	Mainland China	RMB600,000	100.00	–	100.00	Carbon fiber manufacturing
Shanghai Golden Phillips Petrochemical Company Limited ("Jinfei")	Mainland China	RMB415,623	100.00	–	100.00	Production of polyethylene products
Shanghai Jinshan Trading Corporation ("JMGJ")	Mainland China	RMB100,000	67.33	–	67.33	Import and export of petrochemical products
Zhejiang Jinlian Petrochemical Storage and Transportation Co., Ltd. ("Jinlian")	Mainland China	RMB620,000	100.00	–	100.00	Storage and transportation

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method

The amounts recognized in the consolidated statement of financial position are as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Associates		
– Share of net assets	2,952,536	2,883,070
Joint ventures		
– Share of net assets	581,401	606,503
As at 31 December	3,533,937	3,489,573

The amounts recognized in the share of net profits of associates and joint ventures accounted for using the equity method are as follows:

	2025 RMB'000	2024 RMB'000
Associates	165,203	176,870
Joint ventures	12,132	2,709
	177,335	179,579

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(a) Investment in associates

	2025	2024
	RMB'000	RMB'000
As at 1 January	2,883,070	2,802,507
Share of net profits	165,203	176,870
Other comprehensive income	(5,240)	3,659
Share of change of capital reserve of investees	320	–
Cash dividends distribution	(90,817)	(99,966)
As at 31 December	2,952,536	2,883,070

Set out below are the material associates of the Group as at 31 December 2025. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method (continued)

(a) Investment in associates (continued)

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company	Form of business structure	Place of incorporation and business	Particulars of paid-up capital '000	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Shanghai Secco Petrochemical Company Limited ("Shanghai Secco")	Incorporated	Mainland China	RMB3,115,180	20.00%	20.00%	-	Manufacturing and distribution of chemical products
Shanghai Chemical Industry Park Development Company Limited ("Chemical Industry")	Incorporated	Mainland China	RMB2,372,439	38.26%	38.26%	-	Planning, development and operation of the Chemical Industry Park in Shanghai, PRC
Shanghai Jinsen Hydrocarbon Resins Company Limited ("Jinsen")	Incorporated	Mainland China	RMB193,695	40.00%	-	40.00%	Production of resins products
Shanghai Azbil Automation Company Limited ("Azbil")	Incorporated	Mainland China	USD3,000	40.00%	-	40.00%	Service and maintenance of building automation systems and products
Shanghai Shidian Energy Company Limited ("Shidian Energy")	Incorporated	Mainland China	RMB1,000,000	40.00%	-	40.00%	Electric power supply

There are no contingent liabilities relating to the Group's interest in the associates.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method (continued)**(a) Investment in associates** (continued)

Summarized financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Summarized financial information for material associates

Set out below are the summarized financial information for the above associates.

Summarized statement of financial position for material associates

As at 31 December 2025	Shanghai Secco RMB'000	Chemical Industry RMB'000	Azbil RMB'000	Shidian Energy RMB'000
Current				
– Current assets	4,802,872	3,520,426	177,908	955,266
– Current liabilities	(10,133,741)	(2,057,433)	(59,594)	(30,216)
Non-current				
– Non-current assets	5,127,786	6,725,063	16,469	212,503
– Non-current liabilities	(2,766,813)	(1,109,141)	(6,743)	(33,520)
Net (liabilities)/assets	(2,969,896)	7,078,915	128,040	1,104,033
Group's effective interest	20.00%	38.26%	40.00%	40.00%
Group's share of net assets	(593,979)	2,708,393	51,216	441,613
Unrealized upstream and downstream transaction	–	–	–	(9,250)
Unrecognized excess loss	593,979	–	–	–
Unentitled portion (note i)	–	(329,890)	–	–
Carrying value	–	2,378,503	51,216	432,363

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method (continued)

(a) Investment in associates (continued)

Summarized statement of financial position for material associates (continued)

As at 31 December 2024	Shanghai Secco RMB'000	Chemical Industry RMB'000	Azbil RMB'000	Shidian Energy RMB'000
Current				
– Current assets	3,278,124	3,767,001	230,573	939,488
– Current liabilities	(3,730,611)	(2,123,807)	(91,339)	(25,423)
Non-current				
– Non-current assets	6,093,117	6,393,857	21,782	213,949
– Non-current liabilities	(6,672,950)	(1,165,762)	(9,201)	(36,734)
Net (liabilities)/assets	(1,032,320)	6,871,289	151,815	1,091,280
Group's effective interest	20.00%	38.26%	40.00%	40.00%
Group's share of net assets	(206,464)	2,628,955	60,726	436,512
Unrealized upstream and downstream transaction	–	–	–	(9,250)
Unrecognized loss in the current year	206,464	–	–	–
Unentitled portion (note i)	–	(329,890)	–	–
Impairment loss	–	–	–	–
Carrying value	–	2,299,065	60,726	427,262

Note i: Unentitled portion represented the earnings from sales of the lands injected by Government in Chemical Industry that cannot be shared by other shareholders.

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method (continued)**(a) Investment in associates** (continued)

Summarized statement of comprehensive income for material associates

2025	Shanghai Secco RMB'000	Chemical Industry RMB'000	Azbil RMB'000	Shidian Energy RMB'000
Revenue	19,384,678	1,829,816	374,541	488,464
Post-tax (loss)/profit from continuing operations	(1,937,575)	496,188	50,186	32,753
Other comprehensive income	–	(13,696)	–	–
Total comprehensive income	(1,937,575)	482,492	50,186	32,753

Dividend received from the associate

–	50,503	29,584	8,000
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2024	Shanghai Secco RMB'000	Chemical Industry RMB'000	Azbil RMB'000	Shidian Energy RMB'000
Revenue	21,775,948	1,978,727	384,916	504,263
Post-tax (loss)/profit from continuing operations	(824,870)	565,609	40,842	35,767
Other comprehensive income	–	9,563	–	–
Total comprehensive income	(824,870)	575,172	40,842	35,767

Dividend received from the associate

–	69,633	24,000	4,000
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Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(a) Investment in associates *(continued)*

Aggregate information of associates that are not individually material:

	2025 RMB'000	2024 RMB'000
Aggregate carrying value of investments at 31 December	90,454	96,017
Aggregate amounts of the Group's share of those associates:		
Loss for the year	(2,833)	(3,108)
Total comprehensive income	(2,833)	(3,108)
Dividend received from the associate	2,730	2,333

(b) Investment in joint ventures

	2025 RMB'000	2024 RMB'000
As at 1 January	606,503	469,434
(Disposal)/addition	(31,236)	150,000
Share of net profits	12,132	2,709
Cash dividends distribution	(5,998)	(15,640)
As at 31 December	581,401	606,503

*(Expressed in Renminbi Yuan unless otherwise indicated)***20 Investments accounted for using the equity method** *(continued)***(b) Investment in joint ventures** *(continued)*

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

The following list contains only the particulars of material joint ventures, all of the Group's joint ventures are unlisted corporate entities whose quoted market price is not available:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of paid-up capital '000	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Linde-SPC Gases Company Limited ("Linde"), formerly known as "BOC-SPC Gases Company Limited")	Incorporated	Mainland China	USD32,000	50.00%	–	50.00%	Production and sales of industrial gases
Shanghai Petrochemical Pressure Vessel Testing Center ("JYJC")	Incorporated	Mainland China	RMB10,000	50.00%	–	50.00%	Providing inspection and testing service
Shanghai Jinshan Baling New Materials Co., Ltd. ("Baling Materials")	Incorporated	Mainland China	RMB800,000	50.00%	–	50.00%	Production and sales of new styrene thermoplastic elastomer materials

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method (continued)

(b) Investment in joint ventures (continued)

Summarized financial information for material joint ventures

Set out below are the summarized financial information for material joint ventures which are accounted for using the equity method.

Summarized statement of financial position for material joint ventures

As at 31 December 2025

	Linde RMB'000	Baling Materials RMB'000
Current		
Cash and cash equivalents	230,608	39,714
Other current assets (excluding cash)	78,441	327,011
Total current assets	309,049	366,725
Total current liabilities	(27,838)	(604,331)
Non-current		
Total non-current assets	78,268	2,742,648
Total non-current liabilities	-	(1,720,860)
Net assets	359,479	784,182
Group's effective interest	50%	50%
Interest in joint ventures	179,740	392,091
Unrealized downstream transactions	(86)	-
Carrying value	179,654	392,091

*(Expressed in Renminbi Yuan unless otherwise indicated)***20 Investments accounted for using the equity method** *(continued)***(b) Investment in joint ventures** *(continued)*Summarized statement of financial position for material joint ventures *(continued)*

As at 31 December 2024

	Linde RMB'000	Baling Materials RMB'000
Current		
Cash and cash equivalents	204,005	5,363
Other current assets (excluding cash)	72,358	201,321
Total current assets	276,363	206,684
Total current liabilities	(33,130)	(599,198)
Non-current		
Total non-current assets	87,865	2,459,544
Total non-current liabilities	–	(1,267,030)
Net assets	331,098	800,000
Group's effective interest	50%	50%
Interest in joint ventures	165,549	400,000
Unrealized downstream transactions	(86)	–
Carrying value	165,463	400,000

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Investments accounted for using the equity method *(continued)*

(b) Investment in joint ventures *(continued)*

Summarized statement of comprehensive income for material joint ventures

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

2025

	Linde RMB'000	Baling Materials RMB'000
Revenue	341,664	49,751
Depreciation and amortization	6,044	-
Interest income	438	(1,011)
Profit/(loss) from continuing operations	53,391	(21,085)
Income tax expenses	(13,368)	5,267
Post-tax profit/(loss) from continuing operations	40,023	(15,818)
Other comprehensive income	-	-
Total comprehensive income	40,023	(15,818)
Dividend received from joint venture	5,821	-

*(Expressed in Renminbi Yuan unless otherwise indicated)***20 Investments accounted for using the equity method** *(continued)***(b) Investment in joint ventures** *(continued)***Summarized statement of comprehensive income for material joint ventures** *(continued)*

2024	Linde RMB'000	Baling Materials RMB'000
Revenue	323,601	–
Depreciation and amortization	(7,108)	–
Interest income	357	–
Profit from continuing operations	17,937	–
Income tax expenses	(4,383)	–
Post-tax profit from continuing operations	13,554	–
Other comprehensive income	–	–
Total comprehensive income	13,554	–
Dividend received from joint venture	15,278	–

Aggregate information of joint venture that is not individually material:

	2025 RMB'000	2024 RMB'000
Aggregate carrying value of investment at 31 December	9,656	9,533
Aggregate amounts of the Group's share of the joint venture:		
Profit for the year	300	247
Total comprehensive income	300	247
Dividend received from the joint venture	177	362

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

21 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December 2025			As at 31 December 2024		
	Gross carrying amount	Provision for diminution in value of inventories	Carrying amount	Gross carrying amount	Provision for diminution in value of inventories	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	3,398,442	(17,873)	3,380,569	4,763,432	(25,437)	4,737,995
Work in progress	1,348,599	(156,986)	1,191,613	942,908	(217,387)	725,521
Finished goods	1,213,627	(220,753)	992,874	1,081,514	(152,192)	929,322
Spare parts and consumables	245,202	(67,768)	177,434	234,398	(74,973)	159,425
	6,205,870	(463,380)	5,742,490	7,022,252	(469,989)	6,552,263

(b) The analysis of the amount of inventories recognized as expenses and included in profit or loss is as follows:

The cost of inventories recognized in Cost of sales amounted to RMB63,682,594 thousand for the year ended 31 December 2025 (2024: RMB71,465,074 thousand) which excluded an inventory provision of RMB392,671 thousand (2024: RMB285,929 thousand).

For the year ended 31 December 2025, the Group sold certain finished goods and utilized certain spare parts and consumables which were previously provided for. The related provision of RMB399,280 thousand was written off and included in cost of sales in the consolidated statement of profit or loss (2024: RMB303,076 thousand).

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

22 Trade receivables and other receivables

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Current		
Trade receivables	31,255	2,265
Less: loss allowance	(2,196)	(2,114)
	29,059	151
Amounts due from related parties excluded prepayments and bills receivable (*)	782,081	718,948
Less: loss allowance (*)	(6,820)	(2,798)
Total trade receivables	804,320	716,301
Other receivables	211,874	677,759
Less: loss allowance	(1,936)	(1,936)
	209,938	675,823
Financial assets measured at amortized cost	1,014,258	1,392,124
Amounts due from related parties – prepayments (*)	50,645	1,018
	1,064,903	1,393,142
Amounts due from related parties – current (sum of *)	825,906	717,168
Non-current		
Amounts due from related parties – prepayments (*)	4,719	–

Amounts due from related parties mainly represent trade-related balances, unsecured in nature and bear no interest.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

22 Trade receivables and other receivables (continued)

The aging analysis based on invoice date of trade receivables and amounts due from related parties excluded prepayments and bills receivable (net of allowance for doubtful debts) is as follows:

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Within one year	804,320	716,301

Movements in the loss allowance account in respect of trade and other receivables during the year is as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Balance at 1 January	6,848	6,899
Impairment losses recognized during the year	4,104	–
Recoveries or reversals during the year	–	(51)
Balance at 31 December	10,952	6,848

As at 31 December 2025 and 31 December 2024, no trade receivable was pledged as collateral.

Sale to third parties is generally on cash basis or on letter of credit. Subject to negotiation, credit is generally only available for major customers with well-established trading records.

*(Expressed in Renminbi Yuan unless otherwise indicated)***23 Financial assets at fair value through other comprehensive income**

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade and bills receivable (note i)	332,015	388,230
Equity investments	3,466	3,872
	335,481	392,102

(i) As at 31 December 2025 and 2024, certain trade receivables and bills receivable were classified as financial assets at FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets.

(ii) As at 31 December 2025, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers on a full recourse basis for settling trade payables of the same amount. The Group has derecognized these bills receivable and the payables to suppliers in their entirety. These derecognized bank acceptance bills had a maturity date less than twelve months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit rating and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2025, the Group's maximum exposure to loss and undiscounted cash outflow, which is the same as the amounts payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB159,041 thousand (31 December 2024: RMB178,017 thousand) and nil (31 December 2024: nil) respectively.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

24 Time deposits with banks

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Time deposits with maturity less than one year	–	3,883,516
Time deposits with maturity more than one year	2,539,640	–
	2,539,640	3,883,516

As at 31 December 2025, there were no time deposits with maturity more than three months and less than one year. As at 31 December 2024, interest rates of time deposits with maturity of more than three months and less than one year ranged from 2.05% to 3.55%, which were presented as current assets. As at 31 December 2025, interest rates of time deposits with maturity more than one year ranged from 2.00% to 2.35%, which were presented as non-current assets in the consolidated statement of financial position.

25 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December	As at 31 December
	2025 RMB'000	2024 RMB'000
Cash at bank and on hand	7,515,562	8,212,961
Less: Restricted cash and bank deposits	(3,965)	(3,848)
Cash and cash equivalents in the consolidated statement of financial position	7,511,597	8,209,113

*(Expressed in Renminbi Yuan unless otherwise indicated)***25 Cash and cash equivalents** *(continued)***(b) Cash generated from operations****Reconciliation of (loss)/profit before taxation to cash generated from operations**

	2025	2024
	RMB'000	RMB'000
(Loss)/profit before taxation	(1,668,596)	423,315
Adjustments items:		
Interest income from time deposits with maturity more than 3 months	(46,590)	(113,794)
Share of net profits of investments accounted for using the equity method	(177,335)	(179,579)
Net gains on foreign exchange option contracts and commodity swaps contracts not qualifying as hedges	(4,631)	(4,028)
Gains on disposals of a subsidiary	(6,944)	–
Gains from liquidation of associates	(488)	(4,878)
Net unrealized gains on financial assets measured at fair value through profit or loss	(1,000)	–
Interest expense	16,326	114,987
Foreign exchange losses/(gains)	2,916	(2,067)
Depreciation of property, plant and equipment	1,783,863	1,775,419
Depreciation of investment property	15,011	15,076
Depreciation of right-of-use assets	31,903	30,846
Amortization of other non-current assets	192,587	235,982
Losses/(gains) on disposal of property, plant and equipment and other long-term assets-net	33,444	(41,482)
Profit on operation before change of working capital	170,466	2,249,797
Decrease in inventories	809,773	1,199,424
Decrease/(increase) in operation receivables	120,770	(626,728)
Increase/(decrease) in operation payables	2,280,118	(243,242)
(Decrease)/increase in balances to related parties – net	(1,381,220)	5,168,054
Cash generated from operations	1,999,907	7,747,305

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

25 Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities

	Borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2024	3,700,000	8,457	3,708,457
Changes from financing cash flows:			
Proceeds from new bank loans	17,567,685	–	17,567,685
Repayment of bank loans	(19,700,000)	–	(19,700,000)
Capital and interest elements of lease payments	–	(15,051)	(15,051)
Total changes from financing cash flows	(2,132,315)	(15,051)	(2,147,366)
Other changes:			
Addition of lease liabilities	–	7,533	7,533
Interest expense	987	365	1,352
Total other changes	987	7,898	8,885
As at 31 December 2024 and 1 January 2025	1,568,672	1,304	1,569,976
Changes from financing cash flows:			
Proceeds from new bank loans	744,083	–	744,083
Repayment of bank loans	(1,500,000)	–	(1,500,000)
Capital and interest elements of lease payments	–	(15,760)	(15,760)
Total changes from financing cash flows	(755,917)	(15,760)	(771,677)
Other changes:			
Addition of lease liabilities	–	20,778	20,778
Interest expense	–	736	736
Others	(231)	–	(231)
Total other changes	(231)	21,514	21,283
As at 31 December 2025	812,524	7,058	819,582

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

25 Cash and cash equivalents *(continued)*

(d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	(11,764)	(10,043)
Within financing cash flows	(15,760)	(15,051)
	(27,524)	(25,094)

These amounts relate to the following:

	2025 RMB'000	2024 RMB'000
Lease rentals paid	(27,524)	(25,094)

26 Financial assets measured at fair value through profit or loss

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Redeemable preference share investments	37,500	36,500

As at 31 December 2025, financial assets at fair value through profit or loss represent redeemable preference share investments, which are presented as non-current assets since management does not intend to dispose of the investments within one year.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

27 Borrowings

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Credit loans due within one year		
– Short-term bank loan	–	1,500,940
– Long-term bank loan due within one year	756	47
Borrowings – current	756	1,500,987
Credit loans due over one year		
– Long-term borrowing	811,768	67,685
Borrowings – non-current	811,768	67,685
Total borrowings	812,524	1,568,672

(a) The analysis of the repayment schedule of borrowings are as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	756	1,500,987
After 1 year but within 5 years	644,490	–
After 5 years	167,278	67,685
	812,524	1,568,672

As at 31 December 2025, there were no short-term bank loans. As at 31 December 2024, the interest rate of the Group's short-term borrowings was 2.05%.

As at 31 December 2025, the interest rate of the Group's long-term borrowings ranged from 2.24% to 2.75% (31 December 2024: 2.66%).

As at 31 December 2025 and 31 December 2024, no borrowings were secured by property, plant and equipment.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

28 Trade and other payables

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade payables	1,960,186	1,428,598
Bills payable	3,211,391	1,047,541
Amounts due to related parties exclude advances received (*)	8,092,053	9,577,271
	13,263,630	12,053,410
Dividends payable	31,513	31,386
Construction payable	823,612	597,367
Accrued expenses	117,222	119,409
Other liabilities	76,254	84,007
	1,048,601	832,169
Financial liabilities measured at amortized cost	14,312,231	12,885,579
Amounts due to related parties – advances received (*)	8,936	13,676
	14,321,167	12,899,255
Total amounts due to related parties (sum of *)	8,100,989	9,590,947

All trade and other payables (including amounts due to related parties) are expected to be settled or recognized as income within one year or are repayable on demand.

As at 31 December 2025 and 31 December 2024, all trade and other payables of the Group were non-interest bearing, and their fair value, approximated their carrying amounts due to their short maturities.

Majority of amounts due to related parties were trade payable for purchasing crude oil from related parties.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

28 Trade and other payables (continued)

As at 31 December 2025 and 31 December 2024, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) and bills payable based on invoice date were as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within one year	13,254,011	12,049,334
Over one year but within two years	9,619	–
Over two years	–	4,076
	13,263,630	12,053,410

29 Contract liabilities

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Contract liabilities	248,656	235,224

The contract liabilities of the Group are advance for goods from customers. Related performance obligations are expected to be satisfied and revenue is recognized within one year. Revenue amounted to RMB235,224 thousand has been recognized in the current year relates to carried-forward contract liabilities (2024: RMB323,279 thousand).

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

30 Deferred income

	2025 RMB'000	2024 RMB'000
As at 1 January	168,679	30,222
Additions	85,771	175,568
Amortization	(23,397)	(37,111)
As at 31 December	231,053	168,679

31 Share capital

(i) Issued share capital

	2025		2024	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid:				
At 1 January	10,675,228	10,675,228	10,799,286	10,799,286
Cancellation of repurchased own shares	(132,610)	(132,610)	(124,058)	(124,058)
At 31 December	10,542,618	10,542,618	10,675,228	10,675,228
Including:				
Ordinary A shares listed in PRC	7,328,814	7,328,814	7,328,814	7,328,814
Foreign invested H shares listed overseas	3,213,804	3,213,804	3,346,414	3,346,414

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

31 Share capital (continued)

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

Month/year		Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate amount paid RMB'000
January	2025	23,670,000	1.20	1.11	25,067
February	2025	17,306,000	1.23	1.18	19,259
April	2025	12,414,000	1.18	1.14	13,327
May	2025	23,850,000	1.23	1.16	26,464
		77,240,000			84,117

The proposal to authorize the board of directors to repurchase domestic shares and/or overseas-listed foreign shares of the Company was approved at the 2021 Annual General Meeting, the Second A Shareholders Class Meeting for 2022 and the Second H Shareholders Class Meeting for 2022 on 22 June 2022. According to the authorization, the Company repurchased shares in call auction since 27 October 2022. In 2022, the Company has repurchased 24,528,000 H-share ordinary shares on the Hong Kong Stock Exchange for an aggregate consideration of RMB25,689 thousand.

(Expressed in Renminbi Yuan unless otherwise indicated)

31 Share capital *(continued)*

(ii) Purchase of own shares *(continued)*

The proposal to authorize the board of directors to repurchase domestic shares and/or overseas-listed foreign shares of the Company was approved at the first A Shareholders Class Meeting for 2023 on 28 June 2023. According to the authorization, the Company repurchased shares in call auction since 3 November 2023. In 2023, the Company repurchased 70,192,000 H-shares ordinary shares on the Hong Kong Stock Exchange for an aggregate consideration of RMB70,579 thousand.

On 17 February 2023, the Company cancelled 24,528,000 H shares repurchased. After the cancellation, the total number of issued share capital reduced by RMB24,528 thousand, and the share premium reduced by RMB1,161 thousand.

The proposal to authorize the board of directors to repurchase domestic shares and/or overseas-listed foreign shares of the Company was approved at the first A Shareholders Class Meeting for 2024 on 6 June 2024. According to the authorization, the Company repurchased shares in call auction since 9 September 2024. In 2024, the Company repurchased 109,236,000 H-share ordinary shares on the Hong Kong Stock Exchange for an aggregate consideration of RMB109,584 thousand. In 2025, the Company repurchased 77,240,000 H-share ordinary shares on the Hong Kong Stock Exchange for an aggregate consideration of RMB84,117 thousand.

In 2024, the Company cancelled 124,058,000 H shares repurchased. After the cancellation, the total number of issued share capital reduced by RMB124,058 thousand, and the share premium increased by RMB54 thousand.

In 2025, the Company cancelled 132,610,000 H shares repurchased. After the cancellation, the total number of issued share capital reduced by RMB132,610 thousand, and the share premium decreased by RMB7,666 thousand.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

32 Reserves

	Legal surplus (note(a)) RMB'000	Capital surplus (note(b)) RMB'000	Surplus reserve (note(c)) RMB'000	Other reserve (note(d)) RMB'000	Hedging reserve (note 3.1(a)) RMB'000	Share premium (note(e)) RMB'000	Safety production fund (note(f)) RMB'000	Treasury shares (note 31(iii)) RMB'000	Retained earnings (note(g)) RMB'000	Total RMB'000
Balance at 1 January 2024	6,571,279	13,739	101,355	(887)	-	105,685	298,137	(70,579)	6,992,901	14,011,630
Total comprehensive income for the year attributable to shareholders of the Company	-	-	-	3,661	(60,059)	-	-	-	310,980	254,582
Purchase of equity interests from non- controlling interests	-	12,240	-	-	-	-	-	-	-	12,240
Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	-	60,097	-	-	-	-	60,097
Purchase of own shares	-	-	-	-	-	-	-	(109,584)	-	(109,584)
Cancellation of repurchased own shares	-	-	-	-	-	54	-	124,004	-	124,058
Appropriation of safety production fund	-	-	-	-	-	-	(7,530)	-	7,530	-
Balance at 31 December 2024 and 1 January 2025	6,571,279	25,979	101,355	2,774	38	105,739	290,607	(56,159)	7,311,411	14,353,023
Balance at 1 January 2025	6,571,279	25,979	101,355	2,774	38	105,739	290,607	(56,159)	7,311,411	14,353,023
Total comprehensive income for the year attributable to shareholders of the Company	-	-	-	(5,544)	(29,407)	-	-	-	(1,612,325)	(1,647,276)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	-	34,160	-	-	-	-	34,160
Dividends proposed and approved	-	-	-	-	-	-	-	-	(210,852)	(210,852)
Purchase of own shares	-	-	-	-	-	-	-	(84,117)	-	(84,117)
Cancellation of repurchased own shares	-	-	-	-	-	(7,666)	-	140,276	-	132,610
Appropriation of safety production fund	-	-	-	-	-	-	(155,318)	-	155,318	-
Share of change of capital reserve of investees	-	320	-	-	-	-	-	-	-	320
Balance at 31 December 2025	6,571,279	26,299	101,355	(2,770)	4,791	98,073	135,289	-	5,643,552	12,577,868

*(Expressed in Renminbi Yuan unless otherwise indicated)***32 Reserves** *(continued)*

Notes:

- (a) Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a legal surplus reserve. The transfer to this reserve must be made before distribution of any dividend to shareholders.

The legal surplus reserve is non-distributable other than in liquidation and can be used to make good of previous years' losses, if any, and may be utilized for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital.

- (b) The capital surplus comprises the following:
- i. gifts or grants received from China Petrochemical Corporation, the ultimate parent company and which are required to be included in this reserve fund by PRC regulations;
 - ii. the differences between the cost of purchase of equity interests from non-controlling interests in subsidiaries and the carrying amount of the net assets additionally acquired.

On 29 February 2024, the Group purchased additional 25.75% of the issued shares of Shanghai Jinchang Engineering Plastics Co., Ltd. ("Jinchang") for RMB2, a subsidiary of the Group. Immediately prior to the purchase, the carrying amount of the existing 25.75% non-controlling interest in Jinchang was RMB12,240 thousand. The Group recognized a decrease in non-controlling interests of RMB12,240 thousand and an increase in capital surplus of RMB12,240 thousand.

- iii. share of change of capital reserve of the investees.
- (c) The transfer to this reserve from the retained profits is subject to the approval by shareholders at general meetings. Its usage is similar to that of the legal surplus reserve.
- (d) Other reserve comprises share of post-acquisition movements in other comprehensive income from associates and joint ventures using the equity methods of accounting with a corresponding adjustment to the carrying amount of the investment.
- (e) The application of the share premium account is governed by Sections 213 and 214 of the PRC Company Law.

According to Section 213 of the PRC Company Law, the Company's share premium arisen from the issuance of stocks at a price above the par value of the stocks.

- (f) According to the relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the turnover of certain refining and chemicals products. This reserve represents unutilized safety production fund.
- (g) According to the Company's Articles of Association, the reserve available for distribution is the lower of the amount determined under China Accounting Standards for Business Enterprises and the amount determined under IFRS Accounting Standards.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions

The following is a list of the Group's major related parties:

Names of related parties	Relationship with the Company
Zhoushan Shihua Crude Oil Terminal Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Special Oil Products Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Chemical Commercial Holding Company Limited	Subsidiary of the ultimate parent company
SINOPEC Heavy Lifting & Transportation Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Honeywell (Tianjin) Company Limited	Subsidiary of the ultimate parent company
Sinopec Chemical Sales International Trade Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Chemical Commercial Holding (Hong Kong) Company Limited	Subsidiary of the ultimate parent company
Sinopec Chemical Logistics Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec International Business Co., Ltd.	Subsidiary of the ultimate parent company
China Petrochemical International (Russia) Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Guangzhou Engineering Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Research Institute of Safety Engineering	Subsidiary of the ultimate parent company
SINOPEC EUROPA HANDELS GMBH	Subsidiary of the ultimate parent company
SINOPEC USA INC.	Subsidiary of the ultimate parent company
Zhongke (Guangdong) Refining & Chemical Co., Ltd.	Subsidiary of the ultimate parent company
China Yanshan United Foreign Trade Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Yizheng Chemical Fibre Limited Liability Company	Subsidiary of the ultimate parent company
Sinopec Yangzi Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Marketing Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Materials & Equipment (East China) Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Lubricating Oil Shanghai Research Institute Company Limited	Subsidiary of the ultimate parent company
Sinopec Lubricant Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Fuel Oil Sales Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Oil Refining and Marketing Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Chemical Sales Company Limited	Subsidiary of the ultimate parent company
China Petrochemical International Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Catalysts Co., Ltd.	Subsidiary of the ultimate parent company
China International United Petroleum and Chemicals Co., Ltd.	Subsidiary of the ultimate parent company
Epec E-commerce Co., Ltd.	Subsidiary of the ultimate parent company
Petro-cyberworks Information Technology Co., Ltd.	Subsidiary of the ultimate parent company
Shanghai Carbon Fiber Composite Materials Innovation Research Institute Co., Ltd	Subsidiary of the ultimate parent company
Shanghai Lide Catalyst Co., Ltd.	Subsidiary of the ultimate parent company
Sinopec Japan Company Limited	Subsidiary of the ultimate parent company
Ningbo Minggang Gas Company Limited	Subsidiary of the ultimate parent company
Ningbo Eastsea Line fan Technology Co., Ltd..	Subsidiary of the ultimate parent company

*(Expressed in Renminbi Yuan unless otherwise indicated)***33 Related-party transactions** *(continued)*

Names of related parties	Relationship with the Company
Unipec (Qingdao) International Logistics Company Limited	Subsidiary of the ultimate parent company
Lianhua (Ningbo) International Logistics Co., Ltd.	Subsidiary of the ultimate parent company
UNIPEC Singapore Pte. Ltd.	Subsidiary of the ultimate parent company
UNIPEC America Inc.	Subsidiary of the ultimate parent company
East China Petroleum Technician College	Subsidiary of the ultimate parent company
Hainan Baling Chemical New Materials Co., Ltd	Subsidiary of the ultimate parent company
Fujian Gulei Petrochemical Company Limited	Subsidiary of the ultimate parent company
Sinopec Materials & Equipment (Dalian) Co., Ltd.	Subsidiary of the ultimate parent company
Yipaikē Commercial Factoring Co., Ltd.	Subsidiary of the ultimate parent company
Zhejiang Baling Hengyi Caprolactam Co., Ltd..	Joint venture of the ultimate parent company
Shanghai Sinopec Mitsui Chemicals, Co., Ltd..	Joint venture of the ultimate parent company
BASF-YPC Company Limited	Joint venture of the ultimate parent company
Shanghai Changshi Shipping Co., Ltd.	Associate of the ultimate parent company
Shanghai KSD Bulk Solids Engineering Co., Ltd.	Associate of the ultimate parent company
Sinopec Easy Joy sales CO., Ltd	Subsidiary of the immediate parent company
Sinopec Carbon Industry Technology Co., Ltd	Subsidiary of the immediate parent company
Sinopec Petrochemical Research Institute Co., Ltd	Subsidiary of the immediate parent company
Sinopec Geophysical Corporation	Subsidiary of the immediate parent company
Sinopec Shanghai Engineering Co., Ltd.	Subsidiary of the immediate parent company
Ningbo Engineering Company of Sinopec	Subsidiary of the immediate parent company
Sinopec Nanjing Chemical Research Institute Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Nanjing Engineering Company Limited	Subsidiary of the immediate parent company
Sinopec Luoyang Engineering Company Limited	Subsidiary of the immediate parent company
Sinopec engineering (Group) Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Energy Saving Technology Service Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Hunan Petrochemical Co., Ltd	Subsidiary of the immediate parent company
Sinopec National Petrochemical Project Risk Assessment Technology Center Co., Ltd	Subsidiary of the immediate parent company
China Petrochemical International (Singapore) Co., Ltd	Subsidiary of the immediate parent company
China Petrochemical International (Australia) Co., Ltd	Subsidiary of the immediate parent company
Sinopec Engineering Quality Monitoring Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Group International Petroleum Exploration And Production Limited	Subsidiary of the immediate parent company
The Fifth Construction Company of Sinopec	Subsidiary of the immediate parent company
The Fourth Construction Company of Sinopec	Subsidiary of the immediate parent company
The Tenth Construction Company of Sinopec	Subsidiary of the immediate parent company

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions (continued)

Names of related parties	Relationship with the Company
Sinopec (Dalian) Petrochemical Research Institute Co., Ltd	Subsidiary of the immediate parent company
Sinopec (Beijing) Chemical Research Institute Co., Ltd	Subsidiary of the immediate parent company
China Petro-Chemical Technology Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Consulting Co., Ltd	Subsidiary of the immediate parent company
Sinopec Engineering Incorporation	Subsidiary of the immediate parent company
Sinopec Publishing House Co., Ltd.	Subsidiary of the immediate parent company
Sinopec Finance Co., Ltd.	Subsidiary of the immediate parent company
Petrol-Chemical Industry Management Cadre College	Subsidiary of the immediate parent company
Petrochemical Engineering Quality Supervision Terminal	Subsidiary of the immediate parent company
Sinopec Shanghai Petrochemical Machinery Manufacturing Co., Ltd..	Subsidiary of the immediate parent company
Shanghai Petro-Chemical Haidi Administration Co., Ltd.	Subsidiary of the immediate parent company
Strait Petrochemicals Trading Center Co., Ltd.	Subsidiary of the immediate parent company
Anqing Shuguang Petrochemical Oxo Co., Ltd.	Subsidiary of the immediate parent company
Sinopec News Agency	Subsidiary of the immediate parent company
China Petroleum and Chemical Corporation Limited	Subsidiary of the immediate parent company
Langfang Feize Composite Materials Technology Co., Ltd.	Associate of the immediate parent company
Sinopec (Shanghai) Petrochemical Research Institute Co., Ltd	Associate of the immediate parent company
Yihua Toray Polyester Film Co., Ltd..	Associate of the immediate parent company
Shanghai Petroleum & Natural Gas General Company	Associate of the immediate parent company
China Sinopec Pipeline Storage and Transportation Co., Ltd.	Associate of the immediate parent company

The following is a summary of significant balances and transactions between the Group and its related parties except for the dividends payable as disclosed in note 34.

*(Expressed in Renminbi Yuan unless otherwise indicated)***33 Related-party transactions** *(continued)*

- (a) Most of the transactions undertaken by the Group during the year ended 31 December 2025 have been affected on such terms as determined by Sinopec Corp. and relevant PRC authorities.

Sinopec Corp. negotiates and agrees with the terms of crude oil supply with suppliers on a group basis, which is then allocated among its subsidiaries, including the Group, on a discretionary basis. Sinopec Corp. also owns a widespread petroleum products sales network and possesses a fairly high market share in the domestic petroleum products market, which is subject to extensive regulation by the PRC government.

The Group has entered into a mutual product supply and sales services framework agreement with Sinopec Corp. Pursuant to the agreement, Sinopec Corp. provides the Company with crude oil, other petrochemical raw materials and agent services. On the other hand, the Group provides Sinopec Corp. with petroleum products, petrochemical products and property leasing services.

The pricing policy for these services and products provided under the agreement is as follows:

- if there are applicable State (central and local government) tariffs, the pricing shall follow the State tariffs;
- if there are no State tariffs, but there are applicable State guidance prices, the pricing shall follow the State's guidance prices; or
- if there are no State tariffs or State's guidance prices, the pricing shall be determined in accordance with the prevailing market prices (including any bidding prices).

Transactions between the Group and Sinopec Corp, its subsidiaries and joint ventures during the year ended 31 December 2025 and the year ended 31 December 2024 were as follows:

	2025	2024
	RMB'000	RMB'000
Sales of petroleum products	46,663,950	56,941,222
Sales other than petroleum products	8,357,523	7,969,726
Purchases of crude oil	35,794,041	44,548,974
Purchases other than crude oil	7,449,190	7,177,932
Commission expense	45,019	48,430
Rental income	9,156	31,849

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

- (b) Other transactions between the Group and Sinopec Group and its subsidiaries (excluding Sinopec Corp. and its subsidiaries), associates and joint ventures of the Group during the year ended 31 December 2025 and the year ended 31 December 2024 were as follows:

	2025 RMB'000	2024 RMB'000
Sales of goods and service fee income		
– Sinopec Group and its subsidiaries	154,656	139,228
– Associates and joint ventures of the Group	1,359,480	2,425,651
	1,514,136	2,564,879
Purchases		
– Sinopec Group and its subsidiaries	5,057,380	3,256,009
– Associates and joint ventures of the Group	388,785	384,918
	5,446,165	3,640,927
Insurance premium expenses		
– Sinopec Group and its subsidiaries	121,971	124,642
Addition to right-of-use assets		
– Sinopec Group and its subsidiaries	10,848	2,388
Interest expense of lease liabilities		
– Sinopec Group and its subsidiaries	572	194
Rental paid		
– Associates and joint ventures of the Group	–	83
– Sinopec Group and its subsidiaries	9,088	9,088
	9,088	9,171

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

(b) *(continued)*

	2025	2024
	RMB'000	RMB'000
Interest expense		
– Sinopec Finance	92	4,852
Interest income		
– Sinopec Finance	8	8
Construction and installation cost		
– Sinopec Group and its subsidiaries	43,076	116,928
Rental income		
– Associates and joint ventures of the Group	13,611	11,803
– Sinopec Group and its subsidiaries	427	479
	14,038	12,282
Long-term borrowings repayment		
– Sinopec Finance	–	700,000
Bills discount		
– Sinopec Finance	35,847	65,598
Issue of acceptance bills		
– Sinopec Finance	3,831,553	2,708,000

The directors of the Company are of the opinion that the transactions with Sinopec Corp., its subsidiaries and joint ventures, Sinopec Group and its subsidiaries, associates and joint ventures of the Group as disclosed in notes 33(a) and 33(b) were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions *(continued)*

- (c) The relevant amounts due from/to Sinopec Corp., its subsidiaries and joint ventures, Sinopec Group and its subsidiaries, associates and joint ventures of the Group, arising from purchases, sales and other transactions as disclosed in notes 33(a) and 33(b), are summarized as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Amounts due from related parties		
– Sinopec Corp., its subsidiaries and joint ventures	779,195	712,042
– Sinopec Group and its subsidiaries	4,719	–
– Associates and joint ventures of the Group	46,711	5,126
	830,625	717,168
Amounts due to related parties		
– Sinopec Corp., its subsidiaries and joint ventures	7,578,150	9,282,363
– Sinopec Group and its subsidiaries	353,622	267,422
– Associates and joint ventures of the Group	168,947	41,162
	8,100,989	9,590,947
Lease liabilities		
– Sinopec Group and its subsidiaries	6,620	–
	6,620	–

- (d) The balances with related parties as above are unsecured, interest-free and repayable on demand.

*(Expressed in Renminbi Yuan unless otherwise indicated)***33 Related-party transactions** *(continued)***(e) Key management personnel compensation, post-employment benefit plans and share options**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key personnel compensations are as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Short-term employee benefits	12,302	11,324
Post-employment benefits	460	518
	12,762	11,842

(f) Transactions with other state-owned entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government (collectively referred to as “state-controlled entities”) through its government authorities, agencies, affiliations and other organizations.

Apart from transactions with related parties, the Group has transactions with other state-controlled entities which include, but are not limited to, the following:

- sales and purchases of goods and ancillary materials;
- rendering and receiving services;
- lease of assets, purchase of property, plant and equipment;
- placing deposits and obtaining finance; and
- use of public utilities

These transactions are conducted in the ordinary course of the Group’s business on terms comparable to those with other entities that are not state-controlled. The Group has established its procurement policies, pricing strategy and approval process for purchases and sales of products and services which do not depend on whether the counterparties are state-controlled entities or not.

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Related-party transactions (continued)

(g) Commitments with related parties

(i) Construction and installation cost

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Sinopec Group and its subsidiaries	2,315,844	835,636

Except for the above, the Group had no other material commitments with related parties as at 31 December 2025, which are contracted, but not included in the financial statements.

34 Dividend

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2025 RMB'000	2024 RMB'000
No final dividend proposed after the end of the reporting period (2024: RMB0.02 per ordinary share)	-	210,852

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(Expressed in Renminbi Yuan unless otherwise indicated)

34 Dividend (continued)**(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

	2025 RMB'000	2024 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.02 per share (2024: RMB Nil)	210,852	–

35 Commitments

Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Property, plant and equipment contracted for	3,444,995	3,386,739

36 Statement of financial position and equity movement of the Company

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Non-current assets		
Property, plant and equipment	11,915,067	12,834,016
Investment properties	315,067	331,245
Right-of-use assets	230,775	237,462
Construction in progress	3,667,835	2,064,030
Investments in subsidiaries	2,648,328	2,048,328
Investments accounted for using the equity method	2,725,708	2,654,178
Time deposits with banks	2,539,640	–
Deferred tax assets	1,274,106	1,209,070
Other non-current assets	392,455	404,317
	25,708,981	21,782,646

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

36 Statement of financial position and equity movement of the Company (continued)

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Current assets		
Derivative financial assets	13,493	49
Inventories	5,608,961	6,301,091
Trade receivables	25,973	–
Other receivables	208,515	663,847
Amounts due from related parties	819,448	690,966
Prepayments	148,228	179,804
Value added tax recoverable	959	90
Financial assets at fair value through other comprehensive income (FVOCI)	190,354	133,082
Restricted cash and bank deposits	3,961	3,848
Time deposits with banks	–	3,883,516
Cash and cash equivalents	7,401,248	8,042,488
	14,421,140	19,898,781
Current liabilities		
Derivative financial liabilities	7,108	–
Trade and other payables	5,919,455	2,704,277
Contract liabilities	171,558	182,348
Amounts due to related parties	9,573,664	10,884,713
Staff salaries and welfares payable	170,703	227,084
Borrowings	756	1,500,987
Lease liabilities	6,459	471
Current tax liabilities	739,857	1,403,680
	16,589,560	16,903,560
Net current (liabilities)/assets	(2,168,420)	2,995,221
Total assets less current liabilities	23,540,561	24,777,867

Notes to the Financial Statements *(continued)*

(Expressed in Renminbi Yuan unless otherwise indicated)

36 Statement of financial position and equity movement of the Company *(continued)*

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Non-current liabilities		
Interest-bearing borrowings	711,768	67,685
Lease liabilities	–	54
Deferred income	231,053	168,679
	942,821	236,418
NET ASSETS	22,597,740	24,541,449
CAPITAL AND RESERVES		
Share capital	10,542,618	10,675,228
Reserves	12,055,122	13,866,221
TOTAL EQUITY	22,597,740	24,541,449

Approved and authorized for issue by the Board of Directors on 18 March 2026.

Guo Xiaojun
Director

Du Jun
Director

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

36 Statement of financial position and equity movement of the Company (continued)

(a) Movements in components of equity of the Company

	Share capital RMB'000	Legal surplus RMB'000	Capital surplus RMB'000	Surplus reserve RMB'000	Other reserve RMB'000	Hedging RMB'000	Share premium RMB'000	Safety production fund RMB'000	Treasury reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2024	10,799,286	6,571,279	4,180	101,355	(39)	-	105,685	298,132	(70,579)	6,501,318	24,310,617
Changes in equity for 2024											
Profit for the year	-	-	-	-	-	-	-	-	-	336,719	336,719
Other comprehensive income	-	-	-	-	3,659	(60,059)	-	-	-	-	(56,400)
Total comprehensive income for the year	-	-	-	-	3,659	(60,059)	-	-	-	336,719	280,319
Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	-	-	60,097	-	-	-	-	60,097
Purchase of own shares	-	-	-	-	-	-	-	-	(109,584)	-	(109,584)
Cancellation of repurchased own shares	(124,058)	-	-	-	-	-	54	-	124,004	-	-
Utilization of safety production fund	-	-	-	-	-	-	-	(7,530)	-	7,530	-
Balance at 31 December 2024 and 1 January 2025	10,675,228	6,571,279	4,180	101,355	3,620	38	105,739	290,602	(56,159)	6,845,567	24,541,449
Balance at 31 December 2024 and 1 January 2025	10,675,228	6,571,279	4,180	101,355	3,620	38	105,739	290,602	(56,159)	6,845,567	24,541,449
Changes in equity for 2025											
Loss for the year	-	-	-	-	-	-	-	-	-	(1,648,573)	(1,648,573)
Other comprehensive income	-	-	-	-	(5,240)	(29,407)	-	-	-	-	(34,647)
Total comprehensive income for the year	-	-	-	-	(5,240)	(29,407)	-	-	-	(1,648,573)	(1,683,220)
Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	-	-	34,160	-	-	-	-	34,160
Purchase of own shares	-	-	-	-	-	-	-	-	(84,117)	-	(84,117)
Cancellation of repurchased own shares	(132,610)	-	-	-	-	-	(7,666)	-	140,276	-	-
Dividends proposed and approved	-	-	-	-	-	-	-	-	-	(210,852)	(210,852)
Utilization of safety production fund	-	-	-	-	-	-	-	(155,439)	-	155,439	-
Share of change of capital reserve of investees	-	-	-	-	-	-	320	-	-	-	320
Balance at 31 December 2025	10,542,618	6,571,279	4,180	101,355	(1,620)	4,791	98,393	135,163	-	5,141,581	22,597,740

*(Expressed in Renminbi Yuan unless otherwise indicated)***37 Benefits and interests of directors and supervisors****(a) Directors' and supervisors' emoluments:**

	2025				
	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Directors' fees RMB'000	Total RMB'000
Executive directors					
Guo Xiaojun	347	44	871	–	1,262
Zhou Guomin	271	42	663	–	976
Du Jun	409	45	831	–	1,285
Huang Xiangyu	283	43	831	–	1,157
Guan Zemin <i>(resigned in February 2025)</i>	71	7	234	–	312
Lu Zhiyong <i>(appointed in November 2025)</i>	56	8	19	–	83
Non-executive directors					
Xie Zhenglin	–	–	–	–	–
Qin Zhaohui	217	45	721	–	983
Independent non-executive directors					
Tang Song	–	–	–	150	150
Chen Haifeng	–	–	–	150	150
Yang Jun	–	–	–	150	150
Zhou Ying	–	–	–	150	150
Huang Jiangdong	–	–	–	150	150
Supervisors					
Zhang Feng	186	35	473	–	694
Chen Hongjun	210	38	576	–	824
Zheng Yunrui	100	–	–	–	100
Cai Tingji	100	–	–	–	100
Xie Li	381	45	828	–	1,254
	2,631	352	6,047	750	9,780

Notes to the Financial Statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

37 Benefits and interests of directors and supervisors (continued)

(a) Directors' and supervisors' emoluments: (continued)

	2024				
	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Directors' fees RMB'000	Total RMB'000
Executive directors					
Guo Xiaojun (appointed in June 2024)	223	30	103	–	356
Zhou Guomin (appointed in April 2024)	180	30	93	–	303
Guan Zemin	436	46	757	–	1,239
Du Jun	401	46	677	–	1,124
Huang Xiangyu	283	45	677	–	1,005
Wan Tao (resigned in April 2024)	108	12	273	–	393
Non-executive directors					
Xie Zhenglin	–	–	–	–	–
Qin Zhaohui	218	46	787	–	1,051
Independent non-executive directors					
Tang Song	–	–	–	150	150
Chen Haifeng	–	–	–	150	150
Yang Jun	–	–	–	150	150
Zhou Ying	–	–	–	150	150
Huang Jiangdong	–	–	–	150	150
Supervisors					
Zhang Feng	185	40	535	–	760
Chen Hongjun	212	42	572	–	826
Zheng Yunrui	100	–	–	–	100
Cai Tingji	100	–	–	–	100
Xie Li	373	46	658	–	1,077
	2,819	383	5,132	750	9,084

*(Expressed in Renminbi Yuan unless otherwise indicated)***37 Benefits and interests of directors and supervisors** *(continued)***(b) Directors' retirement benefits**

No specific retirement benefits were paid to directors in respect of services in connection with the management of the affairs of the Company or its subsidiary undertaking (2024: Nil).

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7</i>	1 January 2026
<i>Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 17</i>	1 January 2026
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	1 January 2026
<i>IFRS 18 Presentation and Disclosure in Financial Statements</i>	1 January 2027
<i>IFRS 19, Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(Expressed in Renminbi Yuan unless otherwise indicated)

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025 *(continued)*

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation of financial statements and applies for annual reporting periods beginning on or after 1 January 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhance guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Group's statement of profit and loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.



畢馬威華振審字第2603853號

The Shareholders of Sinopec Shanghai Petrochemical Company Limited:

Opinion

We have audited the accompanying financial statements of Sinopec Shanghai Petrochemical Company Limited ("Sinopec Shanghai"), which comprise the consolidated and company balance sheets as at 31 December 2025, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of Sinopec Shanghai as at 31 December 2025, and the consolidated and company financial performance and cash flows of Sinopec Shanghai for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sinopec Shanghai in accordance with the Independence Standards for Chinese Certified Public Accountants No. 1 – Independence Requirements for Audit and Review Engagements, as applicable to audits of financial statements of public interest entities and the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of net realizable value of raw materials, work in progress and finished goods	
Refer to Notes III.11 Inventory, III.33(1)(a) of the accounting policies to the consolidated financial statements and Note V.7 Inventory to the consolidated financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group is principally engaged in processing of crude oil into petroleum products and other chemical products. The crude oil can be processed into various finished goods by different processing procedures. Inventories are valued at the lower of cost and net realizable value.</p> <p>The gross carrying amount of raw materials, work in progress and finished goods, and provision for diminution in value were RMB5,960,668 thousand and RMB395,612 thousand, respectively, as at 31 December 2025.</p> <p>The net realizable value is determined based on the estimated selling prices in the ordinary course of business less the estimated costs to completion, estimated selling expenses and relevant taxes necessary to make the sale.</p> <p>We identified the assessment of net realizable value of raw materials, work in progress and finished goods as a key audit matter because evaluation of estimated selling prices of inventories, estimated costs to completion, estimated selling expenses and relevant taxes necessary to make the sale involved a high degree of auditor judgements.</p>	<p>Our audit procedures to assess net realizable value of raw materials, work in progress and finished goods included the following:</p> <ul style="list-style-type: none"> Evaluating the design, implementation and operating effectiveness of key internal controls over the process of determination of net realizable value of raw materials, work in progress and finished goods, including controls related to the determination of estimated selling prices, estimated costs to completion, estimated selling expenses and relevant taxes necessary to make the sale; Evaluating the estimated selling price at the reporting date for a sample of inventory items by comparison of the estimated selling price to the price from publicly available market data and the actual prices of sales transactions subsequent to the reporting date if available; and Evaluating the estimated costs to completion, estimated selling expenses and relevant taxes necessary to make the sale by comparing with the historical costs to completion and other costs necessary to make the sale for the same type of inventories on a sample basis.

Key audit matters (continued)

Assessment of the present value of future cash flow of certain production facilities	
Refer to notes III.14 Fixed Assets, III.33(1)(b) of the accounting policies to the consolidated financial statements and Note V. 12 Fixed Assets to the consolidated financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
<p>The consolidated carrying amount of fixed assets was RMB12,237,563 thousand as of 31 December 2025, a portion of which related to certain intermediate petrochemicals production facilities under chemical products segment ("certain production facilities"). At the end of each reporting period, if any indication of impairment exists, the Group estimates the recoverable amount of an asset, or a cash-generating unit, at the higher of its fair value less costs of disposal and its present value of future cash flow, to determine the impairment losses. The Group's estimated present value of future cash flow includes assumptions on product sales growth rates, related costs growth rates ("forecasted growth rates") and discount rate.</p> <p>We identified the assessment of the present value of future cash flow of certain production facilities as a key audit matter because high degree of subjectivity and auditor judgment was involved to evaluate the forecasted growth rates and the discount rate used to estimate the present value of future cash flow of these assets. The forecasted growth rates and the discount rate were challenging to test as minor changes to those assumptions would have a significant effect on the Group's assessment of the present value of future cash flow of these assets. In addition, specialized skills and knowledge were required to assess the discount rate used to estimate the present value of future cash flow of these assets.</p>	<p>Our audit procedures to assess the present value of future cash flow of certain production facilities included the following:</p> <ul style="list-style-type: none"> • Evaluating the design, implementation and operating effectiveness of key internal controls related to the process in assessing the present value of future cash flow of certain production facilities, including controls related to the determination of the forecasted growth rates and the discount rate; • Assessing the forecasted growth rates adopted in the Group's the present value of future cash flow assessment by comparing them with historical results, future operation plans and external market data; • Involving valuation professionals with specialized skills and knowledge assisted in evaluating the discount rate used by comparing it against discount rate that was independently developed using publicly available industry data; and • Performing sensitivity analysis over the forecasted growth rates and the discount rate assumptions to assess their impact on the certain production facilities' impairment assessment.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report 2025, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Sinopec Shanghai's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Sinopec Shanghai or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Sinopec Shanghai's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sinopec Shanghai's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Sinopec Shanghai to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Financial Statements (*continued*)

- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Sinopec Shanghai to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

*Certified Public Accountants
Registered in the People's Republic of China*

Wang Wenli (Engagement Partner)

Beijing, China

Hong Xiaohua

18 March 2026

Consolidated and company balance sheets

As at 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

Assets	Note	31 December	31 December	31 December	31 December
		2025	2024	2025	2024
		Consolidated	Consolidated	Company	Company
Current Assets					
Cash at bank and on hand	V.1	7,515,562	12,096,477	7,405,209	11,929,852
Derivative financial assets	V.2	13,493	49	13,493	49
Accounts receivable	V.3, XIV.1	784,937	701,587	775,947	675,871
Receivables under financing	V.4, XIV.2	332,015	388,230	190,354	133,082
Prepayments	V.5	161,122	146,453	158,716	138,538
Other receivables	V.6, XIV.3	228,621	690,537	227,897	677,980
Inventories	V.7	5,742,490	6,552,263	5,608,961	6,301,091
Other current assets	V.8	74,100	57,543	40,563	42,318
Total Current Assets		14,852,340	20,633,139	14,421,140	19,898,781
Non-Current Assets					
Long-term equity investments	V.9, XIV.4	3,593,937	3,559,573	5,478,922	4,817,393
Investments in other equity instruments		3,466	3,872	–	–
Other non-current financial assets	V.10	37,500	36,500	–	–
Investment properties	V.11	290,131	305,142	315,067	331,245
Fixed assets	V.12, XIV.5	12,237,563	13,216,426	11,926,894	12,846,019
Construction in progress	V.13	4,315,241	2,064,067	3,667,835	2,064,030
Right-of-use assets	V.14	7,008	1,435	6,517	603
Intangible assets	V.15	333,076	332,704	224,258	236,859
Long-term deferred expenses	V.16	392,455	404,520	392,455	404,317
Deferred tax assets	V.17	1,274,737	1,211,961	1,274,106	1,209,070
Other non-current assets	V.18	2,544,359	–	2,539,640	–
Total Non-current Assets		25,029,473	21,136,200	25,825,694	21,909,536
Total Assets		39,881,813	41,769,339	40,246,834	41,808,317

The notes on pages 299 to 461 form part of these financial statements.

Consolidated and company balance sheets (continued)

As at 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

		31 December 2025	31 December 2024	31 December 2025	31 December 2024
Liabilities and shareholders' equity	Note	Consolidated	Consolidated	Company	Company
Current Liabilities					
Short-term loans	V.20	–	1,500,940	–	1,500,940
Derivative financial liabilities	V.2	7,108	–	7,108	–
Bills payable	V.21	9,298,391	9,047,594	9,298,391	8,997,172
Accounts payable	V.22	3,707,975	2,730,914	3,349,022	2,128,040
Contract liabilities	V.23	257,592	248,900	181,124	196,123
Employee benefits payable	V.24	176,037	232,725	170,703	227,084
Taxes payable	V.25	727,367	1,388,147	716,313	1,378,187
Other payables	V.26	1,305,865	1,107,071	2,836,139	2,450,003
Non-current liabilities due within one year	V.27	7,674	1,159	7,215	518
Other current liabilities	V.28	32,301	31,597	23,544	25,493
Total Current Liabilities		15,520,310	16,289,047	16,589,559	16,903,560
Non-Current Liabilities					
Long-term loans	V.29	811,768	67,685	711,768	67,685
Lease liabilities	V.30	140	192	–	54
Deferred income	V.31	291,053	238,679	291,053	238,679
Deferred tax liabilities	V.17	24,319	29,241	–	–
Total Non-Current Liabilities		1,127,280	335,797	1,002,821	306,418
Total Liabilities		16,647,590	16,624,844	17,592,380	17,209,978

The notes on pages 299 to 461 form part of these financial statements.

Consolidated and company balance sheets (continued)

As at 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	31 December	31 December	31 December	31 December
		2025	2024	2025	2024
Liabilities and shareholders' equity (continued)		Consolidated	Consolidated	Company	Company
Shareholders' equity					
Share capital	I, V.32	10,542,618	10,675,228	10,542,618	10,675,228
Capital reserve	V.33	614,114	621,460	592,315	599,661
Less: Treasury stock	V.34	–	56,159	–	56,159
Other comprehensive income	V.35	2,021	2,812	3,171	3,658
Specific reserve	V.36	135,289	290,607	135,163	290,602
Surplus reserve	V.37	6,672,634	6,672,634	6,672,634	6,672,634
Retained earnings	V.38	5,165,637	6,833,672	4,708,553	6,412,715
Total equity attributable to shareholders of the Company		23,132,313	25,040,254	22,654,454	24,598,339
Non-controlling interests	V.39	101,910	104,241	–	–
Total Shareholders' Equity		23,234,223	25,144,495	22,654,454	24,598,339
Total Liabilities and Shareholders' Equity		39,881,813	41,769,339	40,246,834	41,808,317

These financial statements were approved by the Board of Directors of the Company on 18 March 2026.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 299 to 461 form part of these financial statements.

Consolidated and company income statements

For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Twelve months ended 31		Twelve months ended 31	
		December		December	
		2025	2024	2025	2024
		Consolidated	Consolidated	Company	Company
I. Operating income	V.40, XIV.6	75,563,186	87,132,820	68,900,874	79,956,204
Less: Operating costs	V.40, XIV.6	63,584,794	72,045,290	57,074,077	65,022,327
Taxes and surcharges	V.41	11,505,216	12,777,797	11,491,786	12,764,539
Selling and distribution expenses	V.42	224,370	224,141	165,424	160,361
General and administrative expenses	V.43	1,475,882	1,583,632	1,382,719	1,484,001
Research and development expenses	V.44	214,793	173,953	214,793	173,953
Financial expenses ("-" for income)	V.45	(164,753)	(171,454)	(162,969)	(173,860)
Including: Interest expense		16,326	114,987	16,277	114,842
Interest income		205,267	309,542	187,264	297,122
Add: Other income	V.46	23,282	35,387	22,243	32,872
Investment income ("-" for losses)	V.47, XIV.7	177,723	174,984	129,753	156,982
Including: Gains/Losses from investment in associates and joint ventures ("-" for losses)		167,335	169,579	116,952	139,334
Gains from changes in fair value ("-" for losses)	V.48	1,000	–	–	–
Credit losses ("-" for losses)	V.49	(4,104)	51	(3,482)	51
Impairment losses ("-" for losses)	V.50	(392,671)	(285,929)	(392,119)	(285,929)
Gains from asset disposals ("-" for losses)	V.51	45,912	42,310	45,940	42,992
II. Operating profit ("-" for loss)		(1,425,974)	466,264	(1,462,621)	471,851
Add: Non-operating income	V.52	32,285	37,968	22,915	37,585
Less: Non-operating expenses	V.53	95,177	75,397	94,044	66,872
III. Profit before income tax ("-" for loss)		(1,488,866)	428,835	(1,533,750)	442,564
Less: Income tax (benefits)/expenses	V.54	(58,514)	106,318	(65,028)	100,325

The notes on pages 299 to 461 form part of these financial statements.

Consolidated and company income statements *(continued)*

*For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)*

	Note	Twelve months ended 31 December		Twelve months ended 31 December	
		2025	2024	2025	2024
		Consolidated	Consolidated	Company	Company
IV. Net profit ("-" for net loss)		(1,430,352)	322,517	(1,468,722)	342,239
(1) Net profit classified by continuity of operations:					
1. Net profit from continuing operations ("-" for net losses)		(1,430,352)	322,517	(1,468,722)	342,239
2. Net profit from discontinued operations ("-" for net losses)		-	-	-	-
(2) Net profit classified by ownership:					
1. Shareholders of the Company ("-" for net losses)	V.38	(1,432,595)	316,500	-	-
2. Non-controlling interests ("-" for net losses)		2,243	6,017	-	-
V. Other comprehensive income, net of tax		(34,951)	(56,398)	(34,647)	(56,400)
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		(34,951)	(56,398)	(34,647)	(56,400)
Items that will not be reclassified to profit or loss		(304)	2	-	-
1. Changes in fair value of the investment of other equity instruments		(304)	2	-	-
Items that may be reclassified to profit or loss		(34,647)	(56,400)	(34,647)	(56,400)
1. Other comprehensive income recognized under equity method		(5,240)	3,659	(5,240)	3,659
2. Cash flow hedge reserve	V.35	(29,407)	(60,059)	(29,407)	(60,059)
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		-	-	-	-

The notes on pages 299 to 461 form part of these financial statements.

Consolidated and company income statements (*continued*)

For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Twelve months ended 31 December		Twelve months ended 31 December	
		2025	2024	2025	2024
		Consolidated	Consolidated	Company	Company
VI. Total comprehensive income		(1,465,303)	266,119	(1,503,369)	285,839
(1) Attributable to shareholders of the Company		(1,467,546)	260,102	-	-
(2) Attributable to non-controlling interests		2,243	6,017	-	-
VII. Gains per share					
(1) Basic (losses)/gains per share (RMB Yuan)	V.55	(0.136)	0.030	-	-
(2) Diluted (losses)/gains per share (RMB Yuan)	V.55	(0.136)	0.030	-	-

These financial statements were approved by the Board of Directors of the Company on 18 March 2026.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 299 to 461 form part of these financial statements.

Consolidated and company cash flow statements

For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Twelve months ended 31 December		Twelve months ended 31 December	
		2025	2024	2025	2024
		Consolidated	Consolidated	Company	Company
I. Cash flows generated from operating activities					
Proceeds from sale of goods and rendering of services		83,167,269	96,085,387	75,850,496	88,474,535
Refund of taxes		79,845	80,368	7,179	21,301
Proceeds from other operating activities	V.57	379,987	508,359	284,431	688,353
Sub-total of cash inflows		83,627,101	96,674,114	76,142,106	89,184,189
Payment for goods and services		(65,329,541)	(71,923,652)	(58,013,606)	(64,415,868)
Payment to and for employees		(3,006,087)	(3,214,407)	(2,858,487)	(3,059,629)
Payment of various taxes		(12,931,999)	(13,470,624)	(12,885,721)	(13,421,590)
Payment for other operating activities	V.57	(366,144)	(324,984)	(180,280)	(313,539)
Sub-total of cash outflows		(81,633,771)	(88,933,667)	(73,938,094)	(81,210,626)
Net cash flows generated from operating activities	V.57, XIV.8	1,993,330	7,740,447	2,204,012	7,973,563
II. Cash flows (used in)/generated from investing activities					
Proceeds from disposal of investments	V.57	31,724	-	-	-
Cash received from returns on investments	V.57	96,815	115,606	59,928	85,119
Net cash received from disposal of fixed assets and other long-term assets		30,753	167,575	30,208	161,936
Net proceeds from disposal of subsidiaries and other business units	V.58	29,799	-	-	-
Proceeds from other investing activities	V.57	3,895,094	721,306	3,895,152	518,755
Sub-total of cash inflows		4,084,185	1,004,487	3,985,288	765,810
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(3,168,558)	(1,905,621)	(2,531,760)	(1,902,034)
Cash paid to acquire investments	V.57	-	(150,000)	(600,000)	(150,000)
Payment for other investing activities	V.57	(2,500,000)	(1,000,000)	(2,500,000)	(1,000,000)
Sub-total of cash outflows		(5,668,558)	(3,055,621)	(5,631,760)	(3,052,034)
Net cash flows (used in)/generated from investing activities		(1,584,373)	(2,051,134)	(1,646,472)	(2,286,224)

The notes on pages 299 to 461 form part of these financial statements.

Consolidated and company cash flow statements (continued)

For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Twelve months ended 31		Twelve months ended 31	
		December		December	
		2025	2024	2025	2024
		Consolidated	Consolidated	Company	Company
III. Cash flows (used in)/generated from					
financing activities					
Proceeds from borrowings		744,083	17,567,685	644,083	17,567,685
Sub-total of cash inflows		744,083	17,567,685	644,083	17,567,685
Repayments of borrowings		(1,500,000)	(19,700,000)	(1,500,000)	(19,700,000)
Payment for dividends, profit distributions or interest		(228,670)	(105,364)	(224,072)	(97,850)
Including: Dividends and profit paid by subsidiaries to non-controlling interests		(4,574)	(7,514)	-	-
Payment for other financing activities	V.57	(119,926)	(150,956)	(118,792)	(149,630)
Sub-total of cash outflows		(1,848,596)	(19,956,320)	(1,842,864)	(19,947,480)
Net cash flows (used in)/generated from financing activities		(1,104,513)	(2,388,635)	(1,198,781)	(2,379,795)
IV. Effect of foreign exchange rate changes on cash and cash equivalents					
		(1,960)	2,067	-	-
V. Net increase in cash and cash equivalents ("-" for decrease)					
		(697,516)	3,302,745	(641,241)	3,307,544
Add: Cash and cash equivalents at the beginning of the period	V.58, XIV.8	8,209,113	4,906,368	8,042,489	4,734,945
VI. Cash and cash equivalents at the end of the period					
	V.58, XIV.8	7,511,597	8,209,113	7,401,248	8,042,489

These financial statements were approved by the Board of Directors of the Company on 18 March 2025.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 299 to 461 form part of these financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total	
		Share capital	Capital reserve	Less: Treasury stock	Other	Specific reserve	Surplus reserve	Retained earnings			
					comprehensive income						
I. Balance at 1 January 2025		10,675,228	621,460	56,159	2,812	290,607	6,672,634	6,833,672	25,040,254	104,241	25,144,495
II. Changes in equity from 1 December 2025 to 31 December 2025 ("-" for decreases)											
(1) Total comprehensive income											
1. Net profit ("-" for net loss)		-	-	-	-	-	-	(1,432,595)	(1,432,595)	2,243	(1,430,352)
2. Other comprehensive income	V.35	-	-	-	(34,951)	-	-	-	(34,951)	-	(34,951)
(2) Capital invested and reduced by shareholders											
1. Treasury stock repurchase	V.34	-	-	84,117	-	-	-	-	(84,117)	-	(84,117)
2. Cancellation of treasury stock repurchase	V.34	(132,610)	(7,666)	(140,276)	-	-	-	-	-	-	-
(3) Amounts transferred from hedging reserve to initial carrying amount of hedged items	V.35	-	-	-	34,160	-	-	-	34,160	-	34,160
(4) Appropriation of profits											
1. Distributions to shareholders	V.38	-	-	-	-	-	-	(210,852)	(210,852)	(4,574)	(215,426)
(5) Specific reserve											
1. Accrued	V.36	-	-	-	-	174,724	-	-	174,724	-	174,724
2. Utilized	V.36	-	-	-	-	(330,042)	-	-	(330,042)	-	(330,042)
(6) Other changes in equity of investee accounted for by equity method	V.33	-	320	-	-	-	-	320	-	-	320
(7) Others		-	-	-	-	-	(24,588)	(24,588)	-	-	(24,588)
III. Balance at 31 December 2025		10,542,618	614,114	-	2,021	135,289	6,672,634	5,165,637	23,132,313	101,910	23,234,223

These financial statements were approved by the Board of Directors of the Company on 18 March 2026.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 299 to 461 form part of these financial statements.

Consolidated statement of changes in shareholders' equity (continued)

For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Attributable to equity shareholders of the Company										
	Note	Share capital	Capital reserve	Other			Surplus reserve	Retained earnings	Non-controlling interests	Total	
				Less: Treasury stock	comprehensive income	Specific reserve					
I. Balance at 1 January 2024		10,799,286	609,166	70,579	(887)	298,137	6,672,634	6,517,172	24,824,929	117,978	24,942,907
II. Changes in equity from 1 December 2024 to 31 December 2024 ("-" for decreases)											
(1) Total comprehensive income											
1. Net profit ("-" for net loss)		-	-	-	-	-	-	316,500	316,500	6,017	322,517
2. Other comprehensive income	V.35	-	-	-	(56,398)	-	-	-	(56,398)	-	(56,398)
(2) The capital of shareholders' reduction											
1. Treasury stock repurchase		-	-	109,584	-	-	-	-	(109,584)	-	(109,584)
2. Cancellation of treasury stock repurchase	V.34	(124,058)	54	(124,004)	-	-	-	-	-	-	-
3. Purchase of equity interests from non-controlling interests		-	12,240	-	-	-	-	-	12,240	(12,240)	-
(3) Amounts transferred from hedging reserve to initial carrying amount of hedged items	V.35	-	-	-	60,097	-	-	-	60,097	-	60,097
(4) Appropriation of profits											
1. Distributions to shareholders		-	-	-	-	-	-	-	-	(7,514)	(7,514)
(5) Specific reserve											
1. Accrued	V.36	-	-	-	-	182,363	-	-	182,363	-	182,363
2. Utilized	V.36	-	-	-	-	(189,893)	-	-	(189,893)	-	(189,893)
III. Balance at 31 December 2024		10,675,228	621,460	56,159	2,812	290,607	6,672,634	6,833,672	25,040,254	104,241	25,144,495

These financial statements were approved by the Board of Directors of the Company on 18 March 2026.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 299 to 461 form part of these financial statements.

Statement of changes in shareholders' equity

For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Total
I. Balance at the beginning of 1 January 2025	10,675,228	599,661	56,159	3,658	290,602	6,672,634	6,412,715	24,598,339
II. Changes in from 1 January 2025 to 31 December 2025 ("-" for decreases)								
(1) Total comprehensive income								
1. Net profit ("-" for net loss)	-	-	-	-	-	-	(1,468,722)	(1,468,722)
2. Other comprehensive income	-	-	-	(34,647)	-	-	-	(34,647)
(2) Shareholders' contributions and decreases in capital								
1. Treasury stock repurchase	-	-	84,117	-	-	-	-	(84,117)
2. Cancellation of treasury stock repurchase	(132,610)	(7,666)	(140,276)	-	-	-	-	-
(3) Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	34,160	-	-	-	34,160
(4) Appropriation of profits								
1. Distributions to shareholders	-	-	-	-	-	-	(210,852)	(210,852)
(5) Specific reserve								
1. Accrued	-	-	-	-	165,338	-	-	165,338
2. Utilized	-	-	-	-	(320,777)	-	-	(320,777)
(6) Other changes in equity of investee accounted for by equity method	-	320	-	-	-	-	-	320
(7) Others	-	-	-	-	-	-	(24,588)	(24,588)
III. Balance at 31 December 2025	10,542,618	592,315	-	3,171	135,163	6,672,634	4,708,553	22,654,454

These financial statements were approved by the Board of Directors of the Company on 18 March 2026.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 299 to 461 form part of these financial statements.

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Total
I. Balance at the beginning of 1 January 2024	10,799,286	599,607	70,579	(39)	298,132	6,672,634	6,070,476	24,369,517
II. Changes in from 1 January 2024 to 31 December 2024 ("-" for decreases)								
(1) Total comprehensive income								
1. Net profit ("-" for net loss)	-	-	-	-	-	-	342,239	342,239
2. Other comprehensive income	-	-	-	(56,400)	-	-	-	(56,400)
(2) Shareholders' contributions and decreases in capital								
1. Treasury stock repurchase	-	-	109,584	-	-	-	-	(109,584)
2. Cancellation of treasury stock repurchase	(124,058)	54	(124,004)	-	-	-	-	-
(3) Amounts transferred from hedging reserve to initial carrying amount of hedged items	-	-	-	60,097	-	-	-	60,097
(4) Specific reserve								
1. Accrued	-	-	-	-	174,231	-	-	174,231
2. Utilized	-	-	-	-	(181,761)	-	-	(181,761)
III. Balance at 31 December 2024	10,675,228	599,661	56,159	3,658	290,602	6,672,634	6,412,715	24,598,339

These financial statements were approved by the Board of Directors of the Company on 18 March 2026.

Guo Xiaojun
Chairman

Du Jun
Director and Chief Financial Officer

Fu Hejuan
Accounting Chief

The notes on pages 299 to 461 form part of these financial statements.

Notes to the financial statements

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

I. General information

Sinopec Shanghai Petrochemical Company Limited (“the Company”), formerly Shanghai Petrochemical Company Limited, was established in the People’s Republic of China (“the PRC”) on 29 June 1993 with registered capital of RMB4,000,000,000, invested by its holding company—China National Petrochemical Corporation (“Sinopec Group”); these shares were converted from assets of former Shanghai Petrochemical Complex.

H shares were listed on the Hong Kong Stock Exchange on 26 July 1993 and listed on the New York Stock Exchange in the form of American Depositary Shares at the same time; the A shares were listed on the Shanghai Stock Exchange on 8 November 1993.

Sinopec Group completed its reorganisation on 25 February 2000. After the reorganisation, China Petroleum & Chemical Corporation (“Sinopec Corp.”) was established. As part of the reorganisation, Sinopec Group transferred its 4,000,000,000 of the Company’s state-owned legal shares, which represented 55.56 percent of the issued share capital of the Company, to Sinopec Corp. Sinopec Corp. became the largest shareholder of the Company. The Company changed its name to Sinopec Shanghai Petrochemical Company Limited on 12 October 2000.

Additional A shares of RMB14,176,600 and RMB9,636,900 were registered on 27 September 2017 and 12 January 2018.

On 12 August 2022, the Company announced its voluntary delisting of American Depositary Receipts from the New York Stock Exchange, effective September 6, 2022 (Eastern Time). Our American Depositary Receipt program was terminated on March 13, 2023 (Eastern Time).

On 22 June 2022, the 2021 General Meeting of shareholders, the 2022 Second General Meeting of A-share Shareholders, and the 2022 Second General Meeting of H-share Shareholders approved the proposal to authorize the board of directors to repurchase domestic shares or overseas listed foreign shares of the Company. According to this authorization, at 17 February 2023 the Company cancelled 24,528,000 H-shares that had been repurchased, accounting for 0.23% of the total issued shares of the Company.

On 28 June 2023, the 2022 General Meeting of shareholders, the 2023 First General Meeting of A-share Shareholders, and the 2023 First General Meeting of H-share Shareholders approved the proposal to authorize the board of directors to repurchase domestic shares or overseas listed foreign shares of the Company. According to this authorization, on 17 June 2024 the Company cancelled all 124,058,000 H-shares that had been repurchased, accounting for 1.15% of the total issued shares of the Company.

On June 6, 2024, the Annual General Meeting of Shareholders of the Company in 2023, the First General Meeting of A-share Shareholders in 2024 and the First General Meeting of H Shares Shareholders in 2024 reviewed and approved the Proposal on Requesting the General Meeting of Shareholders to Authorize the Board to Repurchase Domestic Shares and/or Overseas Listed Foreign Shares of the Company. Pursuant to this general authorization, on March 3, 2025, the Company cancelled a total of 96,346,000 H-shares repurchased as of that date, representing 0.90% of the total issued shares of the Company; On June 12, 2025, the Company cancelled a total of 36,264,000 H-shares repurchased as of that date, accounting for 0.34% of the total issued shares of the Company.

Notes to the financial statements *(continued)*

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

I. General information *(continued)*

As of 31 December 2025, total share capital of the Company was RMB10,542,617,500, with RMB1 Yuan per share. Detailed changes to share capital refers to Note V.32.

The Company and its subsidiaries (“the Group”) is a highly integrated entity which processes crude oil into synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products.

Details of the Company’s principal subsidiaries are set out in Note VII.

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

III. Summary of significant accounting policies and accounting estimates

Accounting policies for the provision for the recognition and measurement of bad debt provisions for receivables, the measurement of inventory issuance and the depreciation of fixed assets of the Group are adopted according to the specific characteristics of the Group’s operations. Please refer to the relevant notes on accounting policies.

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business. These financial statements present truly and completely the consolidated financial position and financial position of the Company as of 31 December 2025, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year from 1 January 2025 to 31 December 2025.

These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No.15: General Requirements for Financial Reports” as revised by the China Securities Regulatory Commission (“CSRC”) in 2023.

2. Accounting period

The Company’s accounting year starts on 1 January and ends on 31 December.

3. Operating cycle

The Company takes the period from the acquisition of assets for processing to until the ultimate realization of cash or cash equivalents as a normal operating cycle. The operating cycle of the Company is usually less than 12 months.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***III. Summary of significant accounting policies and accounting estimates** *(continued)***4. Functional currency**

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the primary economic environment in which they operate.

5. Method for determining materiality standards and basis for selection

Item	Materiality standards
Significant construction in progress	Amount at the end of the period or change during the year of construction projects in progress \geq RMB30 million
Significant joint arrangements or associates	Carrying amount of long-term equity investment or the impact of the current year's income statement \geq RMB30 million
Significant non-wholly-owned subsidiaries	Amount at the end of the period or change during the period of minority shareholder equity \geq RMB30 million

6. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

6. Accounting treatments for business combinations involving entities under common control and not under common control *(continued)*

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the share of carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess deducted from surplus reserve and retained earnings sequentially. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill after taking into account deferred tax impact. If (1) is less than (2), the difference is recognized in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognized in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

7. Judgmental criteria for control and consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, unless they represent impairment losses that are recognized in the financial statements. Unrealized profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealized profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary. If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

7. Judgmental criteria for control and consolidated financial statements *(continued)*

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognized as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognized as investment income for the current period.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess write down surplus reserve and retained earnings in turn.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

9. Foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognized in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition of qualifying assets (see Note III.16). Non monetary foreign currency items measured at fair value are translated at the spot exchange rate on the date when the fair value is determined. The resulting exchange difference is the difference of equity instrument investment measured at fair value with changes included in other comprehensive income and included in other comprehensive income; Other differences are included in current profits and losses. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Effect of foreign exchange rate changes on cash is presented separately in the cash flow statement.

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments

Financial instruments include cash at bank and on hand, account receivables, accounts receivable financing, other equity instrument investments, other non-current financial assets, account payables, borrowings, and share capital, etc.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price in accordance with Note III.22.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortized cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets *(continued)*

(a) Classification of financial assets *(continued)*

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income, and listed them as other equity instrument investments. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer. The relevant dividend income of such financial assets is included in the current profit and loss.

Except for financial assets measured at fair value measurement with changes recognized in other comprehensive income mentioned above, all financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets *(continued)*

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship. Those maturing more than one year from the balance sheet date and expected to be held for more than one year shall be listed as other non-current financial assets, while the rest shall be listed as trading financial assets.

– Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortization process or to recognize impairment gains or losses. Such financial assets mainly include cash at bank and on hand, accounts receivable, other receivables and investments in debt securities, etc.

– Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. Such financial assets mainly include receivables under financing, other debt investments, etc.

– Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, or financial liabilities measured at amortized cost.

– Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

– Financial liabilities measured at amortized cost

These financial liabilities are subsequently measured at amortized cost using the effective interest method.

The financial liabilities of the Group are mainly financial liabilities measured by amortized cost, including bills payable and accounts payable, other payables, borrowings, etc. Such financial liabilities are initially measured according to their fair value after deducting transaction costs and are subsequently measured by the effective interest rate method. Where the term is less than one year (including one year), it shall be listed as current liabilities; If the term is more than one year, but the term is due within one year (including one year) from the balance sheet date, it shall be listed as non-current liabilities that are due within one year; The rest are shown as non-current liabilities.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognized amounts;
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognized when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognized directly in other comprehensive income for the part derecognized.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished. The difference between the carrying amount of the part to be recognized and the consideration paid shall be recorded into the profit and loss of the current period.

(6) Impairment

The Group recognizes loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(6) Impairment *(continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables and receivables under financing formed from daily operations such as sales of goods and rendering of services are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for trade receivables and receivables under financing, the Group measures loss allowance at an amount equal to 12-month ECLs for the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments:

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***III. Summary of significant accounting policies and accounting estimates** *(continued)***10. Financial instruments** *(continued)***(6) Impairment** *(continued)**Provision for bad debts for trade receivables*

(a) Categories of items for which bad debt provisioning is made based on a combination of credit risk characteristics and the basis.

Bills receivable	Based on the differences in credit risk characteristics of the acceptors, the Group classifies notes receivable into two portfolios, bankers' acceptances and commercial acceptances.
Trade receivable	Based on the Group's historical experience, there is no significant difference in the incidence of losses incurred by different segments of customer groups, therefore, the Group treats the entire trade receivable as a portfolio and does not further differentiate between different groups of customers in calculating the bad debt provision for accounts receivable.
Receivables under financing	The Group's receivables under financing is bank acceptance bills receivable and accounts receivable related to Forfeiting business without recourse with dual holding purpose. As the accepting banks of the bills of exchange are banks with high credit ratings and the assigning banks of the trade receivable are non-recourse, the Group divides the receivables under financing into bills receivables and accounts receivables.
Other receivable	The Group's other receivables mainly include receivables from consumption tax refunds and export tax refunds, receivables from related parties. Based on the nature of the receivables and the credit risk characteristics of different counterparties, the Group classifies other receivables into three portfolios, specifically: tax refund receivable portfolio, related party current receivable portfolio and others.

(b) Individual provisioning judgment criteria according to individual provision for bad debts

The Group generally measures its provision for losses on bills receivable, trade receivable, receivables under financing and other receivables on the basis of a combination of credit risk characteristics. If the credit risk characteristics of a counterparty are significantly different from those of other counterparties in the portfolio, or if there is a significant change in the credit risk characteristics of that counterparty, provision for bad debts is made on an individual basis for receivables from that counterparty. For example, when a counterparty is in severe financial difficulty and the expected rate of credit loss on receivables from that counterparty is significantly higher than the expected rate of credit loss for the ageing range in which the counterparty is organized, a separate provision for bad debts is made.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(6) Impairment *(continued)*

- (b) Individual provisioning judgment criteria according to individual provision for bad debts *(continued)*

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

III. Summary of significant accounting policies and accounting estimates *(continued)***10. Financial instruments** *(continued)***(6) Impairment** *(continued)**Credit-impaired financial assets*

At each balance sheet date, the Group assesses whether financial assets carried at amortized cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

10. Financial instruments *(continued)*

(7) Equity instrument

The issuance of equity instruments is recognised at the actual issue price in shareholders' equity, relevant transaction costs are deducted from shareholders' equity (capital reserve), with any excess deducted from surplus reserve and retained earnings sequentially. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognized in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

11. Inventories

(1) Categories

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

In addition to the purchase cost of raw materials, work in progress and finished goods include direct labor costs and an appropriate allocation of production overheads based on normal capacity.

(2) Measurement method of cost

Cost of inventories recognized is calculated using the weighted average method.

III. Summary of significant accounting policies and accounting estimates *(continued)*

11. Inventories *(continued)*

(3) **Inventory count system**

The Group's inventories system is the perpetual inventory system.

(4) **Amortization methods of low value consumables and packaging materials**

Reusable materials including low-value consumables and packaging materials are charged to profit or loss upon receipt. The amortization charge is included in the cost of the related assets or recognized in profit or loss for the current period.

(5) **Criteria for determining and method for provision for obsolete inventories**

At the balance sheet date, inventories are carried at the lower of cost and net realizable value. For the difference between the cost calculated by a single inventories item and its net realizable value, the provision for inventories depreciation shall be withdrawn and included in the current profits and losses.

The net realizable value of materials held for use in the production is measured based on the net realizable value of the finished goods in which they will be incorporated. The net realizable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

12. Long-term equity investments

(1) **Investment cost of long-term equity investments**

(a) *Long-term equity investments acquired through a business combination*

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to surplus reserve and retained earnings in turn.
- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

12. Long-term equity investments *(continued)*

(1) Investment cost of long-term equity investments *(continued)*

(b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognized at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. The portion of cash dividends or profits declared to be distributed to the invested entity by the Company shall be recognized as investment income of the current period.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.12(3)) and rights to the net assets of the arrangement.

An associate is an entity over which the Group has significant influence (see Note III.12(3)).

A long-term investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement unless the investment meets the conditions for holding for sale.

- After the acquisition of the investment, the Group recognizes its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognized directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

III. Summary of significant accounting policies and accounting estimates *(continued)*

12. Long-term equity investments *(continued)*

(2) Subsequent measurement of long-term equity investment *(continued)*

(b) Investment in joint ventures and associates *(continued)*

- Unrealized profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealized losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealized gains, unless they represent impairment losses that are recognised in full in the financial statements.
- The Group discontinues recognizing its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognizing the investment losses and the provisions. If the joint venture or associate subsequently reports net profits, the Group resumes recognizing its share of those profits only after its share of the profits has fully covered the share of losses not recognized.

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***III. Summary of significant accounting policies and accounting estimates** (continued)**13. Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model. The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortized using the straight-line method over its estimated useful life.

The estimated useful life, residual value rate, and depreciation rate of various investment properties are:

Class	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Plant and buildings	30–40 years	3%	2.4%–3.2%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer. When a conversion occurs, the book value before the conversion is used as the recorded value after the conversion.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

14. Fixed assets**(1) Recognition of fixed assets**

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.15. The fixed assets injected by the state-owned shareholder during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognized as a separate fixed asset by the Group.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***III. Summary of significant accounting policies and accounting estimates** *(continued)***14. Fixed assets** *(continued)***(1) Recognition of fixed assets** *(continued)*

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognized as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of fixed assets are recognized in profit or loss as incurred.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life.

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Buildings	12–40 years	0%–5%	2.4%–8.3%
Plant and machinery	5–20 years	0%–5%	4.8%–20.0%
Vehicles and other equipment	4–20 years	0%–5%	4.8%–25.0%

The Group shall review the service life, estimated net residual value and depreciation method of fixed assets at least at the end of each year.

15. Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalized borrowing costs (see Note III.16), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use, and depreciation begins from the following month. No depreciation is provided against construction in progress.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates (continued)

15. Construction in progress (continued)

The criteria and point in time for carrying forward each type of construction in progress to fixed assets are as follows:

Class	Criteria	Time
Machinery and others	(1) A single set of devices can be put into operation alone, and independent of other devices or processes to produce qualified products, the relevant departments to issue a test report; (2) The joint device can be successful joint commissioning, normal production of qualified products, the relevant departments to issue a commissioning report; (3) Ancillary facilities are completed at the point when the combined plant is completed as a whole and reaches its intended useable state.	Ready for the intended use
Plant and buildings	The relevant departments have completed on-site acceptance and are in a position to use the site.	Ready for the intended use

The Group sells the products or by-products produced before the fixed assets are ready for their intended use. In accordance with CAS No.14 – Revenue, CAS No.1 – Inventory and other standards, the relevant income and cost are accounted for separately and recognized in profit or loss.

16. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as financial expenses when incurred.

During the capitalization period, the amount of interest (including amortization of any discount or premium on borrowing) to be capitalized in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, and construction or production of a qualifying asset, the amount of interest to be capitalized is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- To the extent that the Group borrows funds generally and uses them for the acquisition, and construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***III. Summary of significant accounting policies and accounting estimates** *(continued)***16. Borrowing costs** *(continued)*

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognized amount of the borrowings.

During the capitalization period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognized as a financial expense when incurred.

17. Intangible assets**(1) Useful life and amortization methods**

For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortized using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale. The intangible assets injected by the state-owned shareholder during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

The respective useful life and its determination basis and amortization methods for intangible assets are as follows:

Item	Estimated useful life (years)	Determination basis	Amortization methods
Land-use right	20–50 years	Duration stated on the land certificate	straight-line method
Other intangible assets	2–28 years	Actual useful life of past intangible assets of similar nature and function	straight-line method

Useful lives and amortization methods of intangible asset with finite useful life are reviewed at least at each year-end.

An intangible asset is regarded as having an indefinite useful life and is not amortized when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates (continued)

17. Intangible assets (continued)

(2) Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Expenditure during the research phase is expensed when incurred. Expenditure during the development phase is capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Other development expenditure is recognized as an expense in the period in which it is incurred.

For the external sales of products or by-products produced in the research and development process, the relevant income and cost are accounted for separately and recognized in profit or loss in accordance with CAS No.14 – Revenue, CAS No.1 – Inventory and other standards.

18. Long-term deferred expenses

Long-term prepaid expenses mainly include the catalyst expenditures, leasehold improvements and other expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods.

Long-term deferred expenses are amortized using a straight-line method within the benefit period. The respective amortization periods for such expenses are as follows:

Item	Amortization period
Catalysts	1.5–10 years
Leasehold improvements	15–27 years

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

19. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- investment properties measured using a cost model
- long-term equity investments
- long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually at each year-end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.20) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognized, it is not reversed in a subsequent period.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

20. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

21. Provisions

A provision is recognized for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate. The estimated liabilities expected to be paid within one year from the balance sheet date are listed as current liabilities.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

22. Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognized when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognizes as revenue the amount of the transaction price that is allocated to each performance obligation

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognizes for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognizes the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

22. Revenue recognition *(continued)*

For performance obligation satisfied at a point in time, the Group recognizes revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services, etc.

The Group determines whether it is a principal or an agent, depending on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognizes revenue in the gross amount of consideration to which it has received (or receivable). Otherwise, the Group is an agent, and recognizes revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is the established amount or proportion.

Circumstances in which the Group is able to control a commodity before transferring it to a customer include:

- The Group obtains control of goods or other assets from third parties and then transfers them to customers;
- The Group is able to lead third parties to provide services to clients on the Group's behalf;
- After the Group obtains control of a commodity from a third party, it transfers the commodity to the customer by providing major services that integrate the commodity with other commodities into a certain combination of outputs.

In making specific judgments about whether the Group has control over a commodity before transferring it to a customer, the Group considers all relevant facts and circumstances together, including:

- The Group's primary responsibility for the transfer of goods to customers;
- The Group assumes the inventory risk of the commodity before or after the transfer of the commodity;
- The Group has the right to independently determine the prices of the commodities traded, etc.

III. Summary of significant accounting policies and accounting estimates *(continued)*

22. Revenue recognition *(continued)*

Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

(1) Sale of goods

The significant risks and rewards of ownership of goods have been transferred to the buyer, as well as the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The Group recognizes revenue when goods are sent to designated place or customer take delivery of the goods from Group's designated warehouse, and confirmed receipt by customers according to the terms of contract. Revenue from sale excludes VAT and has been deducted from estimated sales discounts.

The Group provides discounts based on the sales amount, and recognizes revenue based on the contract value exclude expected discounts.

(2) Rendering of overseas shipping services

Revenue from the rendering of overseas shipping services is recognized using the percentage of completion method, with the stage of completion being determined based on proportion of shipping time incurred to date to the estimated total shipping time.

23. Contract costs

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (e.g., sales commission). The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates (continued)

23. Contract costs (continued)

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labor, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future;
- the costs are expected to be recovered.

Assets recognized for the incremental costs of obtaining a contract and assets recognized for the costs to fulfil a contract (the “assets related to contract costs”) are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognized in profit or loss for the current period. The Group chooses to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

The Group recognizes an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates;
- the costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

24. Employee benefits

(1) Short term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Employee benefits which are non-monetary benefits are measured at fair value.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

24. Employee benefits *(continued)*

(2) Post employment benefits defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. Basic pension insurance contributions payable are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognized with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

25. Government grants

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is offset against the carrying amount of the related asset or recognized as deferred income and amortized over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognized as deferred income, and included in other income or non-operating income offset against related expense in the periods in which the expenses or losses are recognized. Or included in other income or non-operating income offset against the related expenses directly. The Group uses the same reporting method for similar government subsidies.

Government subsidies related to daily activities are included in operating profit, while government subsidies unrelated to daily activities are included in non-operating income and expenditure.

26. Specific reserve

The Group recognizes a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the costs of the related products or expenses, and accrues in the specific reserve.

When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. On utilization of the safety fund for fixed assets, the specific reserve is reduced as the fixed assets are recognized, which is the time when the related assets are ready for their intended use; in such cases, an amount that corresponds to the reduction in the specific reserve is recognized in accumulated depreciation with respect to the related fixed assets. Consequently, such fixed assets are not depreciated in subsequent periods.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

27. Income tax

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is not recognized for the temporary differences arising from a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and the initial recognition of the assets and liabilities does not result in taxable temporary differences and deductible temporary differences in equal amounts. Deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered, or the liability is settled.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

27. Income tax *(continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefits will be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

28. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate lease components from non-lease components and account for the lease and non-lease components as a single lease component.

III. Summary of significant accounting policies and accounting estimates *(continued)*

28. Leases *(continued)*

(1) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets which the value of brand-new individual asset is low. The Group recognizes the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates (continued)

28. Leases (continued)

(2) As a lessor

The leases of the Group is an operating leases.

Lease receipts from operating leases is recognized as income using the straight-line method over the lease term. Variable lease payments not included in lease receipts are recognized as income as they are earned.

29. Hedge accounting

Hedge accounting is a method which recognizes in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in cash flows and that are designated as being hedged and can be reliably measured. The Group's hedged items include a forecast transaction that is settled with an undetermined future market price and exposes the Group to risk of variability in cash flows, etc.

A hedging instrument is a designated financial instrument whose changes in cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from the economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

When a hedging relationship no longer meets the hedge effectiveness requirements due to the hedge ratio, but the risk management objective of the designated hedging relationship remains unchanged, the Group rebalances the hedging relationship. Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements.

III. Summary of significant accounting policies and accounting estimates *(continued)*

29. Hedge accounting *(continued)*

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting;
- The hedging instrument expires or is sold, terminated or exercised;
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship;
- The hedging relationship no longer meets other criteria for applying hedge accounting.

(1) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income as a cash flow hedge reserve. The amount of the cash flow hedge reserve is adjusted to the lower of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge;
- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The change in the amount of the cash flow hedge reserve is recognized in other comprehensive income in each period.

The portion of the gain or loss on the hedging instrument that is determined to be ineffectiveness is recognized in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it in the initial cost or other carrying amount of the asset or liability.

For cash flow hedges other than those covered above, that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

29. Hedge accounting *(continued)*

(1) Cash flow hedges *(continued)*

When the Group discontinues hedge accounting for a cash flow hedge, the amount of the accumulated cash flow hedge reserve recognized in other comprehensive income is accounted for as follows:

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve and be accounted for in accordance with the above policy;
- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

30. Profit distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognized as a liability at the balance sheet date but are disclosed in the notes separately.

31. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

32. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system after taking the materiality principle into account. An operating segment is a component of the Group that satisfies all of the following conditions:

- the component is able to earn revenues and incur expenses from its ordinary activities;
- whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance;
- for which the information on financial position, operating results and cash flows is available to the Group.

Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. The Group determines the reporting segments based on the operating segments and the principle of materiality.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. Summary of significant accounting policies and accounting estimates *(continued)*

33. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(1) Significant accounting estimates

(a) Accounting estimate of Inventory provision

Any excess of the cost over the net realizable value of each item of inventories is recognized as a provision for diminution in the value of inventories. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical cost of sales. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

(b) Impairment of assets other than inventories and financial assets

As described in Note III.19, at the end of each reporting period, the Group estimates the recoverable amount of an asset or a cash-generating unit ("CGU") (a portion of which related to certain production facilities), at the higher of its fair value less costs of disposal and its value in use, to determine the impairment losses. If circumstances indicate that the carrying amount of the asset or CGU may not be recoverable, the asset or CGU may be considered "impaired", and an impairment loss may be recognized.

The recoverable amount of assets or CGUs is the higher of the fair value less costs of disposal and value in use. As the fair value of certain assets or CGUs may not be publicly available, the Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions for projections of product sales and operating costs and discount rate. In particular, in determining the value in use of the Group's specific CGUs, significant judgements are required on the accounting estimates which are based on the assumptions relating to product sales growth rates, related costs growth rates and discount rate applied.

III. Summary of significant accounting policies and accounting estimates *(continued)*

33. Significant accounting estimates and judgements *(continued)*

(1) Significant accounting estimates *(continued)*

(c) *Estimated useful life and residual value of fixed assets*

The Group assessed the reasonableness of estimated useful life of fixed assets in line with the historical experience on the basis of similar function or characteristic for the assets. If there are significant changes in estimated useful lives and residual value from previous years, the depreciation expenses for future periods are adjusted.

The Group reviews and adjusts the useful lives and estimated residual value of the assets regularly at the end of each year end.

(d) *Recognition of deferred tax assets*

For the deductible losses that can be carried forward to the next year, the Group recognizes the corresponding deferred tax assets to the extent of the taxable income that is likely to be obtained in the future to offset the deductible losses. The taxable income obtained in the future period includes the taxable income that can be realized by the Group through normal production and operation activities, and the taxable income that will increase when the taxable temporary difference generated in the previous period is reversed in the future period. The Group needs to use estimates and judgments when determining the time and amount of taxable income in the future. If there is a difference between the actual situation and the estimate, the book value of deferred tax assets may be adjusted.

(2) Significant accounting judgements

(a) *Classification of financial assets*

The significant judgments involved in determining the classification of financial assets by the Group include the analysis of business model and cash flows characteristics of contracts. The Group determines the business model of managing financial assets at the level of financial asset portfolio, taking into account such factors as the way of evaluating and reporting the performance of financial assets to key managers, the risk and management methods that affect the performance of financial assets, and the ways in which relevant business managers are paid, etc.

When the Group evaluates whether the contract cash flow of financial assets is consistent with the basic lending arrangement, there are the following main judgments: whether the time distribution or amount of principal may change within the duration due to prepayment or other reasons; Does interest include only the time value of money, credit risk, other basic lending risks, and consideration of costs and profits. For example, does the prepayment amount reflect only the principal outstanding and the interest based on the principal outstanding, as well as the reasonable compensation paid for the early termination of the contract.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IV. Taxation

1. The main types of taxes and their tax rates applicable to the Group are listed below:

Tax type	Tax basis	Tax rate
Corporate income tax	Based on taxable profits	25%
Value-added tax	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	5%, 6%, 9% and 13%
Consumption tax	Based on taxable sales	Gasoline: RMB2,109.76 per ton; Diesel oil: RMB1,411.20 per ton; Naphtha: RMB2,105.20 per ton; Fuel oil: RMB1,218.00 per ton
Urban maintenance and construction tax	Based on VAT	5% and 7%
Education surcharges	Based on VAT	3%
Local education surcharges	Based on VAT	2%
Property tax	Levy or rent based on 70% of the original value of the property	1.2% of the residual tax value of the house property or 12% of the house rent

Except for subsidiary enjoying preferential tax rates as stated in Note IV.2 below, The applicable income tax rate of the Company and its subsidiaries this year is 25% (2024: 25%).

2. Tax incentives

The subsidiary of the Group that enjoys tax incentives is Inner Mongolia Xinjinshan Carbon Fiber Co., Ltd. The applicable income taxes rate for this year is 15%.

On April 23, 2020, the Ministry of Finance, the State Administration of Taxation, and the National Development and Reform Commission jointly issued the announcement on Continuing the Income Tax Policy for Enterprises in the Western Development (Announcement No. 23 of 2020 of the Ministry of Finance, the State Administration of Taxation, and the National Development and Reform Commission). From January 1, 2021 to December 31, 2030, the Catalogue of Encouraged Industries in the Western Region and the Catalogue of Encouraged Industries in the Western Region Enterprises in encouraged industries will continue to pay corporate income tax at a reduced rate of 15%.

On November 27, 2024, the National Development and Reform Commission issued Order No. 28 of the Catalogue of Encouraged Industries in the Western Region (2025), effective from January 1, 2025, includes the encouraged industries applicable to subsidiaries of the group in the catalog. Subsidiary of the Company located in the western region that meet the encouraged projects of the Western Development are subject to a preferential tax rate of 15%, which is valid until 2030.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements****1. Cash at bank and on hand**

Item	2025	2024
Deposits with banks	7,511,597	12,092,626
Other monetary funds	3,965	3,851
Total	7,515,562	12,096,477

Cash and cash equivalents shown in the cash flow statement:

Item	2025	2024
Deposits with banks	7,511,597	12,092,626
Less: Time deposits (a)	–	3,883,513
Ending balance of cash and cash equivalents	7,511,597	8,209,113

(a) As of 31 December 2024, time deposits of three years to five years will mature in one year, with annual interest rate of 2.05%–3.55%.

(b) As of December 31, 2025, the Group had no deposits with finance companies (December 31, 2024: none).

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

2. Derivative financial assets and derivative financial liabilities

Category	2025	2024
Derivative financial assets		
– Commodity swaps contracts	13,493	49
Derivative financial liabilities		
– Commodity swaps contracts	7,108	–

As of December 31, 2025, the Group's derivative financial assets and 'derivative financial liabilities' are mainly commodity swap contracts.

3. Accounts receivable

(1) Accounts receivable by customer type are as follows:

Category	2025	2024
Amounts due from related parties (NoteVIII.6)	755,901	701,439
Amounts due from third parties	31,255	2,265
Sub-total	787,156	703,704
Less: Provision for bad and doubtful debts	(2,219)	(2,117)
Total	784,937	701,587

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**3. Accounts receivable** (continued)**(2) The ageing analysis of accounts receivable is as follows:**

Ageing	2025	2024
Within 1 year (inclusive)	785,042	701,590
Over 1 year but within 2 years (inclusive)	-	-
Over 2 years but within 3 years (inclusive)	-	-
Over 3 years	2,114	2,114
Total	787,156	703,704

The ageing is counted starting from the date when accounts receivables are recognized.

(3) Accounts receivable by provisioning method

Category	2025					2024				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Provision ratio (%)	Carrying amount	Amount	Percentage (%)	Amount	Provision ratio (%)	Carrying amount
Individual assessment	22	0.00	22	100.00	-	-	-	-	-	-
Collective assessment	787,134	100.00	2,197	0.28	784,937	703,704	100.00	2,117	0.30	701,587
Total	787,156	100.00	2,219	0.28	784,937	703,704	100.00	2,117	0.30	701,587

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

3. Accounts receivable (continued)

(3) Accounts receivable by provisioning method (continued)

(i) Reasons for individually assessed bad debt provision as of December 31, 2025:

Name	Carrying Amount	Bad debt provision	Provision Rate(%)	Reason for provision
Shanghai Jinsen Petrochemical CO.,Ltd.	22	22	100.00	Expected to be uncollectible

(ii) The recognition standard and instruction of provision for bad debts on combination for the year ended at 31 December 2025:

According to the historical experience of the Group, there is no significant difference in the occurrence of losses among different customer segments, so different customer groups are not further differentiated in the calculation of bad debt reserve.

(iii) Assessment of ECLs on accounts receivable:

At all times the Group measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the expected loss rate.

The loss given default is measured based on the actual credit loss experience in the past years and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***3. Accounts receivable** *(continued)***(4) Movements of provisions for bad and doubtful debts:**

Provisions for bad and doubtful debts	2025	2024
Opening balance	2,117	2,168
Additions during the period	102	–
Recoveries or reversals during the year	–	(51)
Ending balance	2,219	2,117

(5) As of 31 December 2025, Five largest accounts receivable by debtor at the end of the period:

	Amount	Provision	Percent of total amount
Total amount of five largest accounts receivable by debtor of the Group	786,414	(2,194)	99.91%

(6) Derecognition of accounts receivable due to transfer of financial assets

- (i) For the year ended 31 December 2025, the Group has no accounts receivable derecognized due to transfer of financial assets.
- (ii) For the year ended 31 December 2025, the Group has not recovered accounts receivable that have been fully provisioned for bad debts in previous (For the year ended 31 December 2024: Nil).
- (iii) For the year ended 31 December 2025, the Group has not written off significant accounts receivable (For the year ended 31 December 2024: Nil).
- (iv) At 31 December 2025, the Group has no pledged accounts receivable (31 December 2024: Nil).

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

4. Receivables under financing

Item	Note	31 December 2025	31 December 2024
Bills receivable	(1)	213,954	133,082
Accounts receivable	(2)	118,061	255,148
Total		332,015	388,230

(1) Bills receivable

- (i) Due to the requirement of cash management, the Group discounted and endorsed part of the bank acceptance notes that met the condition of derecognition. The business model of bank acceptance notes management is for the purpose of collecting cash flow of contracts and sales. Therefore, as of 31 December 2025, the Group classified RMB213,954 thousand bills receivable to financial assets measured at fair value and whose changes are included in other comprehensive income and disclosed in bills receivable and accounts receivable (31 December 2024: RMB133,082 thousand).
- (ii) The Group has no individually impaired bank acceptance notes, with all provision was accrued by their expected credit loss. As of 31 December 2025 and 31 December 2024, the Group considers no significant credit risk of the bank acceptance notes and the Group has limited exposure to losses arising from banks' breach of contract.
- (iii) As of 31 December 2025, the Group had no pledged bank acceptance notes (31 December 2024: Nil).
- (iv) As of 31 December 2025, unmatured bills receivable that have been endorsed or discounted by the Group is as follows:

Item	Derecognized	Not derecognized
Bank acceptance notes	159,041	—

As of 31 December 2025, the Group endorsed and discounted the undue bills receivable of RMB159,041 thousand (31 December 2024: RMB178,017 thousand). The Group derecognized such bills receivable, accounts payable to suppliers and short-term loans as a whole by considering that the risks and rewards of ownership of such unmatured bills had been substantially transferred. The Group's continued involvement in the unexpired bills receivable whose overall derecognition is limited to the extent that the issuing bank is unable to settle the amount to the bill holder. The maximum exposure to loss caused by the Group's continued involvement is the amount of outstanding bills receivable endorsed to the supplier of RMB159,041 thousand (31 December 2024: RMB178,017 thousand). The term of the outstanding bills receivable is within one year.

V. Notes to the consolidated financial statements *(continued)*

4. Receivables under financing *(continued)*

(2) Accounts receivable

- (i) The Group's subsidiaries China Jinshan Associated Trading Corporation Limited ("JMGJ") and Shanghai Jinshan Trading Corporation Limited ("Jinmao International") derecognized part of the accounts receivable for the non-recourse forfaiting business based on the requirement of daily cash management. The business model of accounts receivable management is for the purpose of collecting cash flow of contracts and sales. Therefore, as of 31 December 2025, the Group classified RMB118,061 thousand third party accounts receivable of subsidiaries to financial assets measured at fair value and whose changes are included in other comprehensive income and disclosed in bills receivable and accounts receivable (31 December 2024: RMB255,148 thousand).
- (ii) The analysis of accounts receivable derecognized due to the transfer of financial assets is as follows:

At 31 December 2025, the Group's subsidiaries JMGJ and Jinmao International derecognized RMB110,524 thousand accounts receivable that haven't reached the expiration date of credit period due to the non-recourse forfaiting. (For the year ended 31 December 2024: RMB189,663 thousand).
- (iii) For accounts receivable without individual provision for impairment, the bad debt provision shall be measured according to the expected credit loss of the whole duration. On December 31, 2025 and December 31, 2024, the Group believed that the accounts receivable related to Forfaiting business without recourse held by it did not have significant credit risk, so it did not accrue bad debt reserves for accounts receivable reported as receivables under financing.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

5. Prepayments

(1) Prepayments by category:

Item	31 December 2025	31 December 2024
Amounts advance to related parties (Note VIII.6)	50,645	1,018
Amounts advance to third parties	110,477	145,435
Total	161,122	146,453

(2) The ageing analysis of prepayments is as follows:

Aging	31 December 2025		31 December 2024	
	Amount	Percentage	Amount	Percentage
Within 1 year	161,122	100.00%	146,453	100.00%

The ageing is counted starting from the date when prepayments are recognized.

(3) As of 31 December 2025, the total amount of the top five prepayments to suppliers are summarised as follows:

	Amount	Percentage of total advances
Total amount of the top five prepayments	159,088	98.74%

Notes to the financial statements *(continued)*

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

6. Other receivables

	Note	31 December 2025	31 December 2024
Amounts due from related parties	IV.6	26,180	17,509
Amounts due from third parties		211,174	677,759
Sub-total		237,354	695,268
Less: Provision for bad and doubtful debts		(8,733)	(4,731)
Total		228,621	690,537

(1) The aging analysis is as follows:

Aging	31 December 2025	31 December 2024
Within 1 year (inclusive)	229,353	396,180
Over 1 year but within 2 years (inclusive)	2,091	294,358
Over 2 years but within 3 years (inclusive)	1,180	2,795
Over 3 years	4,730	1,935
Total	237,354	695,268

The ageing is counted starting from the date when other receivables are recognized.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

(2) Others by provisioning method:

Category	31 December 2025					31 December 2024				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
	Amount	Percentage	Amount	Proportion	Carrying amount	Amount	Percentage (%)	Amount	Provision	Carrying amount
		(%)		(%)					Proportion (%)	
Individual assessment	8,727	3.68	(8,727)	100.00	-	4,725	0.68	(4,725)	100.00	-
Collective assessment	228,627	96.32	(6)	0.00	228,621	690,543	99.32	(6)	0.00	690,537
Total	237,354	100.00	(8,733)	3.68	228,621	695,268	100.00	(4,731)	0.68	690,537

As of 31 December 2025 and 31 December 2024, the basis of provision for bad debts on a single basis is as follows:

Name	Closing book balance	Provision for impairment at the end of the period	Percentage (%)	Basis of provision
Shanghai Jinsen Hydrocarbon Resins Co., Ltd.	4,002	4,002	100.00	Expected to be uncollectible
Materials and Equipment Department of China Petroleum and Chemical Corporation	2,795	2,795	100.00	Expected to be uncollectible
Beijing Chonglee Machinery Engineering Co., Ltd.	1,930	1,930	100.00	Expected to be uncollectible
Total	8,727	8,727		

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***6. Other receivables** *(continued)***(3) Provision for and movements of provisions for bad debts**

	Stage 1			Stage 3			Total	
	12-month ECL (collective)	12-month ECL (individual)	Sub-total	Lifetime ECL - Credit impaired				
	Provision for bad and doubtful	Provision for bad and doubtful	Provision for bad and doubtful	Provision for bad and doubtful	Provision for bad and doubtful	Provision for bad and doubtful		
Bad debt provision	Book value	debits	Book value	debits	debits	Book value	debits	
Balance at 31 December 2024	690,543	(6)	-	-	(6)	4,725	(4,725)	(4,731)
Additions during the period	-	-	-	-	-	4,002	(4,002)	(4,002)
Recoveries or reversals during the period	-	-	-	-	-	-	-	-
Balance at 31 December 2025	228,481	(6)	-	-	(6)	8,727	(8,727)	(8,733)

As of 31 December 2025 and 31 December 2024, the Group has no other receivables under Stage 2.

- (i) For the six months ended 31 December 2025, the Group has no other receivables that have fully accrued or accrued a large proportion of bad and doubtful debts in previous years, but fully recovered or reversed, or have a large proportion of recovered or reversed in the current period. (For the year ended 31 December 2024: Nil)
- (ii) For 2025, the Group has not written off significant other receivables (For the year ended 31 December 2024: Nil).

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

(4) Others categorised by nature

Nature of other receivables	31 December 2025	31 December 2024
Refund of consumption tax receivable	188,158	648,757
Amounts due from related parties	26,180	17,509
Export tax rebate	687	10,057
Prepayment for share repurchase	13,698	8,304
Advance payment for compensation	1,180	3,918
Others	7,451	6,723
Sub-total	237,354	695,268
Less: Provision for bad debts	(8,733)	(4,731)
Total	228,621	690,537

(5) Five largest other receivables-by debtors as of 31 December 2025:

Name	Nature of the receivable	Balance at the end of the period	Aging	Percentage of ending balance of other receivables	Provision for bad debts
Jinshan Customs, People's Republic of China	Refund of consumption tax receivable	188,158	Within 1 year (including 1 year)	79.27%	-
Shanghai Jinshan Baling New Materials Co., Ltd.	Transactions	15,395	Within 1 year (including 1 year)	6.49%	-
China International Capital Corporation Hong Kong Securities Limited	Prepayment of share repurchase	13,698	Within 1 year (including 1 year)	5.77%	-
Shanghai Jinsen Petroleum Resin Co., Ltd.	Transactions	4,148	Within 1 year and 1-2 years (including 2 years)	1.75%	(4,002)
Shanghai Petrochemical Linde Gas Co., Ltd.	Transactions	3,586	Within 1 year (including 1 year)	1.51%	-
Total		224,985		94.79%	(4,002)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**7. Inventories**

The analysis of inventories depreciation reserves is as follows:

(1) Inventories by categories are as follows:

Inventories by categories	31 December 2025			31 December 2024		
	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	3,398,442	(17,873)	3,380,569	4,763,432	(25,437)	4,737,995
Work in progress	1,348,599	(156,986)	1,191,613	942,908	(217,387)	725,521
Finished goods	1,213,627	(220,753)	992,874	1,081,514	(152,192)	929,322
Spare parts and consumables	245,202	(67,768)	177,434	234,398	(74,973)	159,425
Total	6,205,870	(463,380)	5,742,490	7,022,252	(469,989)	6,552,263

The balance of inventories of the Group does not include the capitalized interest at 31 December 2025 (31 December 2024: Nil).

The Group has no inventory for guarantee as of 31 December 2025 (31 December 2024: Nil).

(2) Provision for impairment of inventories is analysed as follows:

Inventories by categories	31 December 2024	Increases during the year	Decreases during the year	31 December 2024
Raw materials	25,437	14,932	(22,496)	17,873
Work in progress	217,387	156,986	(217,387)	156,986
Finished goods	152,192	220,753	(152,192)	220,753
Spare parts and consumables	74,973	–	(7,205)	67,768
Total	469,989	392,671	(399,280)	463,380

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

(3) Provision for impairment of inventories is analysed as follows:

Inventories by categories	Basis for determining net realizable value	Main reasons for reversal/write-off in current period
Raw materials	The estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs to make the sale and related taxes.	Sold
Work in progress	The estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs to make the sale and related taxes.	Sold
Finished goods	The estimated selling price in the ordinary course of business, less the estimated costs to make the sale and related taxes.	Sold
Spare parts and consumables	The estimated selling price in the ordinary course of business, less the estimated costs to make the sale and related taxes.	Used for repair and sold

8. Other current assets

Item	31 December 2025	31 December 2024
VAT deductible	33,796	15,315
Corporate income tax prepaid	700	-
Assets of carbon emission rights	39,604	42,228
Total	74,100	57,543

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**9. Long-term equity investments**

Item	Note	31 December 2025	31 December 2024
Joint ventures	(1)	581,401	606,503
Associates	(2)	3,040,928	2,981,462
Sub-total		3,622,329	3,587,965
Less: Provision for impairment			
– Joint ventures		–	–
– Associates		(28,392)	(28,392)
Total		3,593,937	3,559,573

(1) Joint ventures

Investee	31 December 2024	Current period movement				31 December 2025	Ending balance of impairment provision 31 December 2025
		Additional/ (negative) investment	Investment (losses)/ incomes recognized under equity method	Cash dividends declared	Impairment provision		
Joint venture of the Company							
Shanghai Jinshan Baling New Material Co., Ltd. ("Baling Materials")	400,000	–	(7,909)	–	–	392,091	–
Joint ventures of subsidiaries							
Shanghai Petrochemical Yangu Gas Development Company Limited ("Yangu Gas") (Note 1)	31,507	(31,236)	(271)	–	–	–	–
Linde-SPC Gases Company Limited ("Linde"), formerly known as "BOC- SPC Gases Company Limited")	165,463	–	20,012	(5,821)	–	179,654	–
Others	9,533	–	300	(177)	–	9,656	–
Total	606,503	(31,236)	12,132	(5,998)	–	581,401	–

Interests in joint ventures, refer to Note VII.2.

Note 1: In August 2025, Yangu Gas Company completed the cancellation of its industrial and commercial registration.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

9. Long-term equity investments (continued)

(2) Associates

Investee	31 December 2024	Current period movement						31 December 2025	Ending balance of impairment provision 31 December 2025
		Additional/ (negative) investment	Investment incomes/ (losses) recognized under equity method	Cash dividends declared	Impairment provision	Change in other equity	Others		
Associates of the Company									
Shanghai SECCO Petrochemical Co., Ltd. ("Shanghai Secco") (Note 2)	-	-	-	-	-	-	-	-	-
Shanghai Chemical Industry Park Development Company Limited ("Chemical Industry")	2,369,065	-	124,861	(50,503)	-	(4,920)	-	2,438,503	-
Associates of subsidiaries									
Shanghai Azbil Automation Company Limited ("Azbil")	60,726	-	20,074	(29,584)	-	-	-	51,216	-
Shanghai Shidian Energy Company Limited ("Shidian Energy")	427,262	-	13,101	(8,000)	-	-	-	432,363	-
Others	96,017	-	(2,833)	(2,730)	-	-	-	90,454	(28,392)
Total	2,963,070	-	155,203	(90,817)	-	(4,920)	-	3,012,536	(28,392)

Interests in associates, refer to Note VII.2.

Note 2: Due to the occurrence of excess losses, the book value of long-term equity investments in Shanghai SECCO Petrochemical Co., Ltd. has been reduced to zero and investment losses are no longer recognized.

10. Other non-current financial properties

Item	31 December 2025	31 December 2024
Financial assets measured at fair value through profit or loss	37,500	36,500
Including: Equity investments with resale clauses	37,500	36,500

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***11. Investment assets**

	Buildings
Cost	
31 December 2024	618,875
Additions during the year	–
Decrease during the year	–
31 December 2025	618,875
Accumulated depreciation	
31 December 2024	313,733
Additions during the year	15,011
Decrease during the year	–
31 December 2025	328,744
Carrying amount	
31 December 2025	290,131
31 December 2024	305,142

For the year ended 31 December 2025, the depreciation amount of the investment properties is RMB15,011 thousand (For the year ended 31 December 2024, depreciation amount is RMB15,076 thousand). No provision for impairment has been made (For the year ended 31 December 2024: Nil).

As of 31 December 2025 and 31 December 2024 the Group had no investment properties pending certificates of ownership.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets

(1) Fixed assets situation

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2024	4,702,786	46,689,763	2,312,978	53,705,527
Reclassification in current period	73,630	(142,015)	68,385	–
Increase in current period				
– Purchase	238	201,073	49,780	251,091
– Transfer from CIP (Note V.13)	–	540,363	105,945	646,308
Decrease in current period				
– Disposal	(54,592)	(545,393)	(110,120)	(710,105)
– Disposal of a subsidiary	(16,739)	(111,052)	(16,345)	(144,136)
30 December 2025	4,705,323	46,632,739	2,410,623	53,748,685
Accumulated depreciation				
31 December 2024	2,914,761	34,493,874	1,814,736	39,223,371
Reclassification in current period	22,540	(19,393)	(3,147)	–
Increase in current period				
– Charge for current period	104,251	1,559,006	120,782	1,784,039
Decrease in current period				
– Disposal	(48,898)	(469,525)	(106,074)	(624,497)
– Disposal of subsidiary	(13,052)	(91,704)	(15,425)	(120,181)
31 December 2025	2,979,602	35,472,258	1,810,872	40,262,732
Provision for impairment				
31 December 2024	49,003	1,211,483	5,244	1,265,730
Reclassification in current period	971	(1,118)	147	–
Increase in current period				
– Charge for current period	–	–	–	–
Decrease in current period				
– Disposal	(109)	(17,221)	(10)	(17,340)
31 December 2025	49,865	1,193,144	5,381	1,248,390
Carrying amount				
31 December 2025	1,675,856	9,967,337	594,370	12,237,563
31 December 2024	1,739,022	10,984,406	492,998	13,216,426

V. Notes to the consolidated financial statements *(continued)***12. Fixed assets** *(continued)*

- (2) In 2025, due to increasingly severe market conditions, specific production devices include the cash output unit of the chemical products segment, and the expected sales price of the products produced cannot make up for the increase in their production and operating costs. The management of the Group believes that there are signs of impairment of assets related to specific production devices. The Group conducts impairment testing on assets related to specific production devices according to the accounting policies contained in Note III.19 to the financial statements. According to the test results, the recoverable amount of assets related to specific production devices is higher than the book value of assets, and the Group does not need to accrue assets impairment reserves for related fixed assets.

The recoverable amount of the assets or cash output unit of the intermediate petrochemical product specific production unit of the chemical products segment is determined according to the present value of the estimated future cash flow of the assets. The Group calculates the present value of the expected future cash flow based on the approved financial budget. The forecasted cash flow is based on several key assumptions, including the growth rate of product sales, the growth rate of related costs (the “forecasted growth rate”) and the discount rate. Among the above important assumptions, the forecast growth rate is based on historical operating experience and market participants’ expectations. The average compound growth rate of revenue from 2025 to 2029 is 3.25%, and the average compound growth rate of cost from 2025 to 2029 is 1.98%, which is consistent with the forecast in relevant industry reports. The pre tax discount rate used in the assessment of the present value of expected future cash flows is 12.07% (2024: 10.93%), reflecting the special risks of the Group.

The recoverable amount of a assets or cash generating unit of a synthetic fiber specific production unit in the Chemical Products Division is determined based on the present value of the assets’s estimated future cash flows. The Group assesses impairment based on an independent appraiser’s valuation of the present value of the estimated future cash flows calculated on the basis of an approved financial budget, which is based on several key assumptions, including the growth rate of product sales and related cost growth rate (the “predicted growth rate”) and discount rate. In the above important assumptions, the projected growth rate is based on historical operating experience and the expectations of market participant, with an average revenue compound growth rate of 2.65% and an average cost compound growth rate of 6.72% during the forecast period, which is consistent with the forecasts in relevant industry reports. The pre tax discount rate used in evaluating the present value of the expected future cash flows is 13.78% (2024: not applicable), reflecting the Group’s special risk.

- (3) For the year ended 31 December 2025, the Group did not prepare for impairment of fixed assets (For the year ended 31 December 2024:Nil). At 31 December 2025, the Group’s fixed assets depreciation reserves is RMB1,248,390 thousand.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Fixed assets (continued)

- (4) As of 31 December 2025, the original book value of the temporarily idle fixed assets of the Group was RMB2,414,248 thousand, the accumulated depreciation was RMB1,999,313 thousand, and the impairment provision was RMB284,531 thousand, The book value is RMB130,404 thousand (As of 31 December 2024, the original book value of idle fixed assets of the Group was RMB2487332 thousand, the accumulated depreciation was RMB2,051,621 thousand, the impairment provision was RMB290,029 thousand, and the book value was RMB145,682 thousand).
- (5) As of 31 December 2025 and 31 December 2024, the Group had no fixed assets used as collateral.
- (6) As of 31 December 2025, the carrying value of the Group's fixed assets leased out under operating leases amounted to RMB50,241 thousand (December 31, 2024: carrying value of RMB54,293 thousand).
- (7) As of 31 December 2025 and 31 December 2024, the Group had no fixed assets with outstanding title certificates.

13. Construction in progress

(1) Construction in progress

	31 December 2025			31 December 2024		
	Original cost	Provision for impairment	Carrying amount	Original cost	Provision for impairment	Carrying amount
Construction in progress	4,315,241	-	4,315,241	2,064,067	-	2,064,067

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

13. Construction in progress (continued)

(2) The movement of the Group's major construction in progress is listed as follows

Project	Budget	31 December	Increase	Transfer to	31 December	Percentage of	Project	Accumulative	Including:	Interest	Sources of funding
		2024	during the	fixed Assets	2025	actual cost to					
			period	(Note V.12)		budget		interest	in current	in current	
Shanghai Petrochemical Thermal Power Unit Cleaning and Efficiency Improvement Project	3,287,711	820,000	1,300,000	-	2,120,000	64.48%	64.48%	12,130	10,054	2.63%	own funds and borrowings
Shanghai Petrochemical Large Tow Carbon Fiber Off-site Project	3,196,000	-	646,359	-	646,359	20.22%	20.22%	212	212	2.24%	own funds and borrowings
Shanghai Petrochemical's comprehensive technological transformation and quality improver and upgrading project	19,603,970	-	164,064	-	164,064	0.84%	0.84%	-	-	-	own funds
Refinery Department 2# Atmospheric and Reduced Pressure Long-cycle Operation Rectification Project	148,913	-	100,000	-	100,000	67.15%	67.15%	-	-	-	own funds
National Hazardous Chemical Rescue Shanghai Base Public Bidding for the Purchase of Fire Fighting Equipment projects	141,200	53,400	35,850	-	89,250	63.21%	63.21%	-	-	-	own funds
Refinery Department No.5 Refinery Combined Unit Potential Efficiency Project	99,454	-	70,000	-	70,000	70.38%	70.38%	-	-	-	own funds
Sinopec Refinery Department Medium Pressure Hydrocracking Unit ReactorR-6101SafetyHazardManagement projects	96,866	20,000	25,620	-	45,620	47.10%	47.10%	-	-	-	own funds
2025 Old Device Equipment Update	62,300	-	45,192	-	45,192	73.06%	73.06%	-	-	-	own funds
Supporting engineering of 250000 tons/year thermoplastic elastomer project	211,326	160,000	390	(160,000)	390	75.51%	100.00%	2,014	335	1.87%	own funds and borrowings
Comprehensive Environmental Improvement in Jinshan Area, Shanghai Petrochemical Storage and Transportation Department T-135	95,085	80,697	10,329	(91,026)	-	95.39%	100.00%	-	-	-	own funds
Shanghai Petrochemical Second Course Crude Oil System Efficiency Upgrading Project	65,489	50,028	2,972	(63,000)	-	80.93%	100.00%	-	-	-	own funds
Other sporadic projects		879,942	496,706	(342,282)	1,034,366	-	-	4	4	2.75%	own funds and borrowings
Sub-total		2,064,067	2,897,482	(646,308)	4,315,241	-	-	14,360	10,605	2.60%	
Less: Provision for impairment		-	-	-	-	-	-	-	-	-	
Total		2,064,067	2,897,482	(646,308)	4,315,241	-	-	14,360	10,605	2.60%	

For the twelve months ended 31 December 2025, the Group's borrowing costs were capitalized at RMB10,605 thousand (For the year ended 31 December 2024: RMB4,088 thousand).

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

14. Right-of-use assets

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2024	25,681	1,577	1,768	29,026
Increase in current period	19,219	168	709	20,096
Decrease in current period	(21,653)	(295)	(1,167)	(23,115)
Disposal of subsidiaries	–	–	(246)	(246)
31 December 2025	23,247	1,450	1,064	25,761
Accumulated depreciation				
31 December 2024	25,366	1,004	1,221	27,591
Increase in current period	13,152	513	816	14,481
Decrease in current period	(21,653)	(295)	(1,152)	(23,100)
Disposal of subsidiaries	–	–	(219)	(219)
31 December 2025	16,865	1,222	666	18,753
Carrying amount				
31 December 2025	6,382	228	398	7,008
31 December 2024	315	573	547	1,435

For the Group's specific arrangements relating to leasing activities, refer to Note V.60.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***15. Intangible assets****Intangible assets situation**

	Land use rights	Other intangible assets	Total
Cost			
31 December 2024	785,567	100,193	885,760
Increase in current period	21,060	–	21,060
Disposal in current period	(930)	(53)	(983)
Disposal of subsidiaries	(3,976)	–	(3,976)
31 December 2025	801,721	100,140	901,861
Accumulated amortization			
31 December 2024	455,935	97,121	553,056
Charge for current period	17,422	2,918	20,340
Disposal in current period	(612)	(23)	(635)
Disposal of subsidiaries	(3,976)	–	(3,976)
31 December 2025	468,769	100,016	568,785
Carrying amount			
31 December 2025	332,952	124	333,076
31 December 2024	329,632	3,072	332,704

As of 31 December 2025 and 31 December 2024, the Group had no land use rights without property right certificate.

As of 31 December 2025 and 31 December 2024, the Group has no intangible assets formed through internal research and development.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

16. Long-term deferred expenses

	31 December 2024	Increase during the period	Amortization during the period	Other decreases	31 December 2025
Catalysts	404,315	177,604	(189,466)	–	392,453
Lease holding improvements	187	–	(185)	–	2
Others	18	–	(18)	–	–
Less: Provision for impairment	–	–	–	–	–
Total	404,520	177,604	(189,669)	–	392,455

17. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	2025		2024	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Provision for bad debts	10,323	2,581	6,842	1,710
Provision for inventory	463,380	115,845	469,989	117,497
Provision for impairment of fixed assets	1,218,534	304,634	1,235,874	308,969
Accrued expenses	–	–	6,550	1,638
Deductible loss	5,502,404	1,375,601	5,427,383	1,356,845
Lease liabilities	7,058	1,765	1,304	326
Government grand	231,053	57,763	168,679	42,170
Derivative financial liabilities	7,108	1,777	–	–
Other deferred tax assets	4,058	1,014	7,015	1,754
Total	7,443,918	1,860,980	7,323,636	1,830,909

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**17. Deferred tax assets and deferred tax liabilities** (continued)**(2) Deferred tax liabilities before offsetting**

Item	2025		2024	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Capitalization of borrowing costs	(2,558)	(640)	(3,365)	(841)
Difference in fixed assets depreciation and intangible assets amortization	(2,408,416)	(602,104)	(2,578,152)	(644,538)
Difference in changes in fair value of non-current financial assets	(11,000)	(2,750)	(10,000)	(2,500)
Derivative financial assets	(13,493)	(3,373)	(49)	(11)
Right-of-use assets	(6,779)	(1,695)	(1,194)	(299)
Total	(2,442,246)	(610,562)	(2,592,760)	(648,189)

(3) Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analysed as follows:

Item	2025	2024
Deductible temporary differences	30,485	29,861
Deductible losses	1,660,274	400,709
Total	1,690,759	430,570

In accordance with the accounting policy set out in Note III.27, it is not probable that sufficient future taxable profit will be available to realize the deductible temporary differences and deductible losses in the foreseeable future for some of the Group's subsidiaries, therefore the Group has not yet recognized deferred income tax assets in respect of the following subsidiaries' accumulated deductible temporary differences and deductible losses. These deductible losses expire between 2026 and 2030 in accordance with current tax laws.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

17. Deferred tax assets and deferred tax liabilities (continued)

(3) **Deductible temporary differences and deductible losses that are not recognized as deferred tax assets are analysed as follows: (continued)**

The breakdown of deductible losses by subsidiaries is as follows:

Name of subsidiaries	note	31 December 2025	31 December 2024
Our company		1,400,000	–
Shanghai Petrochemical Investment Development Company Limited (“Toufa”)		130,288	97,954
Shanghai Jinchang Engineering Plastics Company Limited (“Jinchang”)	(i)	–	155,947
Zhejiang Jinlian Petrochemical Storage and Transportation Co., LTD. (“Jinlian”)		129,986	146,808
Total		1,660,274	400,709

(i) Due to the disposal of Jinchang Company on May 27, 2025, the deductible loss amount of unrecognized deferred tax assets at the end of this year is 0. Please refer to Note VI, 1 for relevant disposal matters.

(4) **Deductible losses that are not recognized as deferred tax assets will expire in the following years:**

Year	2025	2024
2025	–	41,475
2026	53,239	95,144
2027 (i)	1,472,538	107,558
2028	60,974	126,304
2029	30,026	30,228
2030	43,497	–
Total	1,660,274	400,709

(i) Considering the large annual losses from 2022 to 2023 and the impact of future market uncertainty, there is uncertainty in whether the Company can generate sufficient taxable income. Therefore, deferred income tax assets of RMB350,000 thousand was written off in 2025, please refer to Note V.54.

Notes to the financial statements *(continued)*

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

17. Deferred tax assets and deferred tax liabilities *(continued)*

(5) The net balance of deferred tax assets and liabilities after offsetting is as follows:

Item	2025		2024	
	Offsetting amount of deferred tax assets and deferred tax liabilities	Deferred tax assets – net	Offsetting amount of deferred tax assets and deferred tax liabilities	Deferred tax assets – net
Deferred tax assets	(586,243)	1,274,737	(618,948)	1,211,961
Deferred tax liabilities	586,243	(24,319)	618,948	(29,241)

18. Other non-current assets

Item	2025	2024
Time deposit	2,539,640	–
Prepayment for Engineering Services	4,719	–
Total	2,544,359	–

As of December 31, 2025, other non-current assets were the Group's large certificate of deposit with a term of two to three years, with interest rates ranging from 2.00% to 2.35%.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

19. Provision for assets impairment

	31 December 2024	Increase in current period	Decrease in current period			Reclassifica- tion	31 December 2025
			Reverse	Sold	Written-off		
Provision for accounts receivable (Note V.3)	2,117	102	-	-	-	-	2,219
Provision for other receivable (Note V.6)	4,731	4,002	-	-	-	-	8,733
Sub-total	6,848	4,104	-	-	-	-	10,952
Provision for inventory (Note V.7)	469,989	392,671	-	(398,266)	(1,014)	-	463,380
Provision for fixed assets (Note V.12)	1,265,730	-	-	-	(17,340)	-	1,248,390
Impairment loss of investments accounted for using equity method (Note V.9)	28,392	-	-	-	-	-	28,392
Sub-total	1,764,111	392,671	-	(398,266)	(18,354)	-	1,740,162
Total	1,770,959	396,775	-	(398,266)	(18,354)	-	1,751,114

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**20. Short-term loans**

Item	Currency	2025	2024
Credit loans			
– bank loans	RMB	–	1,500,940

As of December 31, 2025, the Group had no balance of short-term loans.

As of December 31, 2024, the interest rate range for short-term borrowings was 2.05%.

As of December 31, 2025 and December 31, 2024, the Group had no outstanding short-term loans.

21. Bills payable

Item	2025	2024
Bank acceptance notes	7,868,391	8,747,594
Finance companies acceptance notes	1,430,000	300,000
Total	9,298,391	9,047,594

The bills above are all due within one year.

22. Accounts payable

Item	2025	2024
Amount due to related parties (Note VIII.6)	1,630,567	1,302,316
Amount due to third parties	2,077,408	1,428,598
Total	3,707,975	2,730,914

As of 31 December 2025 and 31 December 2024, there was no individually significant accounts payable aged over one year.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

23. Contract liabilities

Item	2025	2024
Advance from related parties (Note VIII.6)	8,936	13,676
Advance from third parties	248,656	235,224
Total	257,592	248,900

As of 31 December 2025 and 31 December 2024, there was no individually significant contract liabilities aged over one year.

Contract liabilities mainly relate to advance receipts received by the Group from customers' contracts for the sale of goods, etc. The advance receipts are collected at the time of contract signing and amount to 100% of the contract consideration. Revenue relating to this contract will be recognized when the Group has fulfilled its performance obligations.

Changes in the contract liabilities of the Group for the year are as follows:

	2025	2024
Balance at the beginning of the period	248,900	335,006
Balance at the beginning of the year transferred to revenue with performance obligations	(248,900)	(335,006)
Net increase due to cash received during the period	257,592	248,900
Balance at the end of the period	257,592	248,900

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**24. Employee benefits payable****(1) Employee benefits payable:**

	Note	2025	2024
Short-term employee benefits	(2)	152,495	208,726
Post-employment benefits			
– defined contribution plans	(3)	23,542	23,999
Termination benefits	(4)	–	–
Total		176,037	232,725

(2) Short-term employee benefits

	31 December 2024	Increase in current period	Decrease in current period	31 December 2025
Salaries, bonuses, allowances	190,010	1,709,719	(1,765,729)	134,000
Staff welfare	3,569	204,136	(204,136)	3,569
Social insurances	14,544	188,395	(188,593)	14,346
Including: Medical insurance	13,093	156,782	(157,294)	12,581
Work injury insurance	1,451	21,728	(21,414)	1,765
Supplementary medical insurance	–	9,723	(9,723)	–
Other insurance	–	162	(162)	–
Housing funds	–	207,522	(207,522)	–
Labour union fee, staff and workers' education fee	603	59,000	(59,023)	580
Non-monetary benefits	–	102,360	(102,360)	–
Labor cost	–	34,718	(34,718)	–
Others	–	6,143	(6,143)	–
Total	208,726	2,511,993	(2,568,224)	152,495

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

24. Employee benefits payable (continued)

(3) Defined contribution plans

	31 December 2024	Increase in current period	Decrease in current period	31 December 2025
Basic pensions	23,270	278,717	(279,160)	22,827
Unemployment insurance	729	8,710	(8,724)	715
Supplemental basic pensions	–	119,820	(119,820)	–
Total	23,999	407,247	(407,704)	23,542

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by the Shanghai Municipal Government for its staff.

In addition, pursuant to the document “Order of the Ministry of Labour and Social Security No.20” dated 6 January 2004 issued by the Ministry of Labour of the PRC, the Group has set up a supplementary defined contribution retirement plan for the benefit of employees. Employees who have served the Group for more than one year may participate in this plan. The Group and participating employees make defined contributions to their pension saving accounts according to the plan.

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. For the year ended 31 December 2025, the Group’s contribution to the above two plans amounted to RMB278,717 thousand and RMB119,820 thousand respectively (for the year ended 31 December 2024: RMB286,730 thousand and RMB133,595 thousand respectively).

(4) Termination benefits

	31 December 2024	Increase in current period	Decrease in current period	31 December 2025
Termination benefits	–	28,859	(28,859)	–

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***25. Taxes payable**

Item	2025	2024
Consumption tax payable	415,744	949,963
Value-added tax payable	162,836	215,177
Educational surcharge payable	36,256	64,003
Urban maintenance and construction tax payable	50,748	89,592
Corporate income tax payable	2,057	728
Land-use tax payable	12,194	12,200
Individual income tax payable	30,810	38,623
Others	16,722	17,861
Total	727,367	1,388,147

26. Other payables

	2025	2024
Dividends payable on ordinary shares	31,513	31,386
Amounts due to related parties (Note VIII.6)	374,486	274,902
Amounts due to third parties	899,866	800,783
Total	1,305,865	1,107,071

- (1) As of 31 December 2025, the Group has no other payables that are individually significant aged over 1 year. (31 December 2024: Nil).

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

26. Other payables (continued)

(2) Other payables by categories are analysed as follows:

Item	2025	2024
Accrued expenses (i)	–	119,409
Equipment project payables	1,174,684	857,822
Dividends payable on ordinary shares	31,513	31,386
Withholding social insurance	14,865	15,427
Unrealized gains/losses on closed positions	10,425	–
Deposits	17,946	13,451
Project quality guarantee deposit	4,121	12,828
Others	52,311	56,748
Total	1,305,865	1,107,071

(i) As of December 31, 2025, the balance of accrued expenses of the Group was RMB117,222 thousand, which was listed in the accounts payable account.

27. Non-current liabilities due within one year

	2025	2024
Long-term borrowings due within one year (Note V.29)	756	47
Lease liabilities due within one year (Note V.30)	6,918	1,112
Total	7,674	1,159

28. Other current liabilities

Item	2025	2024
Output VAT to be transferred	32,301	31,597

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

29. Long-term loans

	2025	2024
Credit loans	812,524	67,732
Less: Long-term borrowings due within one year (Note V. 27)	(756)	(47)
Total	811,768	67,685

At December 31, 2025, the interest rate for long-term loans was 2.24% to 2.75% (31 December 2024: 2.66%).

30. Lease liabilities

	2025	2024
Lease liabilities	7,058	1,304
Less: Non-current liabilities due within one year (Note V.27)	(6,918)	(1,112)
Total	140	192

For the Group's specific arrangements relating to leasing activities, refer to Note V.60.

31. Deferred income

Item	31 December 2024	Increase in current period	Decrease in current period	31 December 2025	Cause
Government grants	238,679	85,771	(33,397)	291,053	related to assets/ income

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

31. Deferred income (continued)

Liability Items	31 December 2024	Increase in current period	Deduct from		Deduct from general and administrative expenses	Deduct from financial expenses	Include in non-operating income	Deduct from non-operating expense	31 December 2025	Related to assets/income
			Property plant and Equipment	Include in other income						
Government grants related to asset	227,471	63,552	(75)	-	-	-	(11,724)	-	279,224	related to assets
Government subsidy related to income	11,208	22,219	-	(21,598)	-	-	-	-	11,829	related to income
Total	238,679	85,771	(75)	(21,598)	-	-	(11,724)	-	291,053	

32. Share capital

	31 December 2024	Increase or decrease in current period					Sub-total	31 December 2025
		Issue new share	Stock dividend	Transfer from capital surplus to paid-in capital	Cancel treasury shares			
Non-restricted Shares								
Ordinary A shares listed in PRC	7,328,814	-	-	-	-	-	-	7,328,814
Foreign investment H shared listed overseas	3,346,414	-	-	-	(132,610)	(132,610)		3,213,804
Total Shares	10,675,228	-	-	-	(132,610)	(132,610)		10,542,618

The Company was founded in Shanghai, PRC on 29 June 1993 with registered capital of RMB4,000,000,000 invested by its holding company-China National Petrochemical Corporation; these shares were converted from assets of former Shanghai Petrochemical Complex.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

32. Share capital *(continued)*

Approved by Zheng Wei Fa No. [1993]30 issued by the State Council Securities Committee, the Company launched its Initial Public Offering (“IPO”) in July 1993 and September 1993 in Hong Kong, New York and Shanghai to issue 2.23 billion shares, including 1.68 billion H shares and 550 million A shares. The 550 million A shares included 400 million individual shares (including 150 million shares issued to SPC employees) and 150 million legal person shares. H shares were listed on the Hong Kong Stock Exchange on 26 July 1993 and listed on the New York Stock Exchange in the form of American Depositary Shares at the same time; the A shares were listed on the Shanghai Stock Exchange on 8 November 1993.

After the IPO, the total quantity of shares issued by the Company was 6.23 billion, including 4 billion state owned shares, 150 million legal person shares, 400 million individual shares, and 1.68 billion H shares.

According to the plan stated in the prospectus issued in July 1993, and approved by the China Securities Regulatory Commission, the Company issued 320 million ordinary A shares with a par value of RMB1 each at an issuing price of RMB2.4 each during the period from 5 April to 10 June 1994. These shares were listed on the Shanghai Stock Exchange on 4 July 1994. By then, the total quantity of shares issued was expanded from 6.23 billion to 6.55 billion.

On 22 August 1996, the Company issued 500 million H shares to overseas investors; on 6 January 1997, another 150 million H shares were issued to overseas investors. By then, the total quantity of shares issued was expanded to 7.2 billion, including 2.33 billion H shares.

In 1998, China National Petrochemical Corporation was restructured to Sinopec Group.

Sinopec Corp. was founded on 28 February 2000 based on the approved assets restructuring of Sinopec Group. As part of the restructuring, the shares of the Company held by the Sinopec Group were injected in Sinopec Corp.; after the restructuring, the ownership of 4 billion state-owned shares of the Company held by the Sinopec Group were transferred to Sinopec Corp., and the shares were changed to state owned legal person shares in nature.

All the A and H shares rank *pari passu* in all respects.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

32. Share capital *(continued)*

Pursuant to the 'Approval on matters relating to the Share Segregation Reform of Sinopec Shanghai Petrochemical Company Limited' issued by the State-owned Assets Supervision and Administration Commission of the State Council (State Owned Property [2013] No.443), a General Meeting of A share shareholders was held on 8 July 2013 and passed the resolution of 'Share Segregation Reform of Sinopec Shanghai Petrochemical Company Limited (Amendment)' ("the share segregation reform resolution") which was published by the Company on Shanghai Stock Exchange ("SSE") website on 20 June 2013. According to the Share Segregation Reform Resolution, the controlling shareholder of the Company, Sinopec Corp., offered shareholders of circulating A shares 5 shares for every 10 circulating A shares they held on 16 August 2013, aggregating 360,000,000 A shares, for the purpose of obtaining the listing rights of its noncirculating shares in the A Shares market. From 20 August 2013 ("the circulation date"), all the Company's non-circulating A shares have been granted circulating rights on Shanghai Stock Exchange("SSE"). As part of the restricted conditions, Sinopec Corp. committed that all the 3,640,000,000 A shares held were not allowed to be traded on SSE or transferred within 12 months from the circulation date ("the restriction period"). After the restriction period, Sinopec Corp. can only sell no more than 5 and 10 percent of its total shares within 12 and 24 months, respectively. The former 150,000,000 non-circulating A shares held by social legal persons were also prohibited to be traded on SSE or transferred within 12 months from the circulation date. Meanwhile, Sinopec Corp. also committed in the Share Segregation Reform Resolution that a scheme of converting surplus to share capital (no less than 4 shares for every 10 shares) will be proposed on the board of directors and shareholders meetings within 6 months after the circulation date.

On 22 October 2013, Sinopec Corp. passed the Share Reform Commitment Scheme added up to 3,600,000,000 shares, after deliberation of temporary shareholders' meeting, A share class shareholders' meeting and H share class shareholders' meeting.

Since the Company share reform, which was executed after 20 August 2013, the Company's non-circulating A shares have been granted circulating rights on Shanghai Stock Exchange("SSE"). As part of the restricted conditions, all the 5,460,000,000 A shares held by Sinopec Corp. and 225,000,000 A shares held by social legal persons had been realized circulation as of 31 December 2016.

On 23 August 2017, the first Share Option Incentive Scheme of A shares was passed according to board resolution. On 27 September 2017, the Company increased newly registered capital of RMB14,177 thousand, which was paid in cash amount to RMB54,580 thousand by 199 grantees. The difference between actual capital contribution and registered capital amount to RMB40,403 thousand was included in share premium, and the confirmed capital reserve – employee equity option plan in the waiting period is RMB21,916 thousand, which is transferred to the capital reserve -- equity premium.. As to 31 December 2017, total equity capital was 10,814,176,600 shares.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

32. Share capital *(continued)*

On 8 January 2018, according to the resolution of the board of directors of the Company, the second exercise period of the Company's common a-share stock option incentive plan was adopted. On 12 January 2018, the new registered capital of the Company is RMB9,637 thousand, which is fully paid in cash of RMB37,102 thousand by 185 equity incentive objects who meet the conditions for exercise. The difference between the actual capital contribution and the subscribed registered capital is RMB27,465 thousand, which is included in the Company's capital reserve -- equity premium, and the confirmed capital reserve -- employee equity option plan in the waiting period is RMB17,062 thousand, which is transferred to the capital reserve -- equity premium.

According to the board resolution of the Company on 28 December 2018, the third exercise period of the stock option incentive plan for A shares of the common stock of the Company will not be exercised because the non-market exercise conditions are not met. As of 31 December 2023 and 31 December 2022, the total share capital of the Company was 10,823,813,500 shares.

On 22 June 2022, the Company's annual general meeting for the year 2021, the second class A shareholders' meeting for the year 2022 and the second class H shareholders' meeting for the year 2022 considered and passed the "Proposal to Request the General Meeting to Authorize the Board of Directors to Repurchase Domestic Shares/Or Overseas-Listed Foreign Shares of the Company". Pursuant to such general authorization, the Company conducted the repurchase of the Company's shares from 27 October 2022 onwards by way of centralized bidding. As of December 31, 2022, the Company repurchased a total of 24,528,000 ordinary H shares on the Stock Exchange of Hong Kong for a total consideration paid of RMB25,689 thousand. On February 17, 2023, the Company cancelled all the repurchased H shares totaling 24,528,000 shares, representing 0.23% of the total number of issued shares of the Company. After this cancellation, the total number of issued shares of the Company was reduced to 10,799,285,500 shares, of which 7,328,813,500 shares were A shares and 3,470,472,000 shares were H shares.

On 28 June 2023, the Company's annual general meeting for the year 2022, the first class A shareholders' meeting for the year 2023 and the first class H shareholders' meeting for the year 2023 considered and passed the "Proposal to Request the General Meeting to Authorize the Board of Directors to Repurchase Domestic Shares/Or Overseas-Listed Foreign Shares of the Company". Pursuant to such general authorization, the Company conducted the repurchase of the Company's shares from 3 November 2023 onwards by way of centralized bidding. On 17 June 2024, the Company cancelled all the repurchased H shares totalling 124,058,000 shares, representing 1.15% of the total number of issued shares of the Company. After this cancellation, the total number of issued shares of the Company was reduced to 10,675,227,500 shares, of which 7,328,813,500 shares were A shares and 3,346,414,000 shares were H shares.

On 6 June 2024, the Company's annual general meeting for the year 2023, the first class A shareholders' meeting for the year 2024 and the first class H shareholders' meeting for the year 2024 considered and passed the "Proposal to Request the General Meeting to Authorize the Board of Directors to Repurchase Domestic Shares/Or Overseas-Listed Foreign Shares of the Company". The Company will repurchase the Company's shares through centralized bidding from September 9, 2024 and April 24, 2025, respectively. On 3 March 2025 and 12 June 2025, the Company cancelled a total of 132,610,000 H Shares shares that had been repurchased, accounting for 1.24% of the total issued shares of the Company. After cancellation, the total number of issued shares of the Company has been reduced to 10,542,617,500 shares, including 7,328,813,500 A shares and 3,213,804,000 H Shares shares.

As of 31 December 2025, the total share capital of the company was 10,542,617,500 shares.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

33. Capital reserve

Item	31 December 2024	Increase in current year	Decrease in current year	31 December 2025
Government grants	412,370	–	–	412,370
Refund of harbour construction charge	32,485	–	–	32,485
Share premium	105,739	–	(7,666)	98,073
Other equity changes	–	320	–	320
Others	70,866	–	–	70,866
Total	621,460	320	(7,666)	614,114

As of 31 December 2025 and 31 December 2024, there were no outstanding share options.

34. Treasury stock

Item	31 December 2024	Increase in current year	Decrease in current year	31 December 2025
Repurchase of Hong Kong ordinary shares	56,159	84,117	(140,276)	–

According to the Proposal on Requesting the General Meeting of Shareholders to Authorize board of directors to Repurchase Domestic Shares and/or Overseas Listed Foreign Shares of the Company approved by the General Meeting of Shareholders held on June 6, 2024, the Company will repurchase its shares through centralized bidding from September 9, 2024. As of December 31, 2024, the Company repurchased a total of 55,370,000 H Shares ordinary shares on the Exchange of Hong Kong for a total consideration of RMB56,159 thousand.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**34. Treasury stock** (continued)

In 2025, in accordance with the Proposal on Requesting the General Meeting of Shareholders to Authorize board of directors to Repurchase Domestic Shares and/or Overseas Listed Foreign Shares of the Company approved by the General Meeting of Shareholders held on June 6, 2024, the Company repurchased a total of 77,240,000 ordinary shares of H Shares through centralized bidding, with a total payment consideration of RMB84,117 thousand.

As stated in Note V and 32, in 2025, the Company cancelled and repurchased a total of 132,610,000 H Shares ordinary shares on the Exchange of Hong Kong, for a total consideration of RMB140,276 thousand.

35. Other comprehensive income

	Other comprehensive income in Balance Sheet			Other comprehensive income in the year ended 31 December 2025 Income Statement					
	31 December 2024	Net-of-tax amount attributable to shareholders of the Company	Less: Amounts transferred from hedging reserve to initial carrying amount of hedged items	31 December 2025	Before-tax amount	Less: Previously recognized amount transferred to profit or loss	Less: income tax benefit	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests
Items that cannot be reclassified to profit or loss									
Changes in fair value of investments									
in other equity instruments	(846)	(304)	-	(1,150)	(406)	-	102	(304)	-
Items that can be reclassified to profit or loss									
Cash flow hedge reserves	38	(29,407)	34,160	4,791	(27,842)	(11,369)	9,804	(29,407)	-
Other comprehensive income recognized under equity method	3,620	(5,240)	-	(1,620)	(5,240)	-	-	(5,240)	-
Total	2,812	(34,951)	34,160	2,021	(33,488)	(11,369)	9,906	(34,951)	-

During the year ended 31 December 2025, the Group initially recognized RMB34,160 thousand of cash flow hedging reserves transferred out of inventory and reclassified to RMB11,369 thousand of operating income.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

35. Other comprehensive income (continued)

	Other comprehensive income in Balance Sheet			Other comprehensive income in the year ended 31 December 2024 Income Statement					
	31 December 2023	Net-of-tax amount attributable to shareholders of the Company	Less: Amounts transferred from hedging reserve to initial carrying amount of hedged items	31 December 2024	Before-tax amount	Less: Previously recognized amount transferred to profit or loss	Less: income tax benefit	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests
Items that cannot be reclassified to profit or loss									
Changes in fair value of investments in other equity instruments	(848)	2	-	(846)	3	-	(1)	2	-
Items that can be reclassified to profit or loss									
Cash flow hedge reserves	-	(60,059)	60,097	38	28,246	(108,326)	20,021	(60,059)	-
Other comprehensive income recognized under equity method	(39)	3,659	-	3,620	3,659	-	-	3,659	-
Total	(887)	(56,398)	60,097	2,812	31,908	(108,326)	20,020	(56,398)	-

During the year ended 31 December 2024, the Group initially recognized RMB60,097,000 of cash flow hedging reserves transferred out of inventory and reclassified to RMB108,326,000 of operating income.

36. Specific reserve

Item	31 December 2024	Accrued in current period	Utilized in current period	31 December 2025
Safety fund	290,607	174,724	(330,042)	135,289

Item	31 December 2023	Accrued in current period	Utilized in current period	31 December 2024
Safety fund	298,137	182,363	(189,893)	290,607

Specific reserve represents unutilized safety fund accrued in accordance with state regulations (Note III.26).

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***37. Surplus reserve**

Item	31 December 2024	Increase in current period	Decrease in current period	31 December 2025
Statutory surplus reserve	6,571,279	–	–	6,571,279
Discretionary surplus reserve	101,355	–	–	101,355
Total	6,672,634	–	–	6,672,634

Item	31 December 2023	Increase in current period	Decrease in current period	31 December 2024
Statutory surplus reserve	6,571,279	–	–	6,571,279
Discretionary surplus reserve	101,355	–	–	101,355
Total	6,672,634	–	–	6,672,634

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. No statutory surplus reserve was appropriated in current period (2024: Nil).

The Company appropriates for the discretionary surplus reserve should be proposed by the board of directors and approved by the shareholders' meeting. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. No discretionary surplus reserve was appropriated in current period (2024: Nil).

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

38. Retained earnings

	2025	2024
Retained earnings at the end of the previous year before adjustment	6,833,672	6,517,172
Add: Net (losses)/profit attributable to shareholders of the company	(1,432,595)	316,500
Less: Appropriation to statutory reserve (Note V. 37)	–	–
Dividends payable to ordinary shares (1)	(210,852)	–
Other	(24,588)	–
Retained earnings at the end of the period	5,165,637	6,833,672

- (1) Pursuant to the resolution of the General Meeting of shareholders at 11 June 2025, a dividend in respect of the year ended 31 December 2024 of RMB0.02 per share (including tax), amounting to a total dividend of RMB210,852 thousand was declared, which was paid in July 2025.

Pursuant to the resolution of the General Meeting of shareholders at 6 June 2024, the Company did not distribute cash dividends for the year 2023.

- (2) Retained earnings at the end of the year

As of 31 December 2025, the consolidated retained earnings attributable to the Group included appropriation to surplus reserves made by the Company's subsidiaries amounting to RMB292,436 thousand (31 December 2024: RMB302,390 thousand).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**39. Non-controlling interests**

Attributable to the non-controlling interests of the Group:

Name of subsidiaries	2025	2024
China Jinshan Associated Trading Corporation (“Jinmao”)	101,910	104,241

40. Operating income and operating costs

Item	Note	2025	2024
Income from principal activities	(1)	74,966,822	86,230,113
Income from other operating activities		596,364	902,707
Total		75,563,186	87,132,820

Item	Note	2025	2024
Cost of principal activities	(1)	63,114,336	71,494,898
Cost of other operating activities		470,458	550,392
Total		63,584,794	72,045,290

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

40. Operating income and operating costs (continued)

(1) Income and cost from principal activities

The principal business of the Group mainly belongs to the petrochemical industry.

Analysis by product is as following:

	2025		2024	
	Income from principal activities	Cost of principal activities	Income from principal activities	Cost of principal activities
Petroleum products	51,438,900	40,133,722	62,069,226	47,757,325
Chemical products	17,032,609	16,554,227	17,157,166	16,829,739
Trading of petrochemical products	6,372,046	6,303,231	6,912,378	6,817,560
Others	123,267	123,156	91,343	90,274
Total	74,966,822	63,114,336	86,230,113	71,494,898

(2) For the year ended 31 December 2025, analysis of revenue and cost of sales is as following:

Classification	2025				Total
	Petroleum products	Chemical products	Trading of petrochemical products	Others	
Income from principal activities	51,438,900	17,032,609	6,372,046	123,267	74,966,822
Including: Recognized at a point in time	51,438,900	17,032,609	6,343,002	123,267	74,937,778
Recognized over time	-	-	29,044	-	29,044
Income from other operating activities	-	48,180	-	548,184	596,364
Total	51,438,900	17,080,789	6,372,046	671,451	75,563,186

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

40. Operating income and operating costs (continued)

(2) For the year ended 31 December 2025, analysis of revenue and cost of sales is as following: (continued)

Classification	2025				Total
	Petroleum products	Chemical products	Trading of petrochemical products	Others	
Cost from principal activities	40,133,722	16,554,227	6,303,231	123,156	63,114,336
Including: Recognized at a point					
in time	40,133,722	16,554,227	6,274,187	123,156	63,085,292
Recognized over time	-	-	29,044	-	29,044
Cost from other operating activities	-	48,180	-	422,278	470,458
Total	40,133,722	16,602,407	6,303,231	545,434	63,584,794

For the year ended 31 December 2024, analysis of revenue and cost of sales is as following:

Classification	2024				Total
	Petroleum products	Chemical products	Trading of petrochemical products	Others	
Income from principal activities	62,069,226	17,157,166	6,912,378	91,343	86,230,113
Including: Recognized at a point					
in time	62,069,226	17,157,166	6,877,007	91,343	86,194,742
Recognized over time	-	-	35,371	-	35,371
Income from other operating activities	-	284,503	-	618,204	902,707
Total	62,069,226	17,441,669	6,912,378	709,547	87,132,820

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

40. Operating income and operating costs (continued)

(2) For the year ended 31 December 2025, analysis of revenue and cost of sales is as following: (continued)

Classification	2024				Total
	Petroleum products	Chemical products	Trading of petrochemical products	Others	
Cost from principal activities	47,757,325	16,829,739	6,817,560	90,274	71,494,898
Including: Recognized at a point in time	47,757,325	16,829,739	6,782,189	90,274	71,459,527
Recognized over time	-	-	35,371	-	35,371
Cost from other operating activities	-	92,502	-	457,890	550,392
Total	47,757,325	16,922,241	6,817,560	548,164	72,045,290

For the year ended 31 December 2025, the Group has no revenues and costs from trial sales (For the year ended 31 December 2024: Nil).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**40. Operating income and operating costs** (continued)**(3) Deductions from the Group's operating income is set out below:**

Item	2025	Specific deductions	2024	Specific deductions
Operating income amount	75,563,186		87,132,820	
Total operating income deductions	596,364		902,707	
Total amount of operating income deductions as a percentage of operating income	0.79%		1.04%	
Income from operations not related to the main business				
Income from operations other than normal operations. Income realized from leasing fixed assets, intangible assets, packaging, sales of materials, non-monetary asset exchanges of materials, management of fiduciary business, and other income that is included in the main business income but is outside the normal operations of the listed company	596,364	Income from leasing of fixed assets, rental income from investment properties, income from technical services, income from contract processing services, etc.	902,707	Income from leasing of fixed assets, rental income from investment properties, income from technical services, income from contract processing services, etc.
Operating income after deductions	74,966,822		86,230,113	

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

41. Taxes and surcharges

Item	2025	2024	Tax base and rate
Consumption tax	10,024,770	11,098,580	According to relevant PRC tax regulations, since 1 January 2009, the Group required to pay consumption tax based on the Group's sales of gasoline, diesel, naphtha and fuel oil rate according to the applicable tax rate (Note IV)
Urban maintenance and construction tax	806,596	925,026	5% or 7% of actual payments of consumption tax and VAT during the period
Education surcharges	583,839	668,429	5% of actual payments of consumption tax and VAT during the period
Stamp tax	17,951	16,550	Applicable tax amount of taxable units
Property tax	34,734	33,076	1.2% of the property tax residual value or 12% of rental expense
Land use tax	24,625	24,645	Applicable tax amount of taxable units
Others	12,701	11,491	
Total	11,505,216	12,777,797	

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

42. Selling expenses

Item	2025	2024
Transportation fee	43,956	35,144
Sales commission	45,019	52,467
Staff costs	68,686	78,541
Storage and logistics expenses	35,153	28,110
Others	31,556	29,879
Total	224,370	224,141

43. General and administrative expenses

Item	2025	2024
Staff costs	812,771	908,095
Repair and maintenance expense	214,342	215,455
Depreciation and amortization	152,819	170,839
Security and fire fighting expenses	45,310	43,481
Information system operation maintenance	42,042	39,058
Depreciation of right-of-use assets	13,955	13,252
Others	194,643	193,452
Total	1,475,882	1,583,632

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

44. Research and development expenses

Item	2025	2024
R & D material cost	17,089	16,428
Technical cooperation fee	36,921	32,105
Payroll	68,123	55,996
Depreciation and amortization	43,920	25,843
Others	48,740	43,581
Total	214,793	173,953

45. Financial expenses (“-” for income)

Item	2025	2024
Interest expenses from loans and payables	26,195	118,710
Less: Capitalized borrowing costs	(10,605)	(4,088)
Add: Interest expenses from lease liabilities	736	365
Interest income from deposits and receivables	(205,267)	(309,542)
Net exchange losses	13,592	12,622
Others	10,596	10,479
Total	(164,753)	(171,454)

The interest rate per annum, at which the borrowing costs were capitalized by the Group, was 2.60% for 2025 (for the year ended 31 December 2024: 2.01%).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**46. Other income**

By Nature	2025	2024
Government grants		
– Tax refunds	7,179	547
– Refund of harbour construction charge	5,262	6,309
– Scientific research expenditures subsidy	558	2,211
– Other income related government grants	8,599	21,602
Refund of individual income tax handling fee	1,684	4,718
Total	23,282	35,387

47. Investment income (“-” for losses)

Item	2025	2024
Gain/(Losses) from investment in associates and joint ventures	167,335	169,579
Net income from disposal of derivative financial instruments	4,631	4,028
Net income from disposal of a subsidiary	6,944	–
Discount loss of receivables	(1,675)	(3,501)
Others	488	4,878
Total	177,723	174,984

There was no significant restriction on the repatriation of investment income by the group.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

48. Gains from changes in fair value (“-” for losses)

Item	2025	2024
Financial assets at fair value through profit or loss		
Other non-current financial assets	1,000	–

49. Credit losses

Item	2025	2024
Accounts receivable credit (loss)/reversal (Note V. 3)	(102)	51
Other receivable credit loss (Note V. 6)	(4,002)	–
Total	(4,104)	51

50. Impairment losses

Item	2025	2024
Impairment loss on inventories (Note V. 7)	(392,671)	(285,929)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**51. Gains from asset disposals (“-” for losses)**

Item	2025	Amount recognised in extraordinary gain and loss for the year ended 31 December	
		2024	2025
Gains from disposal of fixed assets	13,782	1,851	13,782
Gains from disposal of intangible assets	32,130	–	32,130
Gains from disposal of right to use assets	–	40,459	–
Total	45,912	42,310	45,912

52. Non-operating income

Item	Note	2025	Amount recognised in extraordinary gain and loss for the year ended 31 December 2025	
			2024	December 2025
Compensation payments, income from fines		2,967	4,085	2,967
Government grants	(1)	11,724	11,724	11,724
Fixed asset obsolescence gains		5,891	21,664	5,891
Others		11,703	495	11,703
Total		32,285	37,968	32,285

(1) Government grants mainly include:

Item	2025	2024
Amortization of deferred income (Note V.31)	11,724	11,724

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

53. Non-operating expenses

Item	2025	Amount recognised in extraordinary gain and loss for the year ended 31 December	
		2024	2025
Losses from scrapping of fixed assets	60,659	21,839	60,659
Losses from scrapping of construction in progress	–	653	–
Allowances	12,314	37,690	12,314
Others	22,204	15,215	22,204
Total	95,177	75,397	95,177

54. Income tax (gains)/expenses

Item	2025	2024
Current tax expense for the period based on tax law and regulations	4,997	6,768
Changes in deferred tax assets/liabilities	(66,420)	99,545
Adjustment of differences in final settlement and payment	2,909	5
Total	(58,514)	106,318

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***54. Income tax (gains)/expenses** *(continued)*

Reconciliation between income tax (gains)/expenses and accounting (losses)/gains:

Item	2025	2024
Losses before income tax	(1,488,866)	428,835
Expected income tax expense at applicable tax rates	(372,217)	107,209
Tax effect of investment income accounted for using the equity method	(40,951)	(41,512)
Other non-taxable profit	(10,816)	(6,234)
Tax deductions for R&D expenses	(13,750)	(15,000)
Costs, expenses and losses not deductible	14,963	62,554
Difference in settlement of income tax in previous years and the supplementary income tax	2,909	5
Tax losses for which no deferred income tax asset was recognized this period	11,348	7,557
Reversal of deductible losses recognized as deferred tax assets in previous years	350,000	–
Confirmation of deductible losses or temporary differences not recognized in previous years	–	(8,261)
Income tax (gains)/expenses	(58,514)	106,318

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

55. Calculation of basic (losses)/gains per share and diluted (losses)/gains per share

(1) Basic (losses)/gains per share

Basic (losses)/gains per share is calculated by dividing the consolidated net (losses)/gains attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	2025	2024
Consolidated net (losses)/gains attributable to ordinary shareholders of the Company	(1,432,595)	316,500
Weighted average number of the Company's ordinary shares outstanding (thousand share)	10,555,114	10,667,315
Basic (losses)/gains per share (RMB per share)	(0.136)	0.030

The weighted average number of ordinary shares is calculated as follows:

Item	2025 (thousand shares)	2024 (thousand shares)
Amount of ordinary shares outstanding at 31 December 2024(Note)	10,619,858	10,729,094
Weighted average number of ordinary shares during the period	(64,744)	(61,779)
Amount of ordinary shares outstanding at 31 December 2025	10,555,114	10,667,315

Note: The Company repurchased 55,370 thousand shares in fiscal year 2024 (see Note V.34), which were cancelled in fiscal year 2025, and have deducted them from the number of common shares outstanding at the beginning of the year.

(2) Diluted (losses)/gains per share

For the year ended 31 December 2025, the Company has no diluted ordinary shares outstanding, the diluted (losses)/gains per share equals the basic (losses)/gains per share.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)**56. Supplementary information on income statement**

Expenses on income statement are analysed by their nature:

Item	2025	2024
Operating income	75,563,186	87,132,820
Less: Changes in inventories of finished goods and work in progress	(529,644)	(67,215)
Consumed raw materials and low value consumables, etc.	52,406,986	59,834,774
Cost of purchasing products	6,303,231	6,817,560
Employee benefits	2,948,099	3,132,454
Depreciation and amortization expenses	2,023,540	2,059,333
Taxes and surcharges	11,505,216	12,777,797
Repair and maintenance expenses	1,080,099	807,781
Other expenses	1,267,528	1,442,329
Finance expenses (“-” for income)	(164,753)	(171,454)
Add: Gains from changes in fair value (“-” for losses)	1,000	-
Gains from asset disposals (“-” for losses)	45,912	42,310
Other income	23,282	35,387
Investment income (“-” for losses)	177,723	174,984
Impairment losses (“-” for losses)	(392,671)	(285,929)
Credit losses (“-” for losses)	(4,104)	51
Operating (losses)/gains	(1,425,974)	466,264

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

57. Notes to cash flow statement

(1) Cash from operating activities

(i) Proceeds from other operating activities

Item	2025	2024
Subsidy income	85,771	175,021
Interest income on demand deposits	158,677	194,024
Others	135,539	139,314
Total	379,987	508,359

(ii) Payments for other operating activities

Item	2025	2024
Agency fee	(45,019)	(52,467)
Research and development expenses	(87,197)	(72,029)
Information system operation maintenance	(42,042)	(39,058)
Commodity storage and logistics fee	(15,606)	(13,508)
Security and fire fighting expenses	(45,310)	(43,481)
Others	(130,970)	(104,441)
Total	(366,144)	(324,984)

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***57. Notes to cash flow statement** *(continued)***(2) Cash from investment activities***(i) Significant cash received related to investing activities*

a. Cash received from investment income

Items	2025	2024
Dividends received from joint ventures	5,998	15,640
Dividends received from associates	90,817	99,966
Total	96,815	115,606

b. Cash received from withdrawal of investments

Items	2025	2024
Cash received from disposal of associate	31,724	–
Total	31,724	–

(ii) Significant cash paid related to investing activities

Items	2025	2024
Cash paid for investment in joint ventures and associates	–	(150,000)
Total	–	(150,000)

Notes to the financial statements *(continued)*

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements *(continued)*

57. Notes to cash flow statement *(continued)*

(2) Cash from investment activities *(continued)*

(iii) Proceeds from other investing activities

Item	2025	2024
Time deposits due within one-year receipts	3,883,513	700,642
Interest income on time deposits	6,950	16,636
Investment income from derivative financial instruments	4,631	4,028
Total	3,895,094	721,306

(iv) Payments for other investing activities

Item	2025	2024
Time deposits for more than three months	(2,500,000)	(1,000,000)

(3) Payments for other financing activities

(i) Other cash disbursements related to financing activities

Item	2025	2024
Lease liabilities payment	(15,760)	(15,051)
Payment of discount interest on buyer's interest-bearing notes	(13,055)	(22,626)
Hong Kong ordinary shares repurchase	(91,111)	(113,279)
Total	(119,926)	(150,956)

For the year ended 31 December 2025, cash payment of the Group related to lease activities is RMB27,524 thousand (For year ended 31 December 2024: RMB25,094 thousand), except for the above amount included in financing activities, the rest are included in operating activities.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***57. Notes to cash flow statement** *(continued)***(3) Payments for other financing activities** *(continued)**(ii) Liabilities arising from financing activities*

	Short-term loan	Non-current liabilities due within one year – long-term loans	Long-term borrowings	Lease liabilities	Total
Balance at 31 December 2024	1,500,940	47	67,685	1,304	1,569,976
Increase for the period – change in cash					
Borrowings	-	-	744,083	-	744,083
Increase for the period – non-cash changes					
Increase in lease liability as a result of entering into new leases	-	-	-	20,778	20,778
Accrued interest	1,963	-	10,271	736	12,970
Reclassification	-	10,271	(10,271)	-	-
Decrease in current period – change in cash					
Repayment of loans	(1,500,000)	-	-	-	(1,500,000)
Repayment of principal and interest on lease liabilities	-	-	-	(15,760)	(15,760)
Payment of interest	(2,903)	(9,562)	-	-	(12,465)
Balance at 31 December 2025	-	756	811,768	7,058	819,582

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

58. Supplementary information on cash flow statement

(1) Supplement to cash flow statement

a. Reconciliation of net (losses)/gains to cash flows from operating activities:

Item	2025	2024
Net (losses)/gains	(1,430,352)	322,517
Add: Provisions for impairment of assets	392,671	285,929
Provision/(recovery) of credit losses("-" for income)	4,104	(51)
Depreciation of investment properties	15,011	15,076
Depreciation of fixed assets	1,784,039	1,777,429
Depreciation of right-of-use assets	14,481	13,802
Amortization of intangible assets	20,340	19,968
Amortization of long-term deferred expenses	189,669	233,058
Losses on disposal of fixed assets ("-" for income)	8,856	(41,482)
Gains from changes in fair value	(1,000)	-
Finance expenses ("-" for income)	(27,348)	(874)
Investment loss ("-" for income)	(179,398)	(178,485)
Decrease in deferred tax assets ("-" for increase)	(62,672)	101,879
Increase in deferred tax liabilities ("-" for decrease)	(3,748)	(2,334)
Increase in deferred income ("-" for decrease)	52,374	128,457
Decrease in inventories ("-" for increase)	417,102	913,495
Decrease in operating receivables ("-" for increase)	226,104	111,575
Increase in operating payables ("-" for decrease)	728,415	4,048,018
Increase in specific reserve ("-" for decrease)	(155,318)	(7,530)
Net cash flows generated from/(used) in operating activities	1,993,330	7,740,447

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***58. Supplementary information on cash flow statement** *(continued)***(1) Supplement to cash flow statement** *(continued)**b. Net changes in cash and cash equivalents*

Item	2025	2024
Cash and cash equivalents at end of the year	7,511,597	8,209,113
Less: Cash and cash equivalents at beginning of the year	8,209,113	4,906,368
Net (decrease)/increase in cash and cash equivalents	(697,516)	3,302,745

(2) Details of cash and cash equivalents

Items	2025	2024
Cash	7,511,597	8,209,113
Including: Bank deposits available on demand	7,511,597	8,209,113
Cash and cash equivalents at the end of the year	7,511,597	8,209,113

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

58. Supplementary information on cash flow statement (continued)

(3) Net proceeds from disposal of subsidiaries and other business units

Items	2025	2024
Cash or cash equivalents received from disposal of subsidiary in the current year	36,050	–
Among them: Shanghai Jinchang Engineering Plastics Co., Ltd	36,050	–
Less: Cash and cash equivalents held by the Company on loss of control	6,251	–
Among them: Shanghai Jinchang Engineering Plastics Co., Ltd	6,251	–
Net cash received from disposal of subsidiary	29,799	–

(4) Monetary funds not classified as cash and cash equivalents

Items	2025	2024
Time deposit	–	3,883,513
Other monetary funds	3,965	3,851

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

59. Foreign monetary items

	2025		
	Foreign currency	Exchange rate	RMB currency
Cash at bank and on hand-USD	12,279	7.0288	86,307
Other receivable-HKD	15,166	0.9032	13,698
Receivables under financing-USD	14,888	7.0288	104,641
Accounts payable-USD	(28,905)	7.0288	(203,165)
Other payables-USD	(106)	7.0288	(744)
Gross balance sheet exposure-USD	(1,844)		(12,961)
Gross balance sheet exposure-HKD	15,166		13,698

	2024		
	Foreign currency	Exchange rate	RMB currency
Cash at bank and on hand-USD	19,556	7.1884	140,576
Other receivable-USD	40	7.1884	288
Other receivable-HKD	8,908	0.9325	8,307
Receivables under financing-USD	27,519	7.1884	197,818
Accounts payable-USD	(67,128)	7.1884	(482,543)
Other payables-USD	(275)	7.1884	(1,977)
Gross balance sheet exposure-USD	(20,288)		(145,838)
Gross balance sheet exposure-HKD	8,908		8,307

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

60. Leases

(1) As a lessor

(a) Operating lease

Item	2025	2024
Lease income	49,718	72,726

The Group leases out some land, buildings and machinery. The lease period ranges from 1 to 20 years. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(2) As a lessee

Item	2025	2024
Short-term lease expenses applied the practical expedient	11,764	10,043
Total cash outflow for leases	27,524	25,094

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***V. Notes to the consolidated financial statements** *(continued)***61. Government grants****(1) Details of government grants**

Category	Amount	Presentation item
Other asset-related government grants	279,224	Deferred income
Other income-related government grants	11,829	Deferred income
Other asset-related government grants	11,724	Deferred income – non-operating income
Other income-related government grants	21,598	Other income

(2) Government grants recognized in profit or loss for the period

Type	2025	2024
Other asset-related government grants	11,724	11,724
Other government grants related to earnings	21,598	35,387

(3) For the year ended 31 December 2025, there is no repayment of government grants. (For the year ended 31 December 2024: nil)

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VI. Change of consolidation scope

1. Transactions or events losing control of subsidiary in the current year

Name	Date	Disposal Price	Disposal Ratio (%)	Disposal Method	Judgment basis	The difference between the disposal price and the net assets of the subsidiary enjoyed at the consolidated financial statements level of the disposal investment	Proportion of remaining equity	Book value of remaining equity at consolidated financial statements level	Fair value of Remaining Equity at consolidated financial statements Level	Gains or losses arising from remeasuring residual equity at fair value	Determination Method and Main assumptions of fair value of Remaining Equity at consolidated financial statements Level	Amount of OCI related to equity investments in subsidiaries transferred to investment gains and losses/retained earnings
Shanghai Jinchang Engineering Plastics Co., Ltd	27 May 2025	36,050	100	transfer the possession	Transfer of substantive control	6,944	-	-	-	-	-	-

The profit generated by the Group due to the loss of control over Shanghai Jinchang Engineering Plastics Co., Ltd. is RMB6944 thousand, which is presented in the "Investment Income" item of consolidated financial statements.

2. Changes in the scope of consolidation due to other reasons

On 19 February 2025, the Company established a new subsidiary Inner Mongolia Xinjinshan Carbon Fiber Co., Ltd. with a registered capital of RMB600,000 thousand and a shareholding ratio of 100%. The company has included it in the scope of this year's consolidation.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Interests in other entities

1. Interests in subsidiaries

(1) Main components of the Group's subsidiaries as at 31 December 2025:

Name of enterprise	Main business area	Place of registration	Principal activities	Registered capital (thousands)	Percentage of equity%		Way of acquisition
					Directly	Indirectly	
Toufa	Shanghai	Shanghai	Investment	RMB2,100,000	100.00%	-	Establish
Jinmao	Shanghai	Shanghai	Trading	RMB25,000	67.33%	-	Establish
Inner Mongolia Xinjinshan Carbon Fiber Co., Ltd. ("Inner Mongolia Carbon Fiber")	Inner Mongolia erdos	Inner Mongolia erdos	Manufacturing	RMB600000	100.00%	-	Establish
Shanghai Golden Phillips Petrochemical Company Limited ("Jinfei")	Shanghai	Shanghai	Manufacturing	RMB415,623	-	100.00%	Establish
Jinmao International	Shanghai	Shanghai	Trading	RMB100,000	-	67.33%	Establish
Jinlian	Zhejiang Jiaxing	Zhejiang Jiaxing	Storage and transportation	RMB620,000	-	100.00%	Business combinations involving entities not under common control

(2) Significant non wholly owned subsidiary

Subsidiary Name	Minority shareholding ratio of	Attributed to minority this year Profit or loss of Shareholders	Declaration to minority shareholders this year	Minority shareholders at the end of the period Equity balance
			Dividends distributed	
China Jinshan United Trade Co., Ltd	32.67%	2,243	4,574	101,910

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(3) Financial information of important non-wholly-owned subsidiaries

The following tables show the main financial information of the above-mentioned subsidiary, which are the amounts before offsetting internal transactions within the group, but have been adjusted for fair value on the consolidation date and unified accounting policies:

	China Jinshan Associated Trading Corporation	
	2025	2024
Current assets	751,789	1,016,300
Non-current assets	1,656	1,930
Total Assets	753,445	1,018,230
Current liabilities	(441,452)	(699,082)
Non-current liabilities	(55)	(78)
Total liabilities	(441,507)	(699,160)

	China Jinshan Associated Trading Corporation	
	2025	2024
Operating income	6,955,898	7,154,546
Net profit	6,865	19,568
Total comprehensive income	6,865	19,568
Cash flows from operating activities	(25,587)	26,281

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***VII. Interests in other entities** *(continued)***2. Interests in joint ventures or associates****(1) Nature of interest in major joint ventures and associates at 31 December 2025:**

Name of enterprise	Place of main business	Place of registry	Principal activities	Whether it is strategic to group activities	% of ownership interest		Registered capital (thousands)
					Directly	Indirectly	
Joint ventures-							
Linde	Shanghai	Shanghai	Production and sales of industrial gases	Yes	-	50.00%	USD32,000
Baling Materials	Shanghai	Shanghai	Production and sales of new styrene thermoplastic elastomer materials	Yes	50.00%	-	RMB800,000
Associates -							
Shanghai Secco	Shanghai	Shanghai	Manufacturing and distribution of chemical products	Yes	20.00%	-	RMB3,115,180
Chemical Industry	Shanghai	Shanghai	Planning, development and operation of the Chemical Industry Park in Shanghai, PRC	Yes	38.26%	-	RMB2,372,439
Azbil	Shanghai	Shanghai	Production and sales of control instrument products		-	40.00%	USD3,000
Shidian Energy	Shanghai	Shanghai	Electricity supply		-	40.00%	RMB1,000,000

The Group applies the equity method to measure these equity investments.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Interests in other entities (continued)

2. Interests in joint ventures or associates (continued)

(2) Key financial information of material joint ventures

	2025		2024	
	Linde Gases Company	Baling Materials	Linde Gases Company	Baling Materials
Current assets	309,049	366,725	276,363	206,684
Including: Cash and cash equivalents	230,608	39,714	204,005	5,363
Non-current assets	78,268	2,742,648	87,865	2,459,544
Total assets	387,317	3,109,373	364,228	2,666,228
Current liabilities	(27,838)	(604,331)	(33,130)	(599,198)
Non-current liabilities	–	(1,720,860)	–	(1,267,030)
Total liabilities	(27,838)	(2,325,191)	(33,130)	(1,866,228)
Net assets	359,479	784,182	331,098	800,000
Group's share of net assets (i)	179,740	392,091	165,549	400,000
Adjustments-elimination of unrealized profit or loss on intra- group transactions	(86)	–	(86)	–
Carrying amount of interests in joint ventures	179,654	392,091	165,463	400,000

Notes to the financial statements *(continued)*

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Interests in other entities *(continued)*

2. Interests in joint ventures or associates *(continued)*

(2) Key financial information of material joint ventures *(continued)*

	2025		2024	
	Linde Gases		Linde Gases	
	Company	Baling Materials	Company	Baling Materials
Operating income	341,664	49,751	323,601	–
Financial income/(expenses)	438	(1,011)	357	–
Income tax expenses	13,368	(5,267)	4,383	–
Net profit/(loss)	40,023	(15,818)	13,554	–
Other comprehensive income	–	–	–	–
Total comprehensive income	40,023	(15,818)	13,554	–
Dividends received from joint ventures of this period	5,821	–	15,278	–

- (i) The Group calculated shares of assets by its shareholding ratio, based on the amount from financial statements in joint ventures. The amount in financial statements of joint ventures based on the impacts of identifiable assets when obtained investment, fair value of liabilities, and consistency of accounting policies.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Interests in other entities (continued)

2. Interests in joint ventures or associates (continued)

(3) Key financial information of material associates

	2025				2024			
	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy
Current assets	4,802,872	3,520,426	177,908	955,266	3,278,124	3,767,001	230,573	939,488
Including: Cash and cash equivalents	1,375,496	2,228,933	116,170	883,808	1,024,967	2,470,083	159,548	844,895
Non-current assets	5,127,786	8,221,145	16,469	212,503	6,093,117	7,797,002	21,782	213,949
Total assets	9,930,658	11,741,571	194,377	1,167,769	9,371,241	11,564,003	252,355	1,153,437
Current liabilities	(10,133,741)	(2,057,433)	(59,594)	(30,216)	(3,730,611)	(2,123,807)	(91,339)	(25,423)
Non-current liabilities	(2,766,813)	(1,109,141)	(6,743)	(33,520)	(6,672,950)	(982,804)	(9,201)	(36,734)
Total liabilities	(12,900,554)	(3,166,574)	(66,337)	(63,736)	(10,403,561)	(3,106,611)	(100,540)	(62,157)
Net (liabilities)/assets	(2,969,896)	8,574,997	128,040	1,104,033	(1,032,320)	8,457,392	151,815	1,091,280
Non-controlling interests	-	1,339,260	-	-	-	1,403,145	-	-
Net (liabilities)/assets attributable to equity shareholders of the Company	(2,969,896)	7,235,737	128,040	1,104,033	(1,032,320)	7,054,247	151,815	1,091,280
Group's share of net (liabilities)/ assets (i)	(593,979)	2,768,393	51,216	441,613	(206,464)	2,698,955	60,726	436,512
Adjustment- elimination of unrealized profit or loss on intra- group transactions	-	-	-	(9,250)	-	-	-	(9,250)
Adjustments - excess losses not recognized	593,979	-	-	-	206,464	-	-	-
Adjustment (ii)	-	(329,890)	-	-	-	(329,890)	-	-
Impairment loss	-	-	-	-	-	-	-	-
Carrying amount of interests in associates	-	2,438,503	51,216	432,363	-	2,369,065	60,726	427,262

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***VII. Interests in other entities** *(continued)***2. Interests in joint ventures or associates** *(continued)***(3) Key financial information of material associates** *(continued)*

	2025				2024			
	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy	Shanghai Secco	Chemical Industry	Azbil	Shidian Energy
Operating income	19,384,678	1,829,816	374,541	488,464	21,775,948	1,978,727	384,916	504,263
Net (loss)/profit	(1,937,575)	483,747	50,186	32,753	(824,870)	539,472	40,842	35,767
Net (losses)/profit attributable to								
shareholders of the company	(1,937,575)	328,388	50,186	32,753	(824,870)	364,177	40,842	35,767
Other comprehensive income	-	(13,696)	-	-	-	9,563	-	-
Total comprehensive income	(1,937,575)	470,051	50,186	32,753	(824,870)	549,035	40,842	35,767
Dividends received from associates	-	50,503	29,584	8,000	-	69,633	24,000	4,000

- (i) The Group calculates the share of assets based on the amount attributable to the parent company in the consolidated financial statements of the joint venture and the proportion of shareholding. The amounts presented in the consolidated financial statements of the joint venture take into account the fair value of the identifiable net assets and liability of the joint venture at the time of acquisition of the investment and the effect of the uniform accounting policies.
- (ii) Unentitled portion represented some piece of lands injected by Government in Chemical Industry as capital reserve and the earnings from this land cannot be shared by other shareholders.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VII. Interests in other entities (continued)

2. Interests in joint ventures or associates (continued)

(4) Summarised financial information of immaterial joint ventures and associates

	2025	2024
Joint ventures:		
Aggregate carrying amount of investments as of 31		
December	9,656	9,533
Aggregate amount of share of		
– Net profit(i)	300	247
– Other comprehensive income (i)	–	–
– Total comprehensive income	300	247
Dividends received from immaterial associates	177	362
Associates:		
Aggregate carrying amount of investments as of 31		
December	90,454	96,017
Aggregate amount of share of		
– Net loss(i)	(2,833)	(3,108)
– Other comprehensive income (i)	–	–
– Total comprehensive income	(2,833)	(3,108)
Dividends received from immaterial associates	2,730	2,333

- (i) Net profit and other comprehensive income had been adjusted for fair value adjustments of identifiable assets and liabilities at the time of acquisition and any differences in accounting policies of the Group.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Segment information

Segment information is presented in respect of the Group's business segments, the format of which is determined based on the structure of the Group's internal organisation, management requirement, and internal reporting system.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

The Group evaluates the performance and allocates resources to its operating segments on an operating income basis, without considering the effects of finance expenses, investment income, other income, non-operating income and non-operating expenses. The accounting policies adopted by the operating segments are the same with the policies in summary of significant accounting policies. The transfer price of intersegment is recognized with cost plus profit method.

The Group principally operates in three operating segments: petroleum products, chemical products, and trading of petrochemical products. Petroleum products and chemical products are produced through intermediate steps from crude oil, the principal raw material. The specific products of each segment are as follows:

- (i) The Group's petroleum products segment is equipped with crude oil distillation facilities to produce qualified refined gasoline, kerosene, diesel, heavy oil and liquefied petroleum, in addition to producing feedstocks of the Group's downstream processing facilities.
- (ii) The Chemical Products Division mainly produces para xylene, benzene, ethylene oxide, polyethylene resin, polypropylene resin, acrylic fiber, and carbon fiber. The xylene, benzene, and ethylene oxide produced by our group are used as raw materials to produce other chemical products of our group and sold to external customers. Polyethylene resin is used in the production of cable insulation materials, plastic films, and injection molded products (such as household items and toys). Polypropylene resin is used in the production of films, sheets, and injection molded products such as household items, toys, household appliances, and automotive parts. Acrylic fiber and carbon fiber are mainly used in the fields of textiles, wind turbine blades, drones, etc.
- (iii) The group's trading of petrochemical products segment primarily engages in importing and exporting of petrochemical products.
- (iv) All other operating segments include rental, providing services and a variety of other commercial activities, which are not allocated to the above three operating segments.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

VIII. Segment information (continued)

The profit or loss, assets and liability of the reporting segment include items that are directly related to the segment and can be apportioned on a reasonable basis. The undistributed items mainly include derivative financial assets, other current assets, long-term equity investments, investments in other equity instruments, other non-current financial assets, deferred tax assets, derivative financial liabilities, other current liabilities, deferred tax liabilities and income tax expenses, monetary funds and its related interest income, borrowings and interest expenses, investment income, income from changes in fair value, etc.

(1) Segment information for the as at year ended 31 December 2025 and for the year 2025 is as follows:

Item	Petroleum products	Chemical products	Trading of	Others	Unallocated	Elimination	Total
			petrochemical products				
Revenue from external customers	51,438,900	17,080,789	6,372,046	671,451	-	-	75,563,186
Inter-segment revenue	11,308,753	16,294,799	1,688,906	608,697	-	(29,901,155)	-
Operating costs	(40,133,722)	(16,602,407)	(6,303,231)	(545,434)	-	-	(63,584,794)
Interest income	-	-	-	-	205,267	-	205,267
Interest expenses	-	-	-	-	(16,326)	-	(16,326)
Investment gain	4,631	(1,315)	(360)	-	174,767	-	177,723
Impairment losses	(28,348)	(363,771)	(552)	-	-	-	(392,671)
Impairment and expected credit losses	-	(3,482)	-	(622)	-	-	(4,104)
Gains on changes of fair value	-	-	-	-	1,000	-	1,000
Depreciation and amortization	(1,043,033)	(722,727)	(14,322)	(243,458)	-	-	(2,023,540)
Losses/(profit) before income tax	(351,162)	(1,526,633)	2,451	21,770	364,708	-	(1,488,866)
Income tax benefits	-	-	-	-	(58,514)	-	(58,514)
Net (losses)/profit	(351,162)	(1,526,633)	2,451	21,770	423,222	-	(1,430,352)
Total assets	12,855,617	9,608,943	480,913	1,879,186	15,057,154	-	39,881,813
Total liabilities	10,739,082	4,609,707	441,453	13,484	843,864	-	16,647,590
Long-term equity investments	-	-	-	-	3,593,937	-	3,593,937
Non-current assets increase (i)	1,167,161	2,190,942	500	8,730	-	-	3,367,333

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***VIII. Segment information** *(continued)***(2) Segment information for the as at year ended 31 December 2024 and for the year 2024 is as follows:**

Item	Petroleum products	Chemical products	Trading of	Others	Unallocated	Elimination	Total
			petrochemical products				
Revenue from external customers	62,069,226	17,441,669	6,912,378	709,547	-	-	87,132,820
Inter-segment revenue	10,420,018	16,556,664	1,307,051	630,202	-	(28,913,935)	-
Operating costs	(47,757,325)	(16,922,241)	(6,817,560)	(548,164)	-	-	(72,045,290)
Interest income	-	-	-	-	309,542	-	309,542
Interest expenses	-	-	-	-	(114,987)	-	(114,987)
Investment gain	4,055	2,985	(1,635)	-	169,579	-	174,984
Impairment losses	(20,853)	(265,076)	-	-	-	-	(285,929)
Impairment and expected credit losses	-	51	-	-	-	-	51
Gains on changes of fair value	-	-	-	-	-	-	-
Depreciation and amortization	(986,964)	(858,521)	(14,566)	(199,282)	-	-	(2,059,333)
Profit/(losses) before income tax	1,319,360	(1,291,567)	17,789	29,598	353,655	-	428,835
Income tax expenses	-	-	-	-	106,318	-	106,318
Net profit/(losses)	1,319,360	(1,291,567)	17,789	29,598	247,337	-	322,517
Total assets	13,672,827	8,366,940	761,330	2,002,267	16,965,975	-	41,769,339
Total liabilities	10,089,439	4,198,538	699,079	38,763	1,599,025	-	16,624,844
Long-term equity investments	-	-	-	-	3,559,573	-	3,559,573
Non-current assets increase (i)	882,433	966,014	560	8,654	-	-	1,857,661

(i) Non-current assets do not include financial assets, long-term equity investments, and deferred income assets.

As the Group operates mainly in the PRC, no geographical segment information is presented.

For the year ended 31 December 2025, revenue from the same customer accounted for 72% of total Group revenue (For the year ended 31 December 2024: 73%). The revenue of the Group to the client comes from the following divisions: Refinery Products Division, Chemical Products Division, Petrochemical Products Trading Division and other business divisions.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IX. Related parties and related party transactions

1. Information about the parent of the Company

(1) General information of the parent company

Name of parent company	Place of registration	Business nature
China Petroleum & Chemical Corporation	No.22 Chaoyangmen North Street, Chaoyang District, Beijing	Exploring for, extracting and selling crude oil and natural gas; oil refining; production, sale and transport of petrochemical, chemical fibres and other chemical products; pipe transport of crude oil and natural gas; research and development and application of new technologies and information.

The Company's ultimate controlling party is China Petrochemical Corporation.

(2) Registered capital and changes in registered capital of the parent company

	31 December 2024	Increase in current period	Decrease in current period	31 December 2025
China Petroleum & Chemical Corporation	121.3 billion	–	0.4 billion	120.9 billion

(3) The percentages of shareholding and voting rights in the Company held by the parent company

	2025		2024	
	Share holding	Voting rights	Share holding	Voting rights
China Petroleum & Chemical Corporation	51.81%	51.81%	51.14%	51.14%

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***IX. Related parties and related party transactions** *(continued)***2. Information about the subsidiaries of the Company**

For basic information about the subsidiaries of the Company, refer to Note VII.

3. Basic information about joint ventures and associates of the Company

In addition to the major joint ventures and associates disclosed in Note VII.2, related parties transactions between the Group and other associates are as follows:

	Place of business	Place of registration	Business nature	Whether it is strategic for group activities	% of ownership interest	
					Directly	Indirectly
Shanghai Nanguang Petrochemical Co., Ltd.	Shanghai	Shanghai	Petrochemical products import and export	Yes	-	35.00%
Shanghai Jinhuan Petroleum Naphthalene Development Company Limited	Shanghai	Shanghai	Production of petrochemical products	Yes	-	25.00%
Shanghai Chemical Industry Park Logistics Company Limited	Shanghai	Shanghai	Products freight	Yes	-	33.33%
Pinghu China Aviation Oil Port Co., Ltd. ("Pinghu Port")	Zhejiang Jiaxing	Zhejiang Jiaxing	Products freight	Yes	-	29.00%

Notes to the financial statements *(continued)*

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IX. Related parties and related party transactions *(continued)*

4. Information on other related parties

Names of other related parties	Relationship with the Group
Zhoushan Shihua Crude Oil Terminal Co., Ltd	Subsidiary of holding company
Sinopec Special Oil Products Co., Ltd	Subsidiary of holding company
Sinopec Petroleum Sales Co., Ltd	Subsidiary of holding company
Sinopec Heavy Lift Transportation Engineering Co., Ltd	Subsidiary of holding company
Sinopec Honeywell (Tianjin) Co., Ltd	Subsidiary of holding company
Sinopec Chemical Sales International Trade Co., Ltd	Subsidiary of holding company
Sinopec Chemical Sales (Hong Kong) Co., Ltd	Subsidiary of holding company
Sinopec Chemical Logistics Co., Ltd	Subsidiary of holding company
Sinopec International Co., Ltd	Subsidiary of holding company
Sinopec International (Russia) Co., Ltd	Subsidiary of holding company
Sinopec Guangzhou Engineering Co., Ltd	Subsidiary of holding company
Sinopec Safety Engineering Research Institute Co., Ltd	Subsidiary of holding company
Sinopec (Europe) Co., Ltd	Subsidiary of holding company
Sinopec (USA) Co., Ltd	Subsidiary of holding company
Zhongke (Guangdong) Refining and Chemical Co., Ltd	Subsidiary of holding company
China Yanshan United Foreign Trade Co., Ltd	Subsidiary of holding company
Sinopec Yizheng Chemical Fiber Co., Ltd	Subsidiary of holding company
Sinopec Yangzi Petrochemical Co., Ltd	Subsidiary of holding company
Sinopec Sales Co., Ltd	Subsidiary of holding company
Sinopec Materials and Equipment East China Co., Ltd	Subsidiary of holding company
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd	Subsidiary of holding company
Sinopec Lubricants Co., Ltd. Shanghai Research Institute	Subsidiary of holding company
Sinopec Lubricants Co., Ltd	Subsidiary of holding company
Sinopec Fuel Oil Sales Co., Ltd	Subsidiary of holding company
Sinopec Refinery Sales Co., Ltd	Subsidiary of holding company
Sinopec Chemical Sales Co., Ltd	Subsidiary of holding company
Sinopec International Co., Ltd	Subsidiary of holding company
Sinopec Catalyst Co., Ltd	Subsidiary of holding company
China International Petrochemical Union Co., Ltd	Subsidiary of holding company
Yipaike E-commerce Co., Ltd	Subsidiary of holding company
Sinopec Yingke Information Technology Co., Ltd	Subsidiary of holding company
Shanghai Carbon Fiber Composite Materials Innovation Research Institute Co., Ltd	Subsidiary of holding company
Shanghai Lide Catalyst Co., Ltd	Subsidiary of holding company
Shiwa Corporation, Japan	Subsidiary of holding company

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***IX. Related parties and related party transactions** *(continued)***4. Information on other related parties** *(continued)*

Names of other related parties	Relationship with the Group
Ningbo Minggang Liquefied Gas Co., Ltd	Subsidiary of holding company
Ningbo Donghai Lanfan Technology Co., Ltd	Subsidiary of holding company
Lianhua (Qingdao) International Logistics Co., Ltd	Subsidiary of holding company
Lianhua (Ningbo) International Logistics Co., Ltd	Subsidiary of holding company
United Petrochemical Singapore Limited	Subsidiary of holding company
Unipet Americas Limited	Subsidiary of holding company
East China Petroleum Technician College	Subsidiary of holding company
Hainan Baling Chemical New Materials Co., Ltd	Subsidiary of holding company
Fujian Gulei Petrochemical Co., Ltd	Subsidiary of holding company
Dalian Sinopec Materials and Equipment Co., Ltd	Subsidiary of holding company
Yipaike Commercial Factoring Co., Ltd	Subsidiary of holding company
Zhejiang Baling Hengyi Caprolactam Co., Ltd	Holding company Joint Venture
Shanghai Sinopec Mitsui Chemical Co., Ltd	Holding company Joint Venture
Yangzi Petrochemical BASF Co., Ltd	Holding company Joint Venture
Shanghai Changshi Shipping Co., Ltd	Affiliated companies of holding company
Shanghai Jinshende Powder Engineering Co., Ltd	Affiliated companies of holding company
Sinopec Yijie Sales Co., Ltd	Subsidiary of ultimate holding company
Sinopec Carbon Industry Technology Co., Ltd	Subsidiary of ultimate holding company
Sinopec Petrochemical Research Institute Co., Ltd	Subsidiary of ultimate holding company
Sinopec Petroleum Engineering Geophysics Co., Ltd	Subsidiary of ultimate holding company
Sinopec Shanghai Engineering Co., Ltd	Subsidiary of ultimate holding company
Sinopec Ningbo Engineering Co., Ltd	Subsidiary of ultimate holding company
Sinopec Nanjing Chemical Research Institute Co., Ltd	Subsidiary of ultimate holding company
Sinopec Nanjing Engineering Co., Ltd	Subsidiary of ultimate holding company
Sinopec Luoyang Engineering Co., Ltd	Subsidiary of ultimate holding company
Sinopec Refining and Chemical Engineering (Group) Co., Ltd	Subsidiary of ultimate holding company
Sinopec Energy Conservation Technology Service Co., Ltd	Subsidiary of ultimate holding company
Sinopec Hunan Petrochemical Co., Ltd	Subsidiary of ultimate holding company
Risk assessment Technology Center Co., Ltd. of Sinopec State Petrochemical Project	Subsidiary of ultimate holding company
Sinopec International (Singapore) Co., Ltd	Subsidiary of ultimate holding company
Sinopec International (Australia) Limited	Subsidiary of ultimate holding company
Sinopec Engineering Quality Monitoring Co., Ltd	Subsidiary of ultimate holding company
Sinopec Engineering Cost Co., Ltd	Subsidiary of ultimate holding company
Sinopec Fifth Construction Co., Ltd	Subsidiary of ultimate holding company

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IX. Related parties and related party transactions (continued)

4. Information on other related parties (continued)

Names of other related parties	Relationship with the Group
Sinopec Fourth Construction Co., Ltd	Subsidiary of ultimate holding company
Sinopec 10th Construction Co., Ltd	Subsidiary of ultimate holding company
Sinopec (Dalian) Petrochemical Research Institute Co., Ltd	Subsidiary of ultimate holding company
Sinopec (Beijing) Chemical Research Institute Co., Ltd	Subsidiary of ultimate holding company
China Petrochemical Technology Development Co., Ltd	Subsidiary of ultimate holding company
Sinopec consult Co., Ltd	Subsidiary of ultimate holding company
Sinopec Engineering Construction Co., Ltd	Subsidiary of ultimate holding company
China Petrochemical Press Co., Ltd	Subsidiary of ultimate holding company
Sinopec Finance Co., Ltd	Subsidiary of ultimate holding company
Petrochemical Management Cadre College	Subsidiary of ultimate holding company
Petrochemical Engineering Quality Supervision Station	Subsidiary of ultimate holding company
Shanghai Petrochemical Machinery Manufacturing Co., Ltd	Subsidiary of ultimate holding company
Shanghai Petrochemical Seawall Management Co., Ltd	Subsidiary of ultimate holding company
Strait Petrochemical Product Trading Center Co., Ltd	Subsidiary of ultimate holding company
Anqing Refining and Chemical Shuguang Dingoctanol Chemical Co., Ltd	Subsidiary of ultimate holding company
Sinopec Newspaper	Subsidiary of ultimate holding company
China Petroleum and Chemical Corporation Limited	Subsidiary of ultimate holding company
Feize Composites Technology Co., Ltd.	Affiliated companies of the ultimate holding company
Sinopec (Shanghai) Petrochemical Research Institute Co., Ltd	Affiliated companies of the ultimate holding company
Yihua Dongli Polyester Film Co., Ltd	Affiliated companies of the ultimate holding company
Shanghai Petroleum&Natural Gas Co., Ltd	Affiliated companies of the ultimate holding company
National Pipeline Network Group Eastern Crude Oil Storage and Transportation Co., Ltd	Affiliated companies of the ultimate holding company

IX. Related parties and related party transactions *(continued)*

5. Material related party transactions

Most of the trading partners and terms conducted by the Group during the reporting period were determined by parent Sinopec Co., Ltd. and relevant government agencies.

Sinopec Corp. negotiates and agrees the terms of crude oil supply with suppliers on a group basis, which is then allocated among its subsidiaries, including the Group, on a discretionary basis. Sinopec Corp. also owns a widespread petroleum products sales network and possesses a fairly high market share in domestic petroleum products market, which is subject to extensive regulation by the PRC government.

The Group has entered into a mutual product supply and sales services framework agreement with Sinopec Corp. Pursuant to the agreement, Sinopec Corp. provides the Group with crude oil, other petrochemical raw materials and agent services. On the other hand, the Group sales Sinopec Corp. with petroleum products, petrochemical products and provides property leasing services.

The pricing policy for these services and products provided under the agreement is as follows:

- If there are applicable State (central and local government) tariffs, the pricing shall follow the State tariffs;
- If there are no State tariffs, but there are applicable State's guidance prices, the pricing shall follow the State's guidance prices; or
- If there are no State tariffs or State's guidance prices, the pricing shall be determined in accordance with the prevailing market prices (including any bidding prices).

In addition to the related transaction disclosed in Notes V.9, V.39, V.47 other material related party transactions of the Group are as follows:

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IX. Related parties and related party transactions (continued)

5. Material related party transactions (continued)

(1) Purchases and sales of goods, rendering and receiving services

Purchases of goods and receiving services:

Related Parties	Category	Transaction type	2025		2024	
			Amount	Percentage of the same category	Amount	Percentage of the same category
Sinopec Corp., its subsidiaries and joint ventures	Purchases	Trade	43,243,231	67.71%	51,726,906	73.68%
Sinopec Group and its subsidiaries	Purchases	Trade	5,057,380	7.92%	3,256,009	4.61%
Associates of the Group	Purchases	Trade	60,442	0.09%	72,519	0.10%
Joint ventures of the Group	Purchases	Trade	328,343	0.51%	312,399	0.45%
Key management personnel	Short-term employee benefits	Compensation for services	12,302	0.42%	11,324	0.37%
Key management personnel	Retirement scheme contributions	Compensation for services	460	0.02%	518	0.02%

Sales of goods, rendering services:

Related Parties	Category	Transaction type	2025		2024	
			Amount	Percentage of the same category	Amount	Percentage of the same category
Sinopec Corp., its subsidiaries and joint ventures	Sales/Service	Trade	55,021,473	72.86%	64,910,948	74.56%
Sinopec Group and its subsidiaries	Sales/Service	Trade	154,656	0.20%	139,228	0.16%
Associates of the Group	Sales/Service	Trade	1,213,675	1.61%	2,383,929	2.74%
Joint ventures of the Group	Sales/Service	Trade	145,805	0.19%	41,722	0.05%

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IX. Related parties and related party transactions (continued)**5. Material related party transactions** (continued)**(2) Lease**

The Group as the lessor:

Name of lessee	Type of leasing	Rental income recognized in 2025	Rental income recognized in 2024
Sinopec Corp., its subsidiaries and joint ventures	Properties and equipment	9,156	31,849
Joint ventures of the Group	Equipment	6,113	6,156
Associates of the Group	Properties and equipment	7,498	5,647
Sinopec Group and its subsidiaries	Houses and equipment	427	479
Total		23,194	44,131

The rent paid by our group as the lessee:

	2025	2024
Sinopec Group and its subsidiaries	9,088	9,088
Joint ventures of the Group	—	83
Total	9,088	9,171

Lease liabilities interest expense of the Group as lessee:

	2025	2024
Sinopec Group and its subsidiaries	572	194
Total	572	194

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IX. Related parties and related party transactions (continued)

5. Material related party transactions (continued)

(2) Lease (continued)

Right-of-use assets added by the Group as lessee in the current period:

Name of lessee	Type of leased assets	2025	2024
Sinopec Group and its subsidiaries	Leased equipment, buildings and land	10,848	2,388

(3) Other related transactions

	Type of transaction	2025	2024
Sinopec Group and its subsidiaries	Insurance premiums	121,971	124,642
Sinopec Finance Co., Ltd.	Interests received and receivable	8	8
Sinopec Finance Co., Ltd.	Interests received and receivable	92	4,852
Sinopec Group and its subsidiaries	Construction and installation project funds and maintenance fees	43,076	116,928
Sinopec Finance Co., Ltd.	Repayment of long-term loans	–	700,000
Sinopec Finance Co., Ltd.	Finance companies Bill Discounting	35,847	65,598
Sinopec Finance Co., Ltd.	Finance companies issues draft	3,831,553	2,708,000
Sinopec Corp., its subsidiaries and joint ventures	Agency fees	45,019	48,430

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IX. Related parties and related party transactions (continued)**6. Receivables from and payables to related parties**

Receivables from related parties:

Item	Related Parties	2025		2024	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Accounts receivable	Sinopec Corp., its subsidiaries and joint ventures	728,484	-	700,462	-
	Associates of the Group	22	22	520	-
	Joint ventures of the Group	27,395	1	457	3
Sub-total		755,901	23	701,439	3
Other receivables	Sinopec Corp., its subsidiaries and joint ventures	2,872	2,795	13,357	2,795
	Joint ventures of the Group	18,981	-	2,058	-
	Associates of the Group	4,327	4,002	2,094	-
Sub-total		26,180	6,797	17,509	2,795
Prepayments	Sinopec Corp. and its subsidiaries	50,634	-	1,018	-
	Associates of the Group	11	-	-	-
Sub-total		50,645	-	1,018	-
Other non-current assets	Sinopec Corp., and its subsidiaries	4,719	-	4,719	-
Sub-total		4,719	-	4,719	-

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

IX. Related parties and related party transactions (continued)

6. Receivables from and payables to related parties (continued)

Payables to related parties:

Item	Related Parties	2025	2024
Accounts payable	Sinopec Corp., its subsidiaries and joint ventures	1,461,004	1,255,644
	Sinopec Group and its subsidiaries	7,659	7,937
	Associates of the Group	109,200	38,454
	Joint ventures of the Group	52,704	281
Sub-total		1,630,567	1,302,316
Bills payable	Sinopec Corp., its subsidiaries and joint ventures	6,087,000	8,000,053
Sub-total		6,087,000	8,000,053
Other payables	Sinopec Group and its subsidiaries	345,818	259,466
	Sinopec Corp., its subsidiaries and joint ventures	25,798	15,436
	Associates of the Group	2,870	-
Sub-total		374,486	274,902
Contract liabilities	Associates of the Group	2,579	2,427
	Joint ventures of the Group	1,594	-
	Sinopec Corp., its subsidiaries and joint ventures	4,618	11,230
	Sinopec Corp., its subsidiaries	145	19
Sub-total		8,936	13,676
Lease liabilities	Sinopec Corp., its subsidiaries	6,620	-
Sub-total		6,620	-

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***IX. Related parties and related party transactions** *(continued)***7. Commitments with related parties**

Commitments with related parties contracted for by the Group at the balance sheet date but are not yet necessary to be recognized on the balance sheet are as follows:

(1) Construction and installation cost:

	2025	2024
Sinopec Group and its subsidiaries	2,315,844	835,636

As of 31 December 2025, the Group and the Company have no other significant commitments related to related parties that have been signed but have not been listed in the financial statements.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

X. Commitments

1. Capital expenditure commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognized on the balance sheet are as follows:

	2025	2024
Signed and ongoing purchase contract of fixed assets	3,444,995	3,386,739

XI. Financial risk

The Group's normal course of operations expose it to a variety of financial risks: market risk (primarily foreign currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

1. Market risk

(1) Foreign currency risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Nevertheless, the Group is exposed to foreign currency risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign currency risk. Therefore, the Group would sign forward exchange contracts or foreign exchange option contracts to avoid foreign exchange risks. As of 31 December 2025 and 31 December 2024, the Group has not signed any currency swaps. As of 31 December 2025 and 31 December 2024, the Group has no unexpired foreign exchange contract and foreign exchange option contract.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***XI. Financial risk** *(continued)***1. Market risk** *(continued)***(1) Foreign currency risk** *(continued)*

As of 31 December 2025 and 31 December 2024, the Group's exposure to currency risk arising from recognized financial assets or financial liabilities denominated in foreign currencies is presented in the following tables:

	2025		2024	
	Foreign currency	RMB equivalent	Foreign currency	RMB equivalent
Cash at bank and on hand				
– USD	12,279	86,307	19,556	140,576
Receivables under financing				
– USD	14,888	104,641	27,519	197,818
Other receivables				
– USD	–	–	40	288
– HKD	15,166	13,698	8,908	8,307
Accounts payable				
– USD	(28,905)	(203,165)	(67,128)	(482,543)
Other payables				
– USD	(136)	(953)	(275)	(1,977)
Net balance sheet exposure				
– USD	(1,844)	(12,961)	(20,288)	(145,838)
– HKD	15,166	13,698	8,908	8,307

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Financial risk (continued)

1. Market risk (continued)

(1) Foreign currency risk (continued)

The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Reporting date Intermediate Exchange Rate	
	2025	2024	2025	2024
USD	7.1086	7.1356	7.0288	7.1884
HKD	0.9146	0.9163	0.9032	0.9260

For the Group's various foreign currency financial assets and foreign currency financial liabilities, assuming all other risk variables remained constant, a 5% strengthening or weaken of the Renminbi against foreign currencies at 31 December 2025 would have increased or decreased the Group's net loss by the amount of RMB28 thousand (31 December 2024: increased or decreased net loss by RMB5,157 thousand).

(2) Interest rate risk

The interest rate risk of the Group is mainly generated by interest-bearing short-term. Financial liabilities with fixed interest rate expose the Group to cash fair value interest risk, while financial liabilities with floating interest rate expose the Group to cash flow interest rate risk. The Group determines the appropriate weightings of fixed and floating rate contracts based on the current market conditions.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***XI. Financial risk** *(continued)***1. Market risk** *(continued)***(2) Interest rate risk** *(continued)*

The financial department of the Group headquarters continuously monitor the interest rate level of the Group. The increase of interest rate will increase the cost of new interest-bearing debt and the interest expense of the Group's outstanding interest-bearing debt with floating interest rate and have a significant adverse impact on the financial performance of the Group. The management makes timely adjustments according to the latest market conditions, which may be reducing interest rate risk by entering into interest rate swaps. The Group does not enter any interest rate swap arrangement in 2025 and 2024.

As of 31 December 2025 and 31 December 2024, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

Item	31 December 2025		31 December 2024	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash at bank and on hand	0.85%	2,700,000	2.05%–3.55%	3,600,000
– Other non-current assets	2.15%–2.35%	2,500,000	–	–
Financial liabilities				
– Short-term loans	–	–	2.05%	(1,500,000)
– Lease liabilities	4.35%–4.90%	(7,058)	4.35%–4.90%	(1,304)
Total		5,192,942		2,098,696

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Financial risk (continued)

1. Market risk (continued)

(2) Interest rate risk (continued)

Variable rate instruments:

Item	31 December 2025		31 December 2024	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash at bank and on hand	0.05%–1.90%	4,809,735	0.05%–1.90%	8,209,113
Financial liabilities				
– Long-term loans	The latest published LPR on each interest rate determination date is reduced by 94 basis points	(811,768)	The latest five-year LPR on each interest rate determination date is reduced by 94 basis points	(67,685)
Total		3,997,967		8,141,428

As of 31 December 2025, if interest rates had risen or fallen by 100 basis points while all other variables had been held constant, the Group's equity would increase or decrease by approximately RMB29,735 thousand, and net losses would decrease or increase by approximately RMB29,735 thousand (31 December 2024: the Group's equity would increase or decrease by approximately RMB60,880 thousand, and net profit would increase or decrease by approximately RMB60,880 thousand).

XI. Financial risk *(continued)*

1. Market risk *(continued)*

(3) Commodity price risk

The Group is engaged in petrochemical business and faces commodity price risks related to the prices of crude oil, refined oil, and other chemical products. The fluctuations in the prices of crude oil, refined oil, and other chemical products may have a significant impact on the Group. The Group is exposed to commodity price risks related to the price of crude oil, refined oil and other chemical products. The fluctuation of the price of crude oil, refined oil and other chemical products may have a significant impact on the Group. The Group uses derivative financial instruments such as commodity swap contracts to manage some of these commodity price risks. The main commercial terms adopted by the Group in its petrochemical business are similar to those of the hedged items, such as valuation period, payment date, transaction price, commodity variety and quantity. The Group uses cash flow hedging for such hedging.

As of 31 December 2025, the Group holds several commodity swap contracts designated as effective cash flow hedges and economic hedges. At 31 December 2025, the fair value of the derivative financial assets held by the Group is RMB13,493 thousand (31 December 2024: RMB49 thousand), the fair value of the derivative financial liabilities is RMB7,108 thousand (31 December 2024: Nil).

At 31 December 2025, assuming all other factors remain constant, a 10% decrease or increase in the underlying price of commodity swap contracts per barrel would result in a change in the fair value of derivative financial instruments, leading to an increase or decrease of RMB3,259 thousand in other comprehensive income (31 December 2024: RMB363 thousand). This sensitivity analysis is based on the assumption that changes occur on the balance sheet date and act on the Group's derivative instruments with commodity price risk on that date.

Commodity swaps may give rise to hedge ineffectiveness when the settlement time of the hedged item changes. For the year ended 31 December 2025, the Group did not give rise to hedge ineffectiveness due to commodity swaps. (For the year ended 31 December 2024: Nil).

Notes to the financial statements *(continued)*

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Financial risk *(continued)*

2. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and on hand, derivative financial assets, accounts receivable, other receivables and receivables under financing, etc. As of balance sheet date, the maximum exposure to credit risk is represented by the carrying amount of financial assets in the balance sheet.

The cash at bank and on hand, derivative financial assets, and receivables under financing of the Group is mainly held with state-owned banks and other large and medium-sized listed banks or financial institution with good reputation and high credit rating. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The Group's credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country/region in which the customers operate. Therefore, significant concentrations of credit risk primarily arise when the Group has significant accounts receivable to individual customers. As of the balance sheet date, 96.26% (31 December 2024: 99.54%) and 99.91% (31 December 2024: 99.99%) of total accounts receivable were due from the Group's largest and five largest customers respectively.

In respect of accounts receivables and other receivables, the Group establishes relevant policies to control credit risk exposure. The Group assesses customers' credit qualifications and sets corresponding credit periods based on their financial status, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Group will regularly monitor customers' credit records. For customers with poor credit records, the Group will use written reminders, shorten the credit period or cancel the credit period to ensure that the Group's overall credit risk is within a controllable range.

As of 31 December 2025 and 31 December 2024, the Group has no material collateral mortgaged by the debtor or other credit enhancement.

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Financial risk (continued)**3. Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. Cash flow forecast is performed by the subsidiary of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As of December 31, 2025, the Group obtained standby credit lines from several financial institution in China, allowing the Group to borrow up to RMB8,676,500 thousand in total, of which RMB7,864,732 thousand has not yet been used.

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows:

	2025				Total	Carrying amount at balance sheet date
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
Long-term loans	20,770	202,389	490,136	168,588	881,883	812,524
Lease liabilities	7,239	144	-	-	7,383	7,058
Accounts payable	3,707,975	-	-	-	3,707,975	3,707,975
Bills payable	9,298,391	-	-	-	9,298,391	9,298,391
Other payables	1,305,865	-	-	-	1,305,865	1,305,865
Total	14,340,240	202,533	490,136	168,588	15,201,497	15,131,813

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XI. Financial risk (continued)

3. Liquidity risk (continued)

	2024					Carrying amount at balance sheet date
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	1,503,502	-	-	-	1,503,502	1,500,940
Long-term loans	1,800	1,800	5,400	70,086	79,086	67,732
Lease liabilities	1,160	200	-	-	1,360	1,304
Accounts payable	2,730,914	-	-	-	2,730,914	2,730,914
Bills payable	9,047,594	-	-	-	9,047,594	9,047,594
Other payables	1,107,071	-	-	-	1,107,071	1,107,071
Total	14,392,041	2,000	5,400	70,086	14,469,527	14,455,555

XII. Fair value disclosure

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting year, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities.

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities.

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***XII. Fair value disclosure** *(continued)***1. Assets recurring measured at fair value**

As of 31 December 2025, assets and liabilities recurring measured at fair value are presented in the above three levels as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
FVTPL				
– Other non-current financial assets	–	–	37,500	37,500
FVOCI				
– Receivables under financing	–	332,015	–	332,015
– Investments in other equity instruments	–	–	3,466	3,466
Derivative financial asset				
– Commodity swap contract	–	13,493	–	13,493
Total	–	345,508	40,966	386,474
Financial liability				
derivative financial liabilities				
FVOCI				
– Commodity swap contract	–	7,108	–	7,108
Total	–	7,108	–	7,108

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XII. Fair value disclosure (continued)

1. Assets recurring measured at fair value (continued)

As of 31 December 2024, assets and liabilities recurring measured at fair value are listed as follows according to the above three levels:

	Level 1	Level 2	Level 3	Total
Financial assets				
FVPL				
– Other non-current financial assets	–	–	36,500	36,500
FVOCI				
– Receivables under financing	–	388,230	–	388,230
– Investments in other equity instruments	–	–	3,872	3,872
Derivative financial asset				
– Commodity swap contract	–	49	–	49
Total	–	388,279	40,372	428,651

For the year ended 31 December 2025, there were no transfers between different levels of the Group (For the year ended 31 December 2024: Nil).

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XII. Fair value disclosure (continued)**1. Assets recurring measured at fair value** (continued)

The Group uses discounted cash flow model to evaluate the fair value of the second level financial assets.

The primary input to the receivables financing valuation is the discount rate for counterparty credit risk.

The primary input to the valuation of commodity swap contracts are commodity prices and discount rate for counterparty credit risk.

Investments in other equity instruments and other non-current financial asset investments that continue to be measured at fair value at the third level are unlisted equity investments and redeemable preferred share investments held by the Group, respectively.

- (i) For the unlisted equity investments held by the Group, the Group determines their fair value based on the operating conditions and financial information of the invested enterprise obtained, taking into account the net assets, asset liquidity, and liquidity of the invested enterprise.
- (ii) For the unlisted preferred stock investments held by the Group, the Group determines their fair value based on a comprehensive consideration of the latest financing price of the invested enterprise, as well as the net assets, liquidity, and liquidity of the invested enterprise's assets.

The reconciliation information between the book value at the beginning of the year and the book value at the end of the year for the items measured by continuous Level 3:

	31 December 2024	Purchase	Sell	Profit or loss for the year recognized in profit or loss	Profit or loss for the year recognized in equity	31 December 2025	Unearned profits or losses for assets held at the end of the year
- Investments in other equity instruments	3,872	-	-	-	(406)	3,466	-
- Other non-current financial assets	36,500	-	-	1,000	-	37,500	1,000
Total	40,372	-	-	1,000	(406)	40,966	1,000

Notes to the financial statements *(continued)*

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XII. Fair value disclosure *(continued)*

2. Fair values of financial assets and liabilities not measured at fair value

Financial assets and liabilities measured at amortized cost mainly include trade receivables, other receivables, loans, trade payables and lease liabilities.

As of 31 December 2025 and 31 December 2024, the carrying amount of these financial assets and financial liabilities not measured at fair value are a reasonable approximation of their fair value.

XIII. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's total capital is calculated as 'shareholder's equity' and 'net liabilities' as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

During 2025, the Group's strategy, which was unchanged from 2024, was to maintain a reasonable range of net debt-to-capital ratio by the management.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***XIV. Notes to the Company's financial statements****1. Accounts receivable****(1) Accounts receivable by customer type are as follows:**

Type of customers	31 December 2025	31 December 2024
Amounts due from related parties	749,975	675,872
Amounts due from third parties	28,159	2,114
Sub-total	778,134	677,986
Less: provision for bad and doubtful debts	(2,187)	(2,115)
Total	775,947	675,871

(2) The ageing analysis of accounts receivable is as follows:

Ageing	31 December 2025	31 December 2024
Within 1 year (inclusive)	776,020	675,872
Over 1 year but within 2 years (inclusive)	-	-
Over 2 years but within 3 years (inclusive)	-	-
Over 3 years	2,114	2,114
Total	778,134	677,986

The ageing is counted starting from the date when accounts receivable are recognized.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)

1. Accounts receivable (continued)

(3) Accounts receivable by provisioning method

Category	31 December 2025					31 December 2024				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
		(%)		(%)	(%)		(%)			
Individual assessment	-	-	-	-	-	-	-	-	-	-
Collective assessment	778,134	100.00	2,187	0.28	775,947	677,986	100.00	2,115	0.31	675,871
Total	778,134	100.00	2,187	0.28	775,947	677,986	100.00	2,115	0.31	675,871

(i) As of 31 December 2025, the Company has no individually impaired accounts receivable (as of 31 December 2024: Nil).

(ii) Criteria and details for collective assessment for 2025:

According to the historical experience of the Company, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

(iii) Assessment of ECLs on accounts receivable:

At all times the Company measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the expected loss rate.

The loss given default is measured based on the actual credit loss experience in the past years, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***XIV. Notes to the Company's financial statements** *(continued)***1. Accounts receivable** *(continued)***(4) Movements of provisions for bad and doubtful debts:**

	For the year ended 31 December	
	2025	2024
Provisions for bad and doubtful debts	<u>2,115</u>	<u>2,166</u>
Balance at the beginning of the year	2,115	2,166
Additions during the year	72	–
Recoveries or reversals during the year	–	(51)
Balance at the end of the year	<u>2,187</u>	<u>2,115</u>

(i) For the year ended 31 December 2025, the Company has no accounts receivable that have fully accrued or accrued a large proportion of bad and doubtful debts in previous periods, but fully recovered or reversed, or have a large proportion of recovered or reversed in the current period (For the year ended 31 December 2024: Nil).

(ii) For the year ended ended 31 December 2025, the Company has not written off significant accounts receivable (For the year ended 31 December 2024: Nil).

(5) Five largest accounts receivable by debtor as of 31 December 2025

Item	Amount	Provision	Percent of total amount
Total amount of five largest accounts receivable by debtor of the Company	775,821	(73)	99.70%

(6) For the year ended 31 December 2025, the Company has no accounts receivable derecognized due to transfer of financial assets (For the year ended 31 December 2024: Nil).

(7) At 31 December 2025, the Company has no pledged accounts receivable(31 December 2024: Nil).

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)

2. Receivables under financing

	Note	31 December 2025	31 December 2024
Bills receivable	(1)	190,354	133,082

(1) Bills receivable

- (i) Due to the requirement of cash management, the Company discounted and endorsed part of the bank acceptance notes. The business model of bank acceptance notes management is for the purpose of collecting cash flow of contracts and sales. As of 31 December 2025, the Company classified RMB190,354 thousand bills receivable to financial assets measured at fair value and whose changes are included in other comprehensive income and disclosed in bills receivable (31 December 2024: RMB133,082 thousand).
- (ii) The Company has no single provision for impairment of the bank acceptance notes, with all provision was accrued by their expected credit loss. As of 31 December 2025 and 31 December 2024, the Company considers that no bank acceptance notes has significant credit risk and will not suffer significant loss due to the violation of banks.
- (iii) As of 31 December 2025, the Company had no pledged bills receivable (31 December 2024: Nil).
- (iv) As of 31 December 2025, unmatured notes receivable that have been endorsed or discounted by the Company is as follows:

Item	Derecognized	Not derecognized
Bank acceptance notes	140,817	–

As of 31 December 2025, the Company endorsed and discounted the undue bills receivable of RMB140,817 thousand (31 December 2024: RMB153,638 thousand). The Company derecognized such bills receivable, accounts payable to suppliers and short-term loans as a whole by considering that the risks and rewards of ownership of such unmatured bills had been substantially transferred. The Company's continued involvement in the unexpired bills receivable whose overall derecognition is limited to the extent that the issuing bank is unable to settle the amount to the bill holder. The maximum exposure to loss caused by the Company's continued involvement is the amount of outstanding bills receivable endorsed to the supplier of RMB140,817 thousand (31 December 2024: RMB153,638 thousand). The term of the outstanding bills receivable is within one year.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***XIV. Notes to the Company's financial statements** *(continued)***3. Other receivables****(1) Analysis by customer type:**

Customer type	31 December 2025	31 December 2024
Amounts due from related parties	25,588	16,928
Amounts due from third parties	962,736	1,418,069
Sub-total	988,324	1,434,997
Less: provision for bad and doubtful debts	(760,427)	(757,017)
Total	227,897	677,980

(2) The ageing analysis is as follows:

Ageing	31 December 2025	31 December 2024
Within 1 year (inclusive)	228,332	664,561
Over 1 year but within 2 years (inclusive)	1,795	8,663
Over 2 years but within 3 years (inclusive)	1,180	2,642
Over 3 years	757,017	759,131
Total	988,324	1,434,997

The ageing is counted starting from the date when other receivables are recognized.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)

3. Other receivables (continued)

(3) Others by provisioning method:

Category	31 December 2025					31 December 2024				
	Book value		Provision for bad and doubtful debts			Book value		Provision for bad and doubtful debts		
	Percentage		Percentage		Carrying amount	Percentage		Percentage		Carrying amount
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Individual assessment	760,573	76.96	760,427	99.98	146	757,017	52.75	757,017	100.00	-
Collective assessment	227,751	23.04	-	-	227,751	677,980	47.25	-	-	677,980
Total	988,324	100.00	760,427	76.94	227,897	1,434,997	100.00	757,017	52.75	677,980

(4) Movements of provisions for bad and doubtful debts

	Stage 1					Stage 3		
	12-month ECL (collective)		12-month ECL (individual)		Sub-total	Lifetime ECL-Credit impaired (credit impairment has occurred)		Total
	Provision for bad and doubtful debts		Provision for bad and doubtful debts			Provision for bad and doubtful debts		
	Book value	doubtful debts	Book value	doubtful debts	doubtful debts	Book value	doubtful debts	doubtful debts
Balance at 31 December 2024	677,980	-	-	-	-	757,017	(757,017)	(757,017)
Provision for this year	-	-	-	-	-	3,556	(3,410)	(3,410)
Recoveries or reversals during the year	-	-	-	-	-	-	-	-
Balance at 31 December 2025	227,751	-	-	-	-	760,573	(760,427)	(760,427)

As of 31 December 2025 and 31 December 2024, the Company has no other receivables under Stage 2.

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***XIV. Notes to the Company's financial statements** *(continued)***3. Other receivables** *(continued)***(4) Movements of provisions for bad and doubtful debts** *(continued)*

As of 31 December 2025, the amount receivable from Jinyong company, a subsidiary within the original scope of merger, was RMB752,292 thousand (31 December 2024: RMB752,292 thousand). Jinyong company started to stop production in August 2008 and entered bankruptcy liquidation procedure in August 2019. The Company believes that the other receivables are difficult to recover, so the bad debt provision are fully accrued. As of 31 December 2025, the bankruptcy liquidation procedure has been completed. The Company plans to account for the write-off of bad debts upon fulfilment of the board of directors' approval process.

For the twelve months ended 31 December 2025, the Company has no other receivable that have fully accrued or accrued a large proportion of bad and doubtful debts in previous years, but fully recovered or reversed, or have a large proportion of recovered or reversed in the current period (31 December 2024: Nil).

For the twelve months ended 31 December 2025, the Company has not written-off significant other receivables (31 December 2024: Nil).

(5) Others categorised by nature

Nature of other receivables	31 December 2025	31 December 2024
Receivable from Jinyong company	752,292	752,292
Refund of consumption tax receivable	188,158	648,757
Accounts due from related parties	25,588	16,928
Prepayment of share repurchase	13,698	8,304
Advance compensation	1,180	3,918
Others	7,408	4,798
Sub-total	988,324	1,434,997
Less: Provisions for bad and doubtful debts	(760,427)	(757,017)
Total	227,897	677,980

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)

3. Other receivables (continued)

(6) Five largest others by debtor as of 31 December 2025

Debtor	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Zhejiang Jin Yong Acrylic Fibre Co.,Ltd.	Prepayment	752,292	Over three years	76.12%	(752,292)
Jinshan Customs, People's Republic of China	Refund of consumption tax receivable	188,158	Within 1 year (including 1 year)	19.04%	-
China International Capital Corporation Hong Kong Securities Limited	Prepayment of share repurchase	13,698	Within 1 year (including 1 year)	1.39%	-
Shanghai Petrochemical Linde Gas Co., Ltd.	Transactions	3,586	Within 1 year (including 1 year)	0.36%	-
Shanghai Jinsen Petroleum Resin Co., Ltd.	Transactions	3,555	Within 1 year and 1-2 years (including 2 years)	0.36%	(3,410)
Total		961,289		97.27%	(755,702)

4. Long-term equity investment

Item	Note	31 December 2025	31 December 2024
Subsidiaries	(1)	2,648,328	2,048,328
Associates	(2)	2,438,503	2,369,065
Joint ventures	(3)	392,091	400,000
Sub-total		5,478,922	4,817,393
Less: Impairment provision for long-term equity investment		-	-
Total		5,478,922	4,817,393

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)**4. Long-term equity investment** (continued)**(1) Subsidiaries**

Name of subsidiaries	31 December 2024	Additional/ negative investment	31 December 2025	Impairment Provision Ending balance	Cash dividends declared in current year
Toufa	2,031,496	-	2,031,496	-	-
Jinmao	16,832	-	16,832	-	14,000
IMXCF	-	600,000	600,000	-	-
Total	2,048,328	600,000	2,648,328	-	14,000

(2) Associates

The information relating to the associates of the Company, Shanghai Secco and Chemical Industry is disclosed in Note VII.2.

(3) Joint venture

The information relating to the joint venture of the Company, Shanghai Jinshan Baling New Materials Co., Ltd., is disclosed in Note VII.2.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)

5. Fixed assets

(1) Fixed assets

	Buildings	Plant and machinery	Vehicles and other equipment	Total
Cost				
31 December 2024	4,137,810	45,501,923	2,234,960	51,874,693
Reclassification in current year	73,630	(142,015)	68,385	–
Increase				
– Purchase	238	200,109	48,037	248,384
– Transfer from construction in progress	–	536,641	105,926	642,567
Decrease				
– Disposal	(53,741)	(497,640)	(108,470)	(659,851)
31 December 2025	4,157,937	45,599,018	2,348,838	52,105,793
Accumulated depreciation				
31 December 2024	2,557,193	33,476,165	1,750,591	37,783,949
Reclassification in current year	22,540	(19,393)	(3,147)	–
Increase				
– Charge for current year	96,030	1,530,677	116,609	1,743,316
Decrease				
– Disposal	(48,072)	(423,204)	(104,475)	(575,751)
31 December 2025	2,627,691	34,564,245	1,759,578	38,951,514
Provision for impairment				
31 December 2024	27,998	1,211,483	5,244	1,244,725
Reclassification in current year	971	(1,118)	147	–
Increase				
– Charge for current year	–	–	–	–
Decrease				
– Disposal and scrapping	(109)	(17,221)	(10)	(17,340)
31 December 2025	28,860	1,193,144	5,381	1,227,385
Carrying amount				
31 December 2025	1,501,386	9,841,629	583,879	11,926,894
31 December 2024	1,552,619	10,814,275	479,125	12,846,019

XIV. Notes to the Company's financial statements *(continued)***5. Fixed assets** *(continued)*

- (2) In 2025, due to increasingly severe market conditions, specific production devices include the cash output unit of the chemical products segment, and the expected sales price of the products produced cannot make up for the increase in their production and operating costs. The management of the Group believes that there are signs of impairment of assets related to specific production devices. The Group conducts impairment testing on assets related to specific production devices according to the accounting policies contained in Note III and 19 to the financial statements. According to the test results, the recoverable amount of assets related to specific production devices is higher than the book value of assets, and the Company does not need to accrue assets impairment reserves for related fixed assets.

The recoverable amount of the intermediate petrochemical product specific production unit asset or cash generating unit of the Chemical Products Division is determined based on the present value of the asset's expected future cash flows. The Company calculates the present value of the estimated future cash flows based on the approved financial budget. The forecast of cash flows is based on several key assumptions, including the growth rate of product sales and related cost growth rate ("forecast growth rate") and discount rate. In the above important assumptions, the projected growth rate is based on historical operating experience and the expectations of market participant, with an average revenue compound growth rate of 3.25% and an average cost compound growth rate of 1.98% during the forecast period, which is consistent with the forecasts in relevant industry reports. The pre tax discount rate used in evaluating the present value of the projected future cash flows is 12.07% (2024: 10.93%), reflecting the Company's special risk.

The recoverable amount of a asset or cash generating unit of a synthetic fiber specific production unit in the Chemical Products Division is determined based on the present value of the asset's estimated future cash flows. The Company assesses impairment based on an independent appraiser's valuation of the present value of the estimated future cash flows calculated on the basis of an approved financial budget, based on several key assumptions, including the growth rate of product sales and related cost growth rate (the "Forecast Growth Rate") and discount rate. In the above important assumptions, the projected growth rate is based on historical operating experience and the expectations of market participant, with an average revenue compound growth rate of 6.72% and an average cost compound growth rate of 2.65% during the forecast period, which is consistent with the forecasts in relevant industry reports. The pre tax discount rate used in evaluating the present value of the projected future cash flows is 13.78% (2024: not applicable), reflecting the Company's special risk.

- (3) For the year ended 31 December, 2025, the Company made no provision for impairment of fixed assets (for the year ended 31 December, 2024: Nil). As at 31 December 2025, the Company's fixed asset impairment provision was RMB1,227,385 thousand.
- (4) On 31 December, 2025 and 31 December 2024, the Company did not have fixed assets used as collateral.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)

5. Fixed assets (continued)

- (5) As of 31 December 2025, the original carrying amount of the Group's temporarily idle property, plant and equipment amounted to RMB2,414,248 thousand accumulated depreciation amounted to RMB1,999,313 thousand, provision for impairment amounted to RMB284,531 thousand, and the carrying value amounted to RMB130,404 thousand.(31 December, 2024: original carrying amount amounted to RMB2,487,332 thousand, accumulated depreciation amounted to RMB2,051,621 thousand, provision for impairment amounted to RMB290,029 thousand, and the carrying value amounted to RMB145,682 thousand).
- (6) As of 31 December 2025, the carrying value of the Company's fixed assets leased out under operating leases amounted to RMB48,108 thousand (31 December 2024: carrying value of RMB51,894 thousand).
- (7) As of 31 December 2025 and 31 December 2024, the Company's had no fixed assets with outstanding title certificates.

6. Operating income and operating costs

Items	Note	2025	2024
Income from principal activities	(1)	68,402,301	79,132,955
Income from other operating activities		498,573	823,249
Total		68,900,874	79,956,204

Items	Note	2025	2024
Cost of principal activities	(1)	56,727,827	64,540,552
Cost of other operating activities		346,250	481,775
Total		57,074,077	65,022,327

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)**6. Operating income and operating costs** (continued)**(1) Income and cost from principal activities**

The principal business of the Company mainly belongs to the petrochemical industry.

Analysis by product is as follows:

	2025		2024	
	Income from principal activities	Cost from principal activities	Income from principal activities	Cost from principal activities
Petroleum products	51,438,900	40,133,722	62,069,226	47,757,325
Chemical products	16,833,332	16,464,150	16,965,255	16,685,822
Others	130,069	129,955	98,474	97,405
Total	68,402,301	56,727,827	79,132,955	64,540,552

The operating income of the Company is recognized at a point in time.

7. Investment income (“-” for losses)

Items	Note	2025	2024
Investment accounted for using the cost method		9,426	15,486
Investment accounted for using the equity method	(1)	116,952	139,334
Net losses from disposal of derivative financial instruments		4,690	4,055
Discount loss of receivables		(1,315)	(1,893)
Total		129,753	156,982

There are no severe restrictions on the investee's ability to transfer investment income to the Company.

Notes to the financial statements (continued)

(All amounts in thousands of Renminbi Yuan unless otherwise stated)

XIV. Notes to the Company's financial statements (continued)

7. Investment income ("-" for losses) (continued)

(1) Income from investment in associates accounted for using the equity method is as follow:

	2025	2024
Shanghai Secco	-	-
Chemical Industry	124,861	139,334
Baling Materials	(7,909)	-
Total	116,952	139,334

8. Supplementary information on cash flow statements

(1) Reconciliation from net (loss)/profit to cash flow from operating activities

	2025	2024
Net (loss)/profit	(1,468,722)	342,239
Add: Provisions for impairment of assets	392,119	285,929
Impairment credit losses ("-" for decrease)	3,482	(51)
Depreciation of investment properties	16,177	16,189
Depreciation of fixed assets	1,743,316	1,730,919
Depreciation of right-of-use assets	13,441	12,578
Amortization of intangible assets	12,284	12,286
Amortization of long-term deferred expense	189,466	229,505
Net losses on disposal of long-term assets ("-" for income)	7,817	(42,629)
Financial expenses ("-" for income)	(29,357)	1,495
Investment income ("-" for decrease)	(131,068)	(158,875)
Decrease in deferred tax assets ("-" for increase)	(66,619)	99,941
Decrease in deferred income	52,374	128,588
Decrease in inventories ("-" for increase)	300,011	927,126
Decrease in operating receivables ("-" for increase)	99,154	110,622
Increase in operating payables ("-" for decrease)	1,225,576	4,285,231
Increase of reserve ("-" for decrease)	(155,439)	(7,530)
Net cash outflow from generated/(used) in operating activities	2,204,012	7,973,563

*(All amounts in thousands of Renminbi Yuan unless otherwise stated)***XIV. Notes to the Company's financial statements** *(continued)***8. Supplementary information on cash flow statements** *(continued)***(2) Movement of cash and cash equivalent**

Item	2025	2024
Cash and cash equivalents at the end of the year	7,401,248	8,042,489
Less: Cash and cash equivalents at the beginning of the year	8,042,489	4,734,945
Net (decrease)/increase in cash and cash equivalents	(641,241)	3,307,544

(3) Liabilities arising from financing activities

	Non-current liabilities due within one year				Total
	Short-term	– long-term		Lease liabilities	
	borrowing	loans	Long-term loan		
Balance at the beginning of the year	1,500,940	47	67,685	525	1,569,197
Increase for the year – change in cash					
borrowings	–	–	644,083	–	644,083
Increase for the period – non-cash changes					
Increase in lease liability as a result of					
entering into new leases	–	–	–	19,354	19,354
Accrued interest	1,963	–	10,060	710	12,733
Reclassification	–	10,060	(10,060)	–	–
Decrease in current period – change					
in cash					
Repayment of loans	(1,500,000)	–	–	–	(1,500,000)
Repayment of principal and interest on					
lease liabilities	–	–	–	(13,919)	(13,919)
Interest payments	(2,903)	(9,562)	–	–	(12,465)
Decrease during the period – non-cash					
changes					
Reclassification	–	–	–	–	–
Balance at 31 December 2025	–	545	711,768	6,670	718,983

Supplementary Information to the Financial Statements

For the twelve months ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

I. Extraordinary gains and losses

Item	Value	Note
(1) Disposal gains or losses of non-current assets, including the reversal of provision for impairment of assets	(8,856)	–
(2) Government grants recorded in profit or loss (excluding government grants closely related to the normal business operations of the company, in accordance with national policies and regulations, enjoyed according to the determined standards, and having a continuous impact on the profit or loss of the company)	14,364	–
(3) Except for effective hedging business related to normal business operations of the Company, profit or loss from changes in fair values of non-financial enterprises holding financial assets and financial liability and gains and losses from disposal of disposal	5,632	–
(4) Other profit or loss items that meet the definition of non recurring profit or loss	(1,675)	Discount loss of receivables
(5) Other non-operating income and expenses other than those mentioned above	(12,416)	
Subtotal	(2,951)	
(6) Income tax effect for the above items	(5,246)	
(7) Effect on non-controlling interests (after tax)	(2,158)	
Total	(10,355)	

Basis of preparation for extraordinary profit and loss

Pursuant to Announcement [2023] Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public issued by China Securities regulatory commission (CSRC), extraordinary profit and loss arises in various trading and issues that have no direct relation with the normal operations of a company, or that are related with normal operations but affect the users of the statement to make reasonable judgment of the Company's operation performance and profitability due to the special and occasional nature of such trading and issues.

Supplementary Information to the Financial Statements *(continued)*

For the twelve months ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

II. Reconciliation between financial statements prepared under CAS and IFRS

The Company is a H Shares company listed on the Stock Exchange of Hong Kong. The Group prepared financial statements under International Financial Reporting Standards (“IFRS”) which has been audited. There are reconciliation items in the consolidated financial report prepared under CAS and IFRS, the reconciliation items and the amount are listed as follows:

	Net (losses)/gains		Net assets	
	For the year ended 31 December		For the year ended 31 December	
	2025	2024	2025	2024
Under CAS	(1,430,352)	322,517	23,234,223	25,144,495
Difference items and amounts				
Government grants ⁽¹⁾	176	2,010	(11,827)	(12,003)
Safety production costs ⁽²⁾	(155,318)	(7,530)	-	-
Other	(24,588)	-	-	-
Under IFRS	(1,610,082)	316,997	23,222,396	25,132,492

Notes in relation to the reconciliation items:

(1) Government grants

Under CAS, government subsidies defined as capital contributions according to the relevant government requirements are not considered a government grant, but instead should be recorded as an increase in capital reserves.

Under IFRS, such grants are offset against the cost of asset to which the grants are related. Upon transfer to property, plant and equipment, the grant is recognized as income over the useful life of the property, plant and equipment by way of a reduced depreciation charge.

(2) Safety production costs

Under CAS, safety production costs should be recognized in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS, expenses are recognized in profit or loss when incurred, and property, plant and equipment are depreciated with applicable method

Supplementary Information to the Financial Statements *(continued)*

For the twelve months ended 31 December 2025
(All amounts in thousands of Renminbi Yuan unless otherwise stated)

III. (Losses)/gains on net assets and (losses)/gains per share

Items	Weighted average (losses)/ gains on net assets (%)		(Losses)/gains per share (RMB)			
			Basic (losses)/ gains per share		Diluted (losses)/ gains per share	
	2025	2024	2025	2024	2025	2024
Net gains/(losses) attributable to shareholders of the Company	(5.953)	1.270	(0.136)	0.030	(0.136)	0.030
Net gains/(losses) attributable to shareholders of the Company excluding non-recurring items	(5.910)	1.356	(0.135)	0.032	(0.135)	0.032

Written Confirmation Issued by Directors and Senior Management

Pursuant to the relevant requirements of Article 82 of the *Securities Law, Management Measures for Information Disclosure of Listed Companies (2025 Revision)*, *Standards for the Contents and Formats of Information Disclosure by Companies Offering to the Public No.2--Contents and Formats of Annual Reports (2025 Revision)*, and *Shanghai Stock Exchange Stock Listing Rules (2025 April Revision)*, as the Company's directors and senior management, we fully understood and reviewed the Company's 2025 Annual Report and issued the written opinions as follows:

1. Confirmation opinions by directors and senior management
The Company operated in strict accordance with the financial system of listed companies, and the 2025 Annual Report fully, truly and fairly reflected the Company's financial performance and operating results. The formulation and review procedures of the Company's 2025 Annual Report were in compliance with laws and regulations, regulations of China Securities Regulatory Commission, articles of association and relevant internal control systems.
2. All directors and senior management guarantee that the information disclosed in the Company's 2025 Annual Report and summary is true, accurate and complete, promise that there are no false records, misleading statements or major omissions, and bear the legal liabilities for the authenticity, exactness and completeness of the contents.

Sign by directors:

Guo Xiaojun

Lu Zhiyong

Du Jun

Huang Xiangyu

Xie Zhenglin

Qin Zhaohui

Tang Song

Chen Haifeng

Yang Jun

Zhou Ying

Huang Jiangdong

Sign by senior management:

Li Shantao

Zhou Guoming

Liu Gang

Corporate Information

(I) Corporate Information

Chinese Name of the Company	中國石化上海石油化工股份有限公司
Chinese Short Name of the Company	上海石化
English name of the Company	Sinopec Shanghai Petrochemical Company Limited
Abbreviation of the English Name of the Company	SPC
Legal representative of the Company	Guo Xiaojun

(II) Contact Persons and Contact Details

	Secretary to the Board	Securities Affairs Representative
Name	Liu Gang	Huang Lixin
Address	No.48 Jinyi Road, Jinshan District, Shanghai, PRC, Postal Code: 200540	
Tel	8621-57943143	8621-57933728
Fax	8621-57940050	8621-57940050
E-mail	liugang@spc.com.cn	huanglixin@spc.com.cn

(III) Basic Information

Registered Address*	No.48 Jinyi Road, Jinshan District, Shanghai, PRC
Postal code of the registered office of the Company	200540
Office address of the Company	No.48 Jinyi Road, Jinshan District, Shanghai, PRC
Postal Code of Office Address	200540
Principal Place of Business in Hong Kong	Room 605, Island Place Tower, 510 King's Road, Hong Kong
Website of the Company	www.spc.com.cn
E-mail address	spc@spc.com.cn

* There were no changes in registered address of the Company during the Reporting Period

(IV) Information Disclosure and Access

Designated newspapers for the publication of the Company's announcements	<i>China Securities Journal, Shanghai Securities News and Securities Times</i>
Websites for the publication of the Company's annual reports	Shanghai Stock Exchange website, Hong Kong Stock Exchange website and the website of the Company
Place for access to the Company's annual reports	Secretariat Office to the Board, No.48 Jinyi Road, Jinshan District, Shanghai, PRC

(V) Shares Profile of the Company

Share Type	Place of Listing	Stock Short Name	Stock Code
A Shares	Shanghai Stock Exchange	上海石化	600688
H Shares	Hong Kong Stock Exchange	SHANGHAI PECEM	00338

(VI) Other Relevant Information

Auditor engaged by the Company (Domestic)	Name	KPMG Huazhen LLP
	Address	8th floor, KPMG building, Oriental Plaza, No. 1, East Chang'an Street, Dongcheng District, Beijing, PRC
	Signing Auditors	Wang Wenli, Hong Xiaohua
Auditor Engaged by the Company (Overseas)	Name	KPMG Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
	Address	8th Floor, Prince Building, 10 Chater Road, Central, Hong Kong
	Signing Auditors	Au Yat Fo

Legal Advisors:

PRC Law:	Haiwen & Partners
	20th Floor, Fortune & Finance Center
	No.5 Dong San Huan Central Road
	Chaoyang District, Beijing, PRC
	Postal Code: 100020
Hong Kong Law:	Zhong Lun Law Firm
	4th floor, Jardine house, 1 Connaught Plaza, central,
	Hong Kong

Joint Company Secretaries:

Liu Gang, Xu Hai Yan

Authorised Representatives for Hong Kong Stock Exchange:

Guo Xiao Jun, Xu Hai Yan

H Shares Share Registrar:

Hong Kong Registrars Limited

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Documents Available for Inspection

- (I) The financial statements signed and sealed by the chairman, chief financial officer, manager of the finance department.
- (II) The original audit report containing the signatures of the certified public accountants of the accounting firm.
- (III) The originals of all company documents and announcements publicly disclosed in the newspapers designated by CSRC during the Reporting Period.
- (IV) Written confirmation of the annual report signed by the Directors and senior management of the Company.

Chairman: Guo Xiaojun

Date of approval by the Board: 18 March 2026

