THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Petroleum & Chemical Corporation, you should at once hand this circular together with the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for delivery to the purchaser or transferee.

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中国石化
SINOPEC

中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00386)

PROPOSED AMENDMENTS TO THE MUTUAL SUPPLY AGREEMENT AND ITS RELEVANT ANNUAL CAPS

IFA to the Independent Board Committee and Independent Shareholders

邁時金融
MAXA FINANCIAL

The Company will hold the EGM at Swissôtel Beijing Hong Kong Macau Center, No. 2 Chaoyangmen North Street, Dongcheng District, Beijing, China on Friday, 23 October 2026 at 9:00 a.m., and the notice of the EGM is set out in this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM (i.e. before 9:00 a.m. on 22 October 2026). Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or at any adjourned EGM should you so wish.

28 September 2026

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In this circular, unless otherwise indicated in the context, the following expressions have the meaning set out below:

"associates"	has the meaning under the Hong Kong Listing Rules
"Board"	the board of directors of the Company
"China Petrochemical Corporation"	China Petrochemical Corporation, being the controlling shareholder of the Company
"CNAF Group"	CNAF and its associates
"CNAF"	China National Aviation Fuel Group Limited
"Company"	China Petroleum & Chemical Corporation, a joint stock limited company incorporated in the PRC with limited liability
"Connected Subsidiaries"	the subsidiaries of the Company in which China Petrochemical Corporation and its associates hold at least 10% of the direct equity interest (excluding any indirect interest in the subsidiaries of the Company held by China Petrochemical Corporation and its associates through the Company), and any subsidiaries of such subsidiaries
"Continuing Connected Transactions Eighth Supplemental Agreement"	the agreement dated 7 September 2026 entered into between the Company and China Petrochemical Corporation regarding the amendments of the terms of the continuing connected transactions
"Continuing Connected Transactions"	the transactions relating to the supply and purchase of products and services under the Mutual Supply Agreement
"Directors"	the directors of the Company
"EGM"	the first extraordinary general meeting of 2026 of the Company to be held at 9:00 a.m. on 23 October 2026 for Independent Shareholders to consider and approve the Proposed Amendments
"Group"	the Company and its subsidiaries
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong"	Hong Kong Special Administrative Region of China
"Independent Board Committee"	an independent board committee of the Board comprising all independent non-executive Directors, namely Mr. Xu Lin, Ms. Zhang Liying, Mr. Liu Tsz Bun Bennett, Mr. Zhang Xiliang and Mr. Li Wei
"Independent Financial Adviser" or "Maxa Capital"	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), appointed as independent financial adviser by the Company to advise the Independent Board Committee and Independent Shareholders
"Independent Shareholders"	the shareholders of the Company other than China Petrochemical Corporation and its associates
"Latest Practicable Date"	23 September 2026
"Mutual Supply Agreement"	the mutual supply agreement dated 3 June 2000 and the supplemental agreement dated 26 September 2000 (as amended) regarding the provision of a range of products and services from time to time (1) by Sinopec Group to the Group; and (2) by the Group to Sinopec Group, and the mutual supply agreement amended by the Continuing Connected Transactions Eighth Supplemental Agreement dated 7 September 2026
"NDRC"	the National Development and Reform Commission
"PRC" or "China"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong Special Administrative Region of China, Macau Special Administrative Region and Taiwan Region of the People's Republic of China
"Proposed Amendments"	the addition of the provision of refined oil products by Sinopec Group to the Group under the Mutual Supply Agreement and the amendments to the 2026 and 2027 annual caps for the mutual supply of products and services between the Group and Sinopec Group under the Mutual Supply Agreement, and the entering into of the Continuing Connected Transactions Eighth Supplemental Agreement

"Reorganisation"	the reorganisation completed between CNAF and China Petrochemical Corporation on 9 July 2026. After the Reorganisation, China Petrochemical Corporation holds 100% of the equity interests in CNAF
"RMB"	the lawful currency of the PRC
"Shanghai Listing Rules"	the Share Listing Rules of Shanghai Stock Exchange
"Shareholders"	the shareholders of the Company
"Shares"	the ordinary shares of RMB1.00 each in the share capital of the Company, including A Shares and H Shares
"Sinopec Century Bright"	Sinopec Century Bright Capital Investment Limited, a wholly-owned subsidiary of China Petrochemical Corporation
"Sinopec Group"	(i) China Petrochemical Corporation and its associates (other than the Company and its subsidiaries except for those mentioned in (ii)); and (ii) the Connected Subsidiaries
"SSE"	the Shanghai Stock Exchange

中国石化
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中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00386)

Non-Executive Directors:
Hou Qijun
Zhao Dong
Zhong Ren
Cai Yong
Wang Shijie *(Employee Representative Director)*

Executive Directors:
Wan Tao
Niu Shuanwen
Tian Hongbin
Chen Yanbin

Independent Non-Executive Directors:
Xu Lin
Zhang Liying
Liu Tsz Bun Bennett
Zhang Xiliang
Li Wei

Registered Office:
22 Chaoyangmen North Street
Chaoyang District
Beijing 100728
The People's Republic of China

28 September 2026

To the Shareholders

PROPOSED AMENDMENTS TO THE MUTUAL SUPPLY AGREEMENT AND ITS RELEVANT ANNUAL CAPS

INTRODUCTION

Reference is made to the announcement in relation to the Proposed Amendments dated 7 September 2026 published by the Company.

The purpose of this circular (among other matters) is to provide you with further information regarding the Proposed Amendments to the Mutual Supply Agreement and its relevant annual caps, including the recommendation from the Independent Board Committee and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, so that you can make informed decisions on whether or not to vote for relevant resolutions to be proposed at the EGM.

PROPOSED AMENDMENTS TO THE MUTUAL SUPPLY AGREEMENT AND ITS RELEVANT ANNUAL CAPS

I. Background

References are made to the announcements and circulars in relation to the renewal of continuing connected transactions and discloseable transactions dated 23 August 2024 and 30 August 2024. At the first extraordinary general meeting of 2024 of the Company, the Independent Shareholders approved, among other things, the Mutual Supply Agreement between the Group and Sinopec Group and its annual caps for the three years ending 31 December 2027.

Given that upon completion of the Reorganisation on 9 July 2026, CNAF has become a wholly-owned subsidiary of China Petrochemical Corporation. Therefore, the continuing transactions conducted between the Group and CNAF Group in the ordinary course of business will become part of the continuing connected transactions between the Group and Sinopec Group.

Taking into account the fact that (i) the existing annual caps for the continuing connected transactions under the Mutual Supply Agreement will not be sufficient for the expected transaction demand based on the existing continuing transaction amounts between the Group and CNAF Group and the estimation of future transaction demands; (ii) there may be an increase and fluctuation of the prices of crude oil and refined oil; and (iii) the increase in the mutual supply volume of crude oil and refined oil between the Group and Sinopec Group is anticipated, the Board proposes to amend the scope of service of the Mutual Supply Agreement and the 2026 and 2027 annual caps for the provision of products and services by the Group to Sinopec Group and the provision of products and services by Sinopec Group to the Group under the Mutual Supply Agreement.

The Proposed Amendments do not involve any amendments to the scope, terms, pricing policy or the existing annual caps for the entrusted loans provided by the Group to the Connected Subsidiaries under the Mutual Supply Agreement. Save for the addition of the provision of refined oil products by Sinopec Group to the Group under the Mutual Supply Agreement and the proposed amendments to the 2026 and 2027 annual caps for the mutual supply of products and services between the Group and Sinopec Group under the Mutual Supply Agreement, all other terms and conditions of the Mutual Supply Agreement (including the relevant caps and the basis of determination for the entrusted loans as disclosed in the Company's circular dated 30 August 2024 (the "**2024 Circular**")) remain unchanged and in full force and effect. For details, please refer to the 2024 Circular.

Pursuant to the Hong Kong Listing Rules and the Shanghai Listing Rules, the Proposed Amendments are subject to requirements including reporting, announcement, annual review, and Independent Shareholders' approval.

II. Mutual Supply Agreement

1. Signing Date and Term

The Company and China Petrochemical Corporation entered into the Mutual Supply Agreement on 3 June 2000. The Company and China Petrochemical Corporation entered into the Continuing Connected Transactions Eighth Supplemental Agreement on 7 September 2026 to amend the Mutual Supply Agreement, and the term of the Mutual Supply Agreement is up to 31 December 2027.

2. Scope of Service after the Proposed Amendments

The following transactions are contemplated under the Mutual Supply Agreement:

(1) Products and services provided by the Group, including:

(a) Crude oil, natural gas, refined and petrochemical products and by-products, semi-finished products, coal, steel, water, electricity, gas, heat, measurements, quality inspection, and other related or similar products and services;

(b) Entrusted loan to the Connected Subsidiaries.

(2) Products and services provided by Sinopec Group, including:

(a) Supply: fresh water, chemical water, recycled water, industrial air, hydrogen, nitrogen, electricity, steam, heat supply, materials and equipment parts, chemical raw materials, precious metals, the sourcing of crude oil and natural gas (including crude oil and natural gas from overseas), **refined oil products** and other related or similar products and services;

(b) Storage and transportation: railway, vehicular transport, water transport, pipeline transmission, loading and unloading, wharves, warehousing and other related or similar services;

(c) Ancillary production: well drilling, well surveying, well logging, exploration and development testing, technological research, communication, fire control, security guards, public security, chemical examination, material examination, information, pressure containers and pipelines inspection, metering inspection, computer services, equipment research, airports, feasibility study, design, construction, installation, production of electromechanical instruments, inspection and maintenance of equipment devices and electrical equipment meters, projects supervision, environmental protection, repair and maintenance of roads, bridges and culverts and slope protection, flood control and other related or similar services;

(d) Training and auxiliary services: staff training, culture and sports, newspapers and magazines, radio and TV, office and factory property management, canteens, dormitories, commuting, re-employment service centres and other related or similar services;

(e) Others: agent services in the collection and payment of administrative services fees, labour services, asset leasing, insurance, insurance agency service, entrusted loans and other intermediary services, sharing services (including finance, human resources, business travel and information technology sharing, etc.), and other related or similar services.

Pursuant to the Mutual Supply Agreement, the Group and Sinopec Group will supply each other with crude oil, natural gas and utilities (i.e. water, electricity, steam, industrial air, etc.). Such mutual supply will bring convenience and flexibility to both parties' production and operation. In particular:

(I) In terms of crude oil, on one hand, according to relevant regulations in China, overseas crude oil purchases require relevant qualifications, which Sinopec Group lacks. China International United Petroleum & Chemicals Co., Ltd., being a subsidiary of the Company, has the relevant qualifications and is a leading crude oil trading company in China. By purchasing crude oil from China International United Petroleum & Chemicals Co., Ltd., Sinopec Group can ensure stable production and operation. On the other hand, the Group purchases a large amount of crude oil from overseas every year in order to meet its production and operation demands, a small portion of which is overseas equity crude oil of Sinopec Group. In addition, taking into account factors such as transport time, market demand, and the crude oil's adaptability to facilities, the Group will purchase crude oil from Sinopec Group's commercial petroleum storage companies in the same region from time to time;

(II) In terms of natural gas, on one hand, since Sinopec Group has demands for natural gas as raw material, fuel and for other uses whereas the Group is engaged in natural gas exploration and production, Sinopec Group needs to purchase natural gas from the Group to meet its production and operation demands. On the other hand, since some of the Group's gas-consuming member enterprises and the Group's natural gas exploration and production member enterprises are located in different regions, a small number of the Group's member enterprises need to occasionally purchase a small amount of natural gas for production and operation from Sinopec Group in order to reduce costs;

(III) In terms of utilities, utilities in some regions belong to the Group while utilities in some other regions belong to Sinopec Group. Under circumstances where member enterprises of the Group and Sinopec Group are located in the same region, one party will purchase the utility products belonging to the other party so as to satisfy its production and operation demands and to ensure its stable operation.

3. Pricing Policy

The pricing policy and internal control measures under the Mutual Supply Agreement as set out in the 2024 Circular remain unchanged, and are applicable to all transactions contemplated under the Proposed Amendments. For ease of reference, the pricing policy under the Mutual Supply Agreement is set out below. As the Proposed Amendments only involve the transactions in relation to crude oil, refined oil and related services, only the particular pricing bases related to the aforementioned products and services are set out.

The transactions conducted under the Mutual Supply Agreement shall be priced in accordance with the following terms:

(1) government-prescribed price;

(2) where there is no government-prescribed price but government guidance price exists, the government guidance price will apply;

(3) where there is neither a government-prescribed price nor a government guidance price, the market price will apply;

(4) where none of the above is applicable, the price is to be agreed between relevant parties for the provision of the above products or service, which shall be the reasonable cost incurred in providing the same plus 6% or less of such cost.

Agreed price applies to a limited scope of products and services, such as utility products, finance, human resources, business traveling, information technology and other sharing service, training and auxiliary services. The particular basis for price determination for those products and services is disclosed in the 2024 Circular.

The historical amount of the above products and services priced at reasonable cost plus reasonable profit in 2025 did not exceed 5% of the transaction amount of the products and services provided between the Group and Sinopec Group under the Mutual Supply Agreement. These products and services are necessary for the daily production and operation of the Group and Sinopec Group, and in order to ensure their long-term and stable supply, the Company entered into the Mutual Supply Agreement with China Petrochemical Corporation at the time of its listing in 2000 and determined such pricing principle. As most of the Company's subsidiaries are located in the same independent industrial and mining areas with Sinopec Group in remote locations, where it is difficult to obtain the same type and quality products or services from independent third parties on the same conditions, those products and services are mainly provided between the Group and Sinopec Group. The profit margin of those transactions between Sinopec Group and the Group is within 6% and relevant prices are not less favorable than the prices offered to independent third parties. Accordingly, the Company is of the view that a profit margin within 6% is fair and reasonable and in the interests of the Company and its shareholders as a whole.

In particular:

(1) Government-prescribed price (including government guidance price)

Applicable to gasoline, diesel, natural gas, liquefied gas, water supply, electricity supply and heating supply (plus diversion costs in respect of water, electricity and heating supply). The government pricing for different products and services is determined based on the following principles:

Types of product/service with government-prescribed price	**Primary basis for price determination**
Refined oil products (gasoline and diesel)	According to the Notice of Issues Concerning Further Improving the Pricing Formation Mechanism of Refined Oil (Fa Gai Jia Ge [2016] No. 64) (《關於進一步完善成品油價格形成機制有關問題的通知》(發改價格[2016]64號)) issued by the NDRC on 13 January 2016, government guidance price shall be applied for the retail price and wholesale price of gasoline and diesel, as well as the supply price of gasoline and diesel to special users such as social wholesale enterprises, railway and transportation etc.; government-prescribed price shall be applied for the supply price of gasoline and diesel to the national reserve and other entities, and the factory price of aviation gasoline. The price of gasoline and diesel may be adjusted every ten working days with reference to the changes in the international market price of crude oil. The NDRC prescribes the maximum retail price of gasoline and diesel for all provinces (autonomous regions, municipalities) or central cities, and the supply price of gasoline and diesel to the national reserve and other entities, as well as the factory price of aviation gasoline. The price adjustment for refined oil products is subject to the documents issued by the relevant national competent authorities for pricing.

(2) Relevant market price (including tender price)

Applicable to crude oil, refined oil products (jet fuel, light chemical feedstock, lubricant, heavy oil etc.), chemical products, coal, asset leasing, machinery repairs, transportation, warehousing, material procurement and so on. The relevant market price for each of the products is determined based on the following principles:

Types of product/service with relevant market price	**Primary basis for price determination**
Crude oil	The relevant market price of crude oil is determined with reference to crude oil quoted prices on international markets, such as Brent, Dubai and Oman.
Refined oil products (jet fuel, light chemical feedstock, lubricant, heavy oil)	The relevant market price of jet fuel is determined in accordance with the duty-paid CIF price for jet fuel imports from the Singapore market; the relevant market price of light chemical feedstock is determined in accordance with the duty-paid CIF price for naphtha imports from Japan and Singapore markets; the relevant market price of lubricant is determined by referring to the quotations on the relevant domestic price websites for lubricant; the relevant market price of heavy oil is determined in accordance with the duty-paid CIF price for imports of 180C heavy oil from Singapore market. Such product prices in Singapore and Japan markets are publicly available.
Asset leasing, machinery repairs, transportation, warehousing and materials procurement, etc.	The relevant market price is determined through price enquiry and comparison on the relevant price websites or by referring to the prices of the same type of transactions in surrounding markets or by tender through the e-commerce system, etc.

The Company has established procedures and internal control system for pricing and terms of the Continuing Connected Transactions. For details, please refer to pages 17 to 18 of this circular.

III. Existing Annual Caps and Proposed Amended Annual Caps

1. Existing annual caps and historical transaction amounts

The following are the historical figures and existing annual transaction caps for the mutual supply of products and services between the Group and Sinopec Group under the Mutual Supply Agreement for the year ended 31 December 2025 and the six months ended 30 June 2026:

Continuing Connected Transactions under the Mutual Supply Agreement		For the year ended 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
(1) Products and services provided by the Group to Sinopec Group	Historical transaction amount (RMB billion)	164.5[2]	107.9[1]	–
	Existing annual cap (RMB billion)	254.8	254.8	263.2
(2) Products and services provided by Sinopec Group to the Group	Historical transaction amount (RMB billion)	261.4[2]	160.1[1]	–
	Existing annual cap (RMB billion)	403.9	421.5	422.9

Notes: (1) Being the historical figures for the 6 months ended 30 June 2026.

(2) The utilization rate of the 2025 annual cap for products and services provided by the Group to Sinopec Group was 64.56%; the utilization rate of the 2025 annual cap for products and services provided by Sinopec Group to the Group was 64.72%.

(3) For the eight months ended 31 August 2026, the transaction amount for products and services provided by the Group to Sinopec Group was RMB163.1 billion, and the utilization rate of the 2026 annual cap was approximately 64.01%. For the eight months ended 31 August 2026, the transaction amount for products and services provided by Sinopec Group to the Group was RMB226.4 billion, and the utilization rate of the 2026 annual cap was approximately 53.71%.

(4) The Proposed Amendments do not involve any amendments to the annual caps for the entrusted loan provided by the Group to the Connected Subsidiaries under the Mutual Supply Agreement.

As of the Latest Practicable Date, none of the annual caps mentioned above has been exceeded.

2. Proposed amended annual caps for the mutual supply of products and services between the Group and Sinopec Group

Continuing Connected Transactions under the amended Mutual Supply Agreement	Proposed amended annual caps for the year ending 31 December (RMB billion)	
	2026	**2027**
(1) Products and services to be provided by the Group to Sinopec Group	392.8	594.6
(2) Products and services to be provided by Sinopec Group to the Group	442.0	523.6

Note: The Proposed Amendments do not involve any amendments to the annual caps for the entrusted loan provided by the Group to the Connected Subsidiaries under the Mutual Supply Agreement.

IV. Reasons for and Benefits of the Proposed Amendments

Taking into account the following facts: (i) upon completion of the Reorganisation on 9 July 2026, CNAF has become a wholly-owned subsidiary of China Petrochemical Corporation. As the Group is the largest jet fuel supplier of CNAF Group, and there are a small amount of gasoline and diesel transactions and related services between the Group and CNAF Group, based on the existing continuing transaction amounts between the Group and CNAF Group and the estimation of future transaction demands, the existing annual caps for the relevant continuing connected transactions under the Mutual Supply Agreement are not able to satisfy expected transaction demands; (ii) due to the geopolitical conflicts in the Middle East, the supply of crude oil resources has been hindered, to ensure the stable supply of crude oil resources and smooth production of the Group, the Group is expected to increase the volume of crude oil purchased from Sinopec Group's commercial petroleum storage companies in the same region, and Sinopec Group's commercial petroleum storage companies are also expected to further increase the volume of crude oil purchased through China International United Petroleum and Chemicals Co., Ltd., a subsidiary of the Company; and (iii) there may be an increase and fluctuation of the prices of crude oil and refined oil, the Board proposes to amend the scope of service of the Mutual Supply Agreement and the 2026 and 2027 annual caps for the provision of products and services by the Group to Sinopec Group and the provision of products and services by Sinopec Group to the Group under the Mutual Supply Agreement.

The Directors of the Company (including the independent non-executive Directors) consider that the Proposed Amendments are conducted on normal commercial terms, are fair and reasonable, and are in the overall interests of the Company and the Shareholders.

V. Basis for the Proposed Amended Annual Caps

Continuing Connected Transactions under the Mutual Supply Agreement	Basis for Determining the Proposed Amended Annual Caps
(1) Products and services provided by the Group to Sinopec Group	The proposed amended annual caps for the provision of products and services by the Group to Sinopec Group are determined with reference to: (i) The utilisation rate of the existing 2026 annual cap under the Mutual Supply Agreement: For the six months ended 30 June 2026, the utilisation rate of the 2026 annual cap has reached approximately 42%, representing a significant increase as compared to the same period in previous years, mainly due to factors such as high oil prices caused by geopolitical conflicts, which led to an increase in the business amount between the Group and Sinopec Group; (ii) The product prices of crude oil and related refined oil: According to the 2024 Circular, the Company assumed that the crude oil price for 2026-2027 was originally US$85/barrel. Based on the increase in crude oil prices since 2026, the Company now assumes that the crude oil prices for the second half of 2026 and 2027 will be adjusted to US$90/barrel and US$85/barrel respectively, and the prices of relevant refined oil will fluctuate according to the crude oil prices; (iii) The historical transaction amounts of the provision of products and services by the Group to CNAF Group: During the year of 2025 and the period from January to June 2026, the amounts of products and services such as jet fuel sold by the Group to CNAF Group were approximately RMB133.2 billion and RMB80.9 billion respectively. As CNAF has become a subsidiary of China Petrochemical Corporation since 9 July 2026, taking into account the historical transaction amounts and the historical price of jet fuel in the first half of 2026, the Company expects that the amounts of products and services such as jet fuel provided by the Group to CNAF Group after July 2026 and in 2027 will be RMB121.0 billion and RMB214.0 billion respectively;

Continuing Connected Transactions under the Mutual Supply Agreement	Basis for Determining the Proposed Amended Annual Caps
	(iv) The expected business development of the Group and Sinopec Group: Taking into account the fluctuations in crude oil and market demand caused by geopolitical conflicts, the demand of Sinopec Group for purchasing crude oil from the Group is expected to further increase, and the Company expects that the amounts of crude oil sold by the Group to Sinopec Group after July 2026 and in 2027 will increase by RMB10.4 billion and RMB74.0 billion respectively;
	(v) Taking into account: (a) both the Group and Sinopec Group (including CNAF Group) are considered as large enterprises in terms of their large corporate scale and volume; (b) the evolving international geopolitics may lead to a significant volatility in the prices of crude oil, petroleum and petrochemical products and exchange rates, it is difficult to accurately predict potential emergencies in the future; and (c) the importance of the sale of products and services by the Group to Sinopec Group under the Mutual Supply Agreement to the revenue and production and operation of the Company, and the Company is therefore of the view that the newly added annual caps for 2026 and 2027 should be flexible with a buffer of 5% and 15% respectively, to accommodate the maximum amount considering various possibilities according to commercially feasible plans.
(2) Products and services provided by Sinopec Group to the Group	The proposed amended annual caps for the provision of products and services by Sinopec Group to the Group are determined with reference to:
	(i) The utilisation rate of the existing 2026 annual cap under the Mutual Supply Agreement: For the six months ended 30 June 2026, the utilisation rate of the 2026 annual cap has reached approximately 38%, representing a significant increase as compared to the same period in previous years, mainly due to factors such as high oil prices caused by geopolitical conflicts, which led to an increase in the transaction amount between the Group and Sinopec Group;

Continuing Connected Transactions under the Mutual Supply Agreement

Basis for Determining the Proposed Amended Annual Caps

(ii) The product prices of crude oil and related refined oil: The Company assumed that the crude oil price for 2026 and 2027 was originally US$85/barrel according to the 2024 Circular. Based on the increase in crude oil prices since 2026, the Company now assumes that the crude oil prices for the second half of 2026 and 2027 will be adjusted to US$90/barrel and US$85/barrel respectively, and the prices of relevant refined oil will fluctuate according to the crude oil prices;

(iii) The historical transaction amounts of the provision of products and services by CNAF Group to the Group: During the year of 2025 and the period from January to June 2026, the amounts of products and services such as refined oil products sold by CNAF Group to the Group were approximately RMB11.0 billion and RMB4.7 billion respectively. As CNAF has become a subsidiary of China Petrochemical Corporation since 9 July 2026, taking into account the historical transaction amounts and the historical price of relevant refined oil products in the first half of 2026, the Company expects that the amounts of refined oil products and services provided by CNAF Group to the Group after July 2026 and in 2027 will be RMB9.1 billion and RMB13.5 billion respectively;

Continuing Connected Transactions under the Mutual Supply Agreement

Basis for Determining the Proposed Amended Annual Caps

(iv) The expected business development of the Group and Sinopec Group: Taking into account the fluctuations in crude oil and market demand caused by geopolitical conflicts, the demand of the Group for purchasing crude oil from Sinopec Group's commercial petroleum storage companies is expected to further increase. The Company expects that the amounts of crude oil provided by Sinopec Group to the Group after July 2026 and in 2027 will increase by RMB10.4 billion and RMB74.0 billion respectively;

(v) Taking into account: (a) both the Group and Sinopec Group (including CNAF Group) are considered as large enterprises in terms of their large corporate scale and volume; (b) the evolving international geopolitics may lead to a significant volatility in the prices of crude oil, petroleum and petrochemical products and exchange rates, it is difficult to accurately predict potential emergencies in the future; and (c) the importance and necessity of the sale of products and services by Sinopec Group to the Group under the Mutual Supply Agreement to the production and operation of the Company, and the Company is therefore of the view that the newly added annual caps for 2026 and 2027 should be flexible with a buffer of 5% and 15% respectively, to accommodate the maximum amount considering various possibilities according to commercially feasible plans.

VI. Procedures and Internal Control System for Pricing and Terms of the Mutual Supply Agreement

The Group has established a series of internal control system in order to ensure that the pricing mechanism and terms of the Mutual Supply Agreement are fair and reasonable and no less favourable than the terms provided by any independent third party, as well as in the interest of the Company and its shareholders as a whole. Such system mainly includes:

(I) The transactions contemplated under the Mutual Supply Agreement are conducted on a non-exclusive basis;

(II) As for the pricing mechanism of the Group's procurement and/or sales of products or services from/to Sinopec Group, according to the Company's procurement and sales measures, if there is no government-prescribed price or government guided price, the Group will actively obtain information about market price through various channels, such as taking into consideration the prices of at least two comparable transactions of the Group with independent third parties during the same period and transactions among independent third parties during the same period, conducting market price research through various independent industry information providers (such as industry websites), and participating in activities organised by leading industry organisations. Market price information will also be provided to other departments and subsidiaries of the Company so as to assist in pricing of relevant continuing connected transactions. Such price is determined by parties involved (i.e. the subsidiaries of the Company and the subsidiaries of China Petrochemical Corporation) on normal commercial terms with reference to aforementioned price information. For products and services with agreed prices, for the purpose of ascertaining the connected transaction prices, the supplier will provide a cost list, while the purchaser will compare the comparable average cost of the same type of companies in proximity or the cost of the same type of products to determine reasonable cost. For the Group, such price is subject to the approval of the financial department of the Company. The price of connected transactions, once determined and signed, shall not be changed by either party unilaterally;

(III) As for the Group's procurement process of relevant products or services, according to the Company's procurement measures, the Group will request suppliers, including Sinopec Group and other independent suppliers, to provide price quotations in respect of the requested services or products. Following the receipt of quotations, the Group will compare the quotations and negotiate the terms of quotations with suppliers. The Group will confirm supplier selection after taking into account factors such as price quotations, quality of the products or services, particular needs of parties involved, technical advantages of the supplier, ability of the supplier in performing the contracts and providing follow-up services, and qualifications and relevant experiences of the supplier;

(IV) The Company's internal control and risk management departments will conduct regular internal assessments on the internal control measures every year to examine the completeness and effectiveness of internal control measures in respect of connected transactions. The legal and contract management departments of the Company will conduct prudent reviews of the connected transaction contracts, while the departments executing relevant contracts will monitor the connected transaction amounts in a timely manner;

(V) The Company will implement connected transactions in accordance with the internal control procedures, and review the accounting statements on connected transactions submitted by relevant subsidiaries on a monthly basis. Review and analysis on the connected transaction statements and price implementation are conducted on a quarterly basis, and analysis report on the implementation of connected transactions will be prepared to recommend rectification measures for any issues identified;

(VI) The Board will review the implementation of the continuing connected transactions on an annual basis, and review the financial report, which included the implementation of the continuing connected transactions, on a half-year basis, mainly in respect of matters such as: whether the Group and connected parties performed the continuing connected transaction agreement during relevant period; whether the amounts of the connected transactions between the Group and connected persons incurred are within the annual caps as approved at the general meeting. The independent non-executive directors report their performance of duties at the general meeting on an annual basis, and particularly express their opinions on whether the continuing connected transactions exceed relevant caps as approved at the general meeting, whether the continuing connected transactions are performed pursuant to the agreements, and whether the continuing connected transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole;

(VII) The Audit Committee of the Company will review the annual financial statements, annual report, interim financial statements and interim report, which include the implementation of the continuing connected transactions, and express opinion on the connected transactions conducted during the reporting period mainly in respect of matters such as: whether the connected transactions are fair, and whether the actual connected transaction amounts incurred are within the annual caps;

(VIII) The external auditor of the Company will conduct interim review and annual audit for each year, express opinions on the implementation of the pricing policies and whether the actual connected transaction amounts incurred are within relevant annual caps for respective year of the Group's annual continuing connected transactions pursuant to the Hong Kong Listing Rules, and issue relevant letter to the Board.

By implementing the above internal control measures and procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of the continuing connected transactions will be on market terms and be conducted on normal commercial terms, and will be fair and reasonable to the Company and the shareholders as a whole.

VII. The Hong Kong Listing Rules and the Shanghai Listing Rules Requirements

Pursuant to the Hong Kong Listing Rules and the Shanghai Listing Rules, as at the Latest Practicable Date, China Petrochemical Corporation, directly holding approximately 68.91% of the total issued share capital of the Company, and its associates will constitute connected persons of the Company. As such, the continuing transactions between the Company and Sinopec Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54 of the Hong Kong Listing Rules, due to the Proposed Amendments, the Company is required to re-comply with the relevant requirements of Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions. Given that the highest applicable percentage ratio (as defined in Rule 14.07 of the Hong Kong Listing Rules) for the Proposed Amendments exceeds 5%, the Proposed Amendments are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to the Shanghai Listing Rules, the Proposed Amendments are subject to the announcement and Independent Shareholders' approval requirements.

VIII. Approval by the Board and Independent Shareholders

The Company has convened the Independent Board Committee on 4 September 2026 before submitting it to the Board for consideration. The resolution to approve the Proposed Amendments was unanimously agreed and approved by all the independent non-executive Directors. On 7 September 2026, the fifteenth meeting of the ninth session of the Board was convened, at which non-connected Directors approved the Proposed Amendments. Connected Directors, namely Hou Qijun, Zhao Dong, Zhong Ren, Wan Tao, Niu Shuanwen, Cai Yong, Tian Hongbin, Chen Yanbin, Wang Shijie are abstained from voting on relevant resolutions. Save as disclosed above, none of the Directors has any material interest in the abovementioned transactions.

According to the requirements of the Hong Kong Listing Rules, an Independent Board Committee has been formed, which will advise the Independent Shareholders in respect of the fairness and the reasonableness of the Proposed Amendments, and whether the Proposed Amendments are in the interests of the Company and its Shareholders as a whole. Furthermore, the Independent Board Committee will advise Shareholders on how to vote, taking into account the recommendations of the IFA. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Continuing Connected Transactions.

Maxa Capital has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, the fairness and reasonableness of the Proposed Amendments and whether the Proposed Amendments are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

The Company will convene the EGM for the Independent Shareholders to approve the Proposed Amendments. As at the Latest Practicable Date, China Petrochemical Corporation and its associates (holding 84,588,774,653 Shares, representing approximately 70.07% of the total share capital of the Company including China Petrochemical Corporation holding 83,183,932,653 A Shares, representing approximately 68.91% of the total share capital of the Company and Sinopec Century Bright, an overseas wholly-owned subsidiary of China Petrochemical Corporation, through HKSCC Nominees Limited holding 1,404,842,000 H Shares, representing approximately 1.16% of the total share capital of the Company) will abstain from voting on the ordinary resolution in respect of the Proposed Amendments at the EGM.

IX. General Information

The Company

The Company is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; research, development and application of technologies and information; hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping, solar energy, wind energy and other new energy business and related services.

China Petrochemical Corporation

China Petrochemical Corporation is a limited liability company established under the laws of the PRC, and is a state-authorised investment organisation and a state-owned enterprise. Its principal businesses include organizing its affiliated enterprises to engage in the exploration, extraction, storage and transportation (including pipeline transportation), sales and comprehensive utilisation of crude oil and natural gas; organizing its affiliated enterprises to engage in refining; organizing its affiliated enterprises to engage in wholesale and retail of refined oil; organizing its affiliated enterprises to engage in the production, sales, storage, transportation and operation of petrochemical and other chemical products; industrial investment and investment management; exploration and design, construction, and building installation of petroleum and petrochemical engineering; inspection, repair and maintenance of petroleum and petrochemical equipments; manufacturing electrical equipment; research, development, application and consulting services of technology and information and alternative energy products; import & export business.

CNAF

CNAF is a limited liability company established under the laws of the PRC, and its principal businesses include testing and refueling businesses of jet fuel and other refined oil at home and abroad; wholesale and retail of gasoline, kerosene and diesel; industrial investment, equity investment, securities investment and operation and management related to transportation aviation, general aviation and service support; import and export business and domestic and overseas futures hedging business; investment, construction, operation and related consulting services of civil airports; research and development, procurement, sales and after-sales service of facilities, equipment and vehicles (including spare parts) related to civil aviation support; human resources development and management related to civil aviation support; development and operation of self-owned land; leasing of assets such as land and equipment and related property management, leasing of commercial housing and office housing; technology development, technical services and technical consulting related to the above services.

EGM

The Company will hold the first EGM of 2026 at Swissôtel Beijing Hong Kong Macau Center, No. 2 Chaoyangmen North Street, Dongcheng District, Beijing, China on Friday, 23 October 2026 at 9:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Proposed Amendments.

A proxy form for use in connection with the EGM will be dispatched to Shareholders with this circular (if applicable). Whether or not you are able to attend the EGM, please complete and return the proxy form in accordance with the instructions thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM (i.e. before 9:00 a.m. on 22 October 2026). H Shareholders shall deliver to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned EGM should you so wish.

Shareholders (or their proxies) will vote by poll.

RECOMMENDATION

As mentioned above, Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Proposed Amendments are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned and accordingly recommends that the Independent Shareholders vote in favour of the relevant ordinary resolution to be proposed at the EGM.

The Board considers that the Proposed Amendments are based on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board advises the Shareholders (including the Independent Shareholders) to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

The text of the letter from Independent Board Committee is set out on pages 23 to 24 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 25 to 43 of this circular.

Yours faithfully,

By Order of the Board
China Petroleum & Chemical Corporation
Zhang Zheng
Secretary to the Board of Directors

中国石化
SINOPEC

中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00386)

Independent Non-executive Directors:
Xu Lin
Zhang Liying
Liu Tsz Bun Bennett
Zhang Xiliang
Li Wei

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED AMENDMENTS TO THE MUTUAL SUPPLY AGREEMENT AND ITS RELEVANT ANNUAL CAPS

INTRODUCTION

We refer to the circular (the "**Circular**") dated 28 September 2026 issued by the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We are writing to you to express our recommendation on whether or not the Proposed Amendments are fair and reasonable so far as the Independent Shareholders are concerned. The reasons, basis of determination, etc. for the Proposed Amendments are summarised in the Letter from the Board. In considering the fairness and reasonableness, the Independent Board Committee has been advised by the Independent Financial Adviser. You are strongly advised to read the letter from the Independent Financial Adviser to the Independent Board Committee, which is set out on pages 25 to 43 of the Circular.

RECOMMENDATION

We have discussed with the management of the Company the reasons for the Proposed Amendments, the pricing mechanism, the terms thereof, and the basis upon which their terms have been determined. We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the Proposed Amendments as set out in the letter from the Independent Financial Adviser on pages 25 to 43 of the Circular, which we urge you to read carefully.

The Independent Board Committee concurs with the views of the Independent Financial Adviser and considers that the Proposed Amendments are in the best interest of the Company and its Shareholders and are fair and reasonable so far as the Independent Shareholders are concerned. The Proposed Amendments are on normal commercial terms and entered into in the ordinary and usual course of business of the Company. Accordingly, the Independent Board Committee unanimously recommends that the Independent Shareholders vote in favour of the relevant ordinary resolution to be proposed at the EGM.

Yours faithfully,

Independent Non-executive Directors
Xu Lin Zhang Liying Liu Tsz Bun Bennett Zhang Xiliang Li Wei

28 September 2026

The following is the full text of the letter of advice from Maxa Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

邁時金融
MAXA FINANCIAL

Unit 2602, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

28 September 2026

To: the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

PROPOSED AMENDMENTS TO THE MUTUAL SUPPLY AGREEMENT AND ITS RELEVANT ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments to the Mutual Supply Agreement and the 2026 and 2027 annual caps for the provision of products and services by the Group to Sinopec Group and the provision of products and services by Sinopec Group to the Group (the "**Proposed Amended Annual Caps**") thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 28 September 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

References are made to the announcement and circular in relation to the renewal of Continuing Connected Transactions and discloseable transactions dated 23 August 2024 and 30 August 2024. At the first extraordinary general meeting of 2024 of the Company, the Independent Shareholders approved, among other things, the Mutual Supply Agreement between the Group and Sinopec Group and its annual caps for the three years ending 31 December 2027.

Given that upon completion of the Reorganisation on 9 July 2026, CNAF has become a wholly-owned subsidiary of China Petrochemical Corporation. Therefore, the continuing transactions conducted between the Group and CNAF Group in the ordinary course of business will become part of the Continuing Connected Transactions between the Group and Sinopec Group.

Taking into account the fact that (i) the existing annual caps for the Continuing Connected Transactions under the Mutual Supply Agreement will not be sufficient for the expected transaction demand based on the existing continuing transaction amounts between the Group and CNAF Group and the estimation of future transaction demands; (ii) there may be an increase and fluctuation of the prices of crude oil and refined oil; and (iii) the increase in the mutual supply volume of crude oil and refined oil between the Group and Sinopec Group is anticipated, the Company and China Petrochemical Corporation entered into the Continuing Connected Transactions Eighth Supplemental Agreement on 7 September 2026 to amend the scope of service of the Mutual Supply Agreement and the Proposed Amended Annual Caps. Save as disclosed above, the terms of the Mutual Supply Agreement and the pricing policy as disclosed in the circular of the Company dated 30 August 2024 (the "**2024 Circular**") remain unchanged.

As at the Latest Practicable Date, China Petrochemical Corporation, directly holding approximately 68.91% of the share capital of the Company, and its associates constitute connected persons of the Company. As such, the continuing transactions between the Company and Sinopec Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Pursuant to Rule 14A.54 of the Hong Kong Listing Rules, due to the Proposed Amendments, the Company is required to re-comply with the relevant requirements of Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions. Given that the highest applicable percentage ratio (as defined in Rule 14.07 of the Hong Kong Listing Rules) for the Proposed Amendments exceeds 5%, the Proposed Amendments are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to the requirements of the Hong Kong Listing Rules, an Independent Board Committee has been formed by the Company, which will advise the Independent Shareholders in respect of the fairness and the reasonableness of the Proposed Amendments, and whether such transactions are in the interests of the Company and its Shareholders as a whole. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence pursuant to Rule 13.84 of the Hong Kong Listing Rules, and accordingly, are eligible to give independent advice and recommendation on the terms and the Proposed Amended Annual Caps under the Mutual Supply Agreement. Save for this appointment, there was no other engagement between the Company and us in the last two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Mutual Supply Agreement, the Continuing Connected Transactions Seventh Supplemental Agreement (the "**Continuing Connected Transactions Seventh Supplemental Agreement**") entered into between the Company and China Petrochemical Corporation on 23 August 2024 and the Continuing Connected Transactions Eighth Supplemental Agreement; (ii) the annual report of the Company for the year ended 31 December 2025 (the "**2025 Annual Report**"); (iii) the interim report of the Company for the six months ended 30 June 2026 (the "**2026 Interim Report**") and the interim report of the Company for the six months ended 30 June 2025 (the "**2025 Interim Report**"); (iv) the bases and assumptions used in determining the Proposed Amended Annual Caps; and (v) the internal control procedures and records of the Company in respect of the Mutual Supply Agreement. We consider that we have reviewed sufficient and relevant information and documents, and have taken reasonable steps as required under Rule 13.80 of the Hong Kong Listing Rules to arrive at an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular, and all information and representations which have been provided to us by the Directors and the management of the Group (the "**Management**"). We have reviewed, among other things, the statements, information, opinions and representations contained or referred to in the Circular, as well as all information and representations provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information contained in the Circular (for which they are solely and wholly responsible) were true and accurate at the time when they were provided and continue to be true and accurate as at the Latest Practicable Date, and any material changes to such information and representations will be notified to the Shareholders prior to the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due and careful inquiry and consideration. We have no reason to suspect that any material facts or information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the statements and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to arrive at an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification on the information contained in the Circular and provided to us by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Company, China Petrochemical Corporation, and their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Information on the Group

The Company is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre, and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; research, development and application of technologies and information; hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping, solar energy, wind energy and other new energy business and related services.

Set out below is a summary of the financial information of the Company for the two years ended 31 December 2024 and 2025 ("**FY2024**" and "**FY2025**", respectively) and for the six months ended 30 June 2025 and 2026 ("**1H2025**" and "**1H2026**", respectively), which was extracted from the financial statements prepared in accordance with International Financial Reporting Standards and contained in the 2025 Annual Report and 2026 Interim Report:

	For the year ended 31 December		**For the six months ended 30 June**	
	2024	**2025**	**2025**	**2026**
	RMB million (audited)	*RMB million (audited)*	*RMB million (unaudited)*	*RMB million (unaudited)*
Operating income	3,074,562	2,783,583	1,409,052	1,436,561
Profit attributable to Shareholders of the Company	48,939	32,476	23,752	26,567

The operating income of the Group for FY2025 was approximately RMB2,783.6 billion, representing a decrease of approximately RMB291.0 billion or 9.5% compared to approximately RMB3,074.6 billion for FY2024, mainly due to the decrease in the selling prices of petroleum and petrochemical products and the decrease in the sales volume of refined oil products. The Group's profit attributable to Shareholders of the Company for FY2025 was approximately RMB32.5 billion, representing a decrease of approximately RMB16.5 billion or 33.6% compared to approximately RMB48.9 billion for FY2024, mainly due to the continuous decline in international crude oil prices, which led to inventory losses resulting from the continuous decrease in the Group's crude oil and petrochemical product prices, coupled with the decline in the sales volume and profit margins of domestic gasoline and diesel, as well as the decline in the gross profit margins of chemical products.

The operating income of the Group for 1H2026 was approximately RMB1,436.6 billion, representing an increase of approximately RMB27.5 billion or 2.0% compared to approximately RMB1,409.1 billion for 1H2025, which was mainly attributable to the increase in selling prices of petroleum and petrochemical products following the rise in crude oil prices. The Group's profit attributable to Shareholders of the Company for 1H2026 was approximately RMB26.6 billion, representing an increase of approximately RMB2.8 billion or 11.9% compared to approximately RMB23.8 billion for 1H2025, which was mainly attributable to the Group seizing the opportunity of high oil prices, intensifying upstream development efforts, and striving to increase the production of high value-added products such as jet fuel and refining by-products. Meanwhile, with the rise in oil prices, the higher prices of crude oil, refined oil products, etc. brought inventory gains.

	As at 31 December		**As at 30 June**
	2024	**2025**	**2026**
	RMB million	*RMB million*	*RMB million*
	(audited)	*(audited)*	*(unaudited)*
Total assets	2,081,440	2,153,485	2,197,234
Total liabilities	1,109,293	1,166,609	1,194,327
Net assets	972,147	986,876	1,002,907

The Group's total assets gradually increased from approximately RMB2,081.4 billion as at 31 December 2024 to approximately RMB2,197.2 billion as at 30 June 2026, representing an increase of approximately 5.6%. The Group's total liabilities increased from approximately RMB1,109.3 billion as at 31 December 2024 to approximately RMB1,194.3 billion as at 30 June 2026, representing an increase of approximately 7.7%. The Group's net assets gradually increased from approximately RMB972.1 billion as at 31 December 2024 to approximately RMB1,002.9 billion as at 30 June 2026.

1.2 Information on China Petrochemical Corporation

China Petrochemical Corporation is a limited liability company established under the laws of the PRC, and is a state-authorised investment organisation and a state-owned enterprise. Its principal businesses include organizing its affiliated enterprises to engage in the exploration, extraction, storage and transportation (including pipeline transportation), sales and comprehensive utilisation of crude oil and natural gas; organizing its affiliated enterprises to engage in refining; organizing its affiliated enterprises to engage in wholesale and retail of refined oil; organizing its affiliated enterprises to engage in production, sales, storage, transportation and operation of petrochemical and other chemical products; industrial investment and investment management; exploration and design, construction and building installation of petroleum and petrochemical engineering; inspection, repair and maintenance of petroleum and petrochemical equipments; manufacturing electrical equipment; research, development, application and consulting services of technology and information and alternative energy products; import & export business.

1.3 Information on CNAF

CNAF is a limited liability company established under the laws of the PRC, and its principal businesses include testing and refueling businesses of jet fuel and other refined oil at home and abroad; wholesale and retail of gasoline, kerosene and diesel; industrial investment, equity investment, securities investment and operation and management related to transportation aviation, general aviation and service support; import and export business and domestic and overseas futures hedging business; investment, construction, operation and related consulting services of civil airports; research and development, procurement, sales and after-sales service of facilities, equipment and vehicles (including spare parts) related to civil aviation support; human resources development and management related to civil aviation support; development and operation of self-owned land; leasing of assets such as land and equipment and related property management, leasing of commercial housing and office housing; technical services and technical consulting related to the above services.

2. Terms of the Mutual Supply Agreement

Save for the addition or adjustment of certain scope of services and the Proposed Amended Annual Caps, the terms of the Mutual Supply Agreement (as amended by the Continuing Connected Transactions Eighth Supplemental Agreement) are basically identical to the terms set out in the Mutual Supply Agreement entered into between the Company and China Petrochemical Corporation on 23 August 2024 (as amended by the Continuing Connected Transactions Seventh Supplemental Agreement) as set in the 2024 Circular. The principal terms of the Mutual Supply Agreement (as amended by the Continuing Connected Transactions Eighth Supplemental Agreement) are summarised as follows:

2.1 Signing Date and Term

The Company and China Petrochemical Corporation entered into the Mutual Supply Agreement on 3 June 2000. The Company and China Petrochemical Corporation entered into the Continuing Connected Transactions Eighth Supplemental Agreement on 7 September 2026 to amend the Mutual Supply Agreement, and the term of the Mutual Supply Agreement is up to 31 December 2027.

2.2 Scope of Service after the Proposed Amendments

(1) Products and services provided by the Group, including:

(a) Crude oil, natural gas, refined and petrochemical products and by-products, semi-finished products, coal, steel, water, electricity, gas, heat, measurements, quality inspection, and other related or similar products and services;

(b) Entrusted loan to the Connected Subsidiaries.

(2) Products and services provided by Sinopec Group, including:

(a) Supply: fresh water, chemical water, recycled water, industrial air, hydrogen, nitrogen, electricity, steam, heat supply, materials and equipment parts, chemical raw materials, precious metals, the sourcing of crude oil and natural gas (including crude oil and natural gas from overseas), refined oil products and other related or similar products and services;

(b) Storage and transportation: railway, vehicular transport, water transport, pipeline transmission, loading and unloading, wharves, warehousing and other related or similar services;

(c) Ancillary production: well drilling, well surveying, well logging, exploration and development testing, technological research, communication, fire control, security guards, public security, chemical examination, material examination, information, pressure containers and pipelines inspection, metering inspection, computer services, equipment research, airports, feasibility study, design, construction, installation, production of electromechanical instruments, inspection and maintenance of equipment devices and electrical equipment meters, projects supervision, environmental protection, repair and maintenance of roads, bridges and culverts and slope protection, flood control and other related or similar services;

(d) Training and auxiliary services: staff training, culture and sports, newspapers and magazines, radio and TV, office and factory property management, canteens, dormitories, commuting, re-employment service centres and other related or similar services;

(e) Others: agent services in the collection and payment of administrative services fees, labour services, asset leasing, insurance, insurance agency service, entrusted loans and other intermediary services, sharing services (including finance, human resources, business travel and information technology sharing, etc.), and other related or similar services.

2.3 Pricing Policy

The pricing policy and internal control measures under the Mutual Supply Agreement remain unchanged, and are applicable to all transactions contemplated under the Proposed Amendments. For further details of the terms of the Mutual Supply Agreement (as amended by the Continuing Connected Transactions Eighth Supplemental Agreement), please refer to the section headed "PROPOSED AMENDMENTS TO THE MUTUAL SUPPLY AGREEMENT AND ITS RELEVANT ANNUAL CAPS – II. Mutual Supply Agreement" in the Letter from the Board contained in the Circular.

We noted that the price of the products and services under the Proposed Amendments shall be determined with reference to (i) government-prescribed price (including government guidance price); (ii) relevant market price (including tender price); and (iii) agreed price (determined as reasonable cost incurred plus reasonable profit). We have discussed with the Management and understood that the Company shall adopt the government-prescribed price and/or government-guided price if there is government-prescribed price and/or government-guided price applicable to the transactions contemplated under the Proposed Amendments. The Company would adopt the relevant market prices only if there is no applicable government-prescribed price and would follow the internal control policies strictly in the determination of the market prices, including taking into consideration the prices of at least two comparable transactions of the Group with independent third parties during the same period and transactions among independent third parties during the same period, conducting market price research through various independent industry information providers (such as industry websites), and participating in activities organised by leading industry organisations. As advised by the Management, regarding to the market prices determined through tender, the Company would strictly comply with the Law of the People's Republic of China on Bid Invitation and Bidding (《中華人民共和國招標投標法》) and other applicable laws and regulations. When there are no comparable prices available on market and/or the Company considers it would be difficult to identify alternative suppliers for relevant transactions, agreed price would be adopted by the Company, which is determined as estimating a reasonable cost first then applying a no more than 6% profit margin.

We have reviewed the industry data released by the National Bureau of Statistics (國家統計局) in the PRC and noted that the industrial enterprises above designated size (i.e. with an annual revenue of RMB20 million or above) recorded an average profit margin of approximately 5.4% and 5.3% for FY2024 and FY2025, respectively. Taking into account that the profit margin of no more than 6% is in line with the average profit margin level of the industrial enterprises above designate size, and such maximum profit margin would apply to both the Group and Sinopec Group, we consider the pricing policies in relation to the agreed price is fair and reasonable. In light of the above, we consider the pricing policies under the Proposed Amendment are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

3. Reasons for and benefits of the Proposed Amendments

As set out in the Letter from the Board, taking into account: (i) upon completion of the Reorganisation on 9 July 2026, CNAF has become a wholly-owned subsidiary of China Petrochemical Corporation. As the Group is the largest jet fuel supplier of CNAF Group, and there are a small amount of gasoline and diesel transactions and related services between the Group and CNAF Group, the existing annual caps for the Continuing Connected Transactions under the Mutual Supply Agreement will not be sufficient based on the existing continuing transaction amounts between the Group and CNAF Group and the estimation of future transaction demands; (ii) due to the geopolitical conflicts in the Middle East, the supply of crude oil resources has been hindered, and to ensure the stable supply of crude oil resources and smooth production of the Group, the Group is expected to increase the volume of crude oil purchased from Sinopec Group's commercial petroleum storage companies in the same region, and Sinopec Group's commercial petroleum storage companies are also expected to further increase the volume of crude oil purchased through China International United Petroleum and Chemicals Co., Ltd., a subsidiary of the Company; and (iii) there may be an increase and fluctuation of the prices of crude oil and refined oil, the Board proposes to amend the scope of service of the Mutual Supply Agreement and the Proposed Amended Annual Caps.

According to the official website of CNAF, CNAF is the largest aviation transportation service provider in Asia integrating the procurement, transportation, storage, quality inspection, sales and refueling of aviation fuel, providing aviation fuel supply services for 258 transport airports and 454 general aviation airports across China, while providing services to 585 airline customers globally. We have obtained and reviewed the Statistical Bulletin of Civil Aviation Industry Development in 2025 (《2025年民航行業發展統計公報》) published by Civil Aviation Administration of China on 17 April 2026, and noted that China had a total of 270 transport airports and 513 general aviation airports as of 31 December 2025 and CNAF's service network covers over 90% of the airports across China based on the aforementioned information. As disclosed in the 2025 Annual Report, the kerosene sales revenue achieved by the Group in 2025 was approximately RMB209.6 billion, representing approximately 7.5% of the Group's total revenue in 2025. Upon completion of the Reorganisation on 9 July 2026, CNAF has become a wholly-owned subsidiary of China Petrochemical Corporation, therefore the continuing transactions conducted between the Group and CNAF Group in the ordinary course of business will become part of the Continuing Connected Transactions between the Group and Sinopec Group, and the relevant Continuing Connected Transactions amounts are expected to increase correspondingly.

We have reviewed the 2026 Interim Report and noted that it mentioned the Group plans to process 113 million tonnes of crude oil in the second half of 2026, and a large part of the required crude oil requires external purchase. According to the Oil Market Report – August 2026 (《石油市場報告-2026年8月》) published by the International Energy Agency on 12 August 2026, affected by factors such as geopolitical conflicts and continuous hindrances to maritime shipping, the average global crude oil supply in 2026 is expected to decline by 4.3 million barrels/day year-on-year. Amid a tightening global crude oil supply and significant uncertainties in the international maritime shipping environment, based on the Company's production plan, we consider that the Group's expectation to increase the volume of crude oil purchased from Sinopec Group aligns with the Group's future production and operation needs, which helps the Group mitigate overseas supply and logistics risks, and enhance the stability of crude oil supply and procurement security capabilities. In addition, according to the "15th Five-Year" Plan for Oil and Natural Gas Development (《石油天然氣發展「十五五」規劃》) published by the National Development and Reform Commission of the People's Republic of China on 17 August 2026, from 2026 to 2030, the corporate social responsibility petroleum reserve systems shall be improved, and corporate production and operation inventories shall be maintained at a reasonable level. Social capital shall be encouraged to strengthen investment and operation in commercial reserve facilities, and the scale of petroleum reserves shall be further increased. In this regard, we consider that the expectation of the Group and Sinopec Group to increase the purchase volume of crude oil can not only safeguard their own smooth production and stable operations, but is also in line with the guidance of China's energy industry development policies.

Taking into account the above, we concur with the view of the Directors that the Proposed Amendments are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

4. Proposed Amended Annual Caps

In assessing the fairness and reasonableness of the Proposed Amended Annual Caps, we have discussed with the Management about the basis and relevant assumptions used in determining the Proposed Amended Annual Caps. The Proposed Amended Annual Caps represent the maximum amounts of transactions that the Group may enter into with Sinopec Group, rather than an obligation that the Group must accept or provide such amounts of products and services provided by or to Sinopec Group. We concur with the Management that, taking into account the historical transaction amounts and expected future growth, the Proposed Amended Annual Caps will provide greater flexibility to the Group and are set at an appropriate level.

4.1 Historical transaction amounts, existing and Proposed Amended Annual Caps

The following table sets out (i) the historical amounts for FY2025 and the six months ended 30 June 2026; (ii) the existing annual caps for FY2025 and each of the two years ending 31 December 2027 (respectively, "**FY2026**" and "**FY2027**"); and (iii) the proposed amended annual caps for each of FY2026 and FY2027. As confirmed by the Management, as of the Latest Practicable Date, none of the annual caps mentioned below has been exceeded.

RMB billion		Existing annual caps for the year ended/ ending 31 December			Proposed Amended Annual Caps for the year ending 31 December	
		2025	**2026**	**2027**	**2026**	**2027**
Products and services provided by the Group to Sinopec Group	Annual caps	254.8	254.8	263.2	392.8	594.6
	Actual amounts	164.5	107.9[1]			
	Utilisation rate	64.6%	42.3%[2]			
Products and services provided by Sinopec Group to the Group	Annual caps	403.9	421.5	422.9	442.0	523.6
	Actual amounts	261.4	160.1[1]			
	Utilisation rate	64.7%	38.0%[2]			

Notes:

1. Historical amounts for the six months ended 30 June 2026.

2. The utilisation rates for the year ending 31 December 2026 are calculated based on the actual amounts up to 30 June 2026.

3. For the eight months ended 31 August 2026, the transaction amount for products and services provided by the Group to Sinopec Group was RMB163.1 billion, and the utilisation rate of the 2026 annual cap was approximately 64.0%. For the eight months ended 31 August 2026, the transaction amount for products and services provided by Sinopec Group to the Group was RMB226.4 billion, and the utilisation rate of the 2026 annual cap was approximately 53.7%.

4.2 Basis for Determining the Proposed Amended Annual Caps

4.2.1 Provision of products and services by the Group to Sinopec Group

The proposed amended annual caps for the provision of products and services by the Group to Sinopec Group are determined with reference to:

(i) The utilisation rate of the existing 2026 annual cap under the Mutual Supply Agreement: For the six months ended 30 June 2026, the utilisation rate of the 2026 annual cap has reached approximately 42%, representing a significant increase as compared to the same period in the previous year, mainly due to factors such as high oil prices caused by geopolitical conflicts, which led to an increase in the business amount between the Group and Sinopec Group;

(ii) The product prices of crude oil and related refined oil: The Company assumed that the crude oil price for 2026-2027 was originally US$85/barrel according to the 2024 Circular. Based on the increase in crude oil prices since 2026, the Company now assumes that the crude oil prices for the second half of 2026 and 2027 will be adjusted to US$90/barrel and US$85/barrel respectively, and the prices of relevant refined oil will fluctuate according to the crude oil prices;

(iii) The historical transactions amounts of the provision of products and services by the Group to CNAF Group: During the year of 2025 and the period from January to June 2026, the amounts of products and services such as jet fuel sold by the Group to CNAF Group were approximately RMB133.2 billion and RMB80.9 billion respectively. As CNAF has become a subsidiary of China Petrochemical Corporation since 9 July 2026, taking into account the historical transaction amounts and the historical price of jet fuel in 1H2026, the Company expects that the amounts of products and services such as jet fuel provided by the Group to CNAF Group in 2026 after July and in 2027 will be RMB121.0 billion and RMB214.0 billion respectively;

(iv) The expected business development of the Group and the Sinopec Group: Taking into account the fluctuations in crude oil and market demand caused by geopolitical conflicts, the demand of Sinopec Group for purchasing crude oil from the Group is expected to further increase, and the Company expects that the amounts of crude oil sold by the Group to Sinopec Group in 2026 after July and in 2027 will increase by RMB10.4 billion and RMB74.0 billion respectively; and

(v) Taking into account: (a) both the Group and Sinopec Group (including CNAF Group) are considered as large enterprises in terms of their large corporate scale and volume; (b) the evolving international geopolitics may lead to a significant volatility in the prices of crude oil, petroleum and petrochemical products and exchange rates, it may be difficult to accurately predict potential emergencies in the future; and (c) the importance of the sale of products and services by the Group to Sinopec Group under the Mutual Supply Agreement to the revenue and production and operation of the Company, and the Company is therefore of the view that the newly added annual caps for 2026 and 2027 should be flexible with a buffer of 5% and 15% respectively, to accommodate the maximum amount considering various possibilities according to commercially feasible plans.

In assessing the fairness and reasonableness of the proposed amended annual caps for the provision of products and services by the Group to Sinopec Group, we have reviewed the historical amounts of the relevant transactions for FY2025 and 1H2026, which represent utilisation rates of the existing annual caps of approximately 65% and 42% for the corresponding periods, respectively. For 1H2026, the actual transaction amounts for the provision of products and services by the Group to Sinopec Group increased by approximately 64% compared to the actual transaction amounts for 1H2025. We further noted that the proposed amended annual cap for FY2026 represents an increase of approximately 54% over the existing annual cap for FY2026, while the proposed amended annual cap for FY2027 represents an increase of approximately 51% over the proposed amended annual cap for FY2026.

We have reviewed the projection model provided by the Management for determining the proposed amended annual caps for FY2026 and FY2027 for the provision of products and services by the Group to Sinopec Group, and noted that the expected addition transaction amounts mainly arise from (i) the addition transaction amounts of products and services such as jet fuel sold by the Group to CNAF Group after the completion of reorganisation between Sinopec Group and CNAF Group; and (ii) the growth in the transaction amounts of crude oil sold by the Group to Sinopec Group. In addition to the basis for determining the proposed amended annual caps mentioned above, we were further advised by the Management that Sinopec Group is expected to increase the volume of crude oil purchased from the Group starting from 2026. Since the expected addition transaction amounts for FY2026 only takes into account the growth in the transaction amounts between the Group and CNAF Group and the growth in the transaction amounts of crude oil sold by the Group to Sinopec Group from July to December 2026, whereas the expected addition transaction amounts for FY2027 takes into account the growth of various transaction amounts for the full year of FY2027, the expected newly added transaction amount for FY2027 will be higher than that for FY2026.

We have obtained the Brent crude oil spot prices and Singapore jet fuel spot prices (FOB) from Wind Financial Terminal for the period from 1 January 2025 to 7 September 2026 (being the date of entering into the Continuing Connected Transactions Eighth Supplemental Agreement) and noted that (i) the average Brent crude oil spot prices in 2025 and 2026 (up to 7 September 2026) were approximately US$69 per barrel and US$92 per barrel respectively, representing an increase of approximately 32.2%, and the Brent crude oil spot prices exceeded US$140 per barrel twice on 2 April 2026 and 7 April 2026, substantial increases of which were mainly due to the disruption of crude oil supply caused by geopolitical conflicts in the Middle East; and (ii) the average Singapore jet fuel spot prices (FOB) in 2025 and 2026 (up to 7 September 2026) were approximately US$86 per barrel and US$144 per barrel respectively, representing an increase of approximately 66.3%, and the Singapore jet fuel spot prices (FOB) once exceeded US$240 per barrel on 30 March 2026, substantial increases of which were likewise mainly attributable to the disruption of crude oil supply caused by geopolitical conflicts in the Middle East. According to the Short-Term Energy Outlook released by U.S. Energy Information Administration on 9 September 2026, the average Brent crude oil spot prices are projected to be approximately US$89 per barrel, US$91 per barrel and US$85 per barrel for the third quarter of 2026, the fourth quarter of 2026 and the first quarter of 2027, respectively. Given that the average Brent crude oil spot price in 2026 (up to the date of entering into the Continuing Connected Transactions Eighth Supplemental Agreement) was approximately US$92 per barrel and the average Brent crude oil spot prices for the next three quarter range from US$85 to US$91 per barrel as forecasted by U.S. Energy Information Administration, we consider that the Company's assumptions of the crude oil price of US$90 per barrel and US$85 per barrel for the second half of 2026 and 2027 respectively are fair and reasonable.

Having considered (i) the utilisation rate of the existing annual cap for FY2026; (ii) the historical actual transaction amounts for the provision of products and services by the Group to CNAF Group; (iii) the recent substantial increases in crude oil prices and Singapore jet fuel prices; (iv) the Company's assumptions of the crude oil prices for the second half of 2026 and 2027 are fair and reasonable; and (v) the business plan of Sinopec Group to increase the purchase volume of crude oil from the Group, we consider that the factors adopted for determining the proposed amended annual caps for the provision of products and services by the Group to Sinopec Group under the Mutual Supply Agreement and the inclusion of buffer to cater for unexpected market volatility are reasonable and prudent, and that the proposed amended annual caps for the provision of products and services by the Group to Sinopec Group under the Mutual Supply Agreement are fair and reasonable.

4.2.2 Provision of products and services by Sinopec Group to the Group

The proposed amended annual caps for the provision of products and services by Sinopec Group to the Group are determined with reference to:

(i) The utilisation rate of the existing 2026 annual cap under the Mutual Supply Agreement: For the six months ended 30 June 2026, the utilisation rate of the 2026 annual cap has reached approximately 38%, representing a significant increase as compared to the same period in the previous year, mainly due to factors such as high oil prices caused by geopolitical conflicts, which led to an increase in the transaction amount between the Group and Sinopec Group;

(ii) The product prices of crude oil and related refined oil: The Company assumed that the crude oil price for 2026-2027 was originally US$85/barrel according to the 2024 Circular. Based on the increase in crude oil prices since 2026, the Company now assumes that the crude oil prices for the second half of 2026 and 2027 will be adjusted to US$90/barrel and US$85/barrel respectively, and the prices of relevant refined oil will fluctuate according to the crude oil prices;

(iii) The historical transactions amounts of the provision of products and services by CNAF Group to the Group. During the year of 2025 and the period from January to June 2026, the amounts of products and services such as refined oil products sold by CNAF Group to the Group were approximately RMB11.0 billion and RMB4.7 billion respectively: As CNAF has become a subsidiary of China Petrochemical Corporation since 9 July 2026, taking into account the historical transaction amounts and the historical prices of relevant refined oil products in 1H2026, the Company expects that the amounts of refined oil products and services provided by CNAF Group to the Group in 2026 after July and in 2027 will be RMB9.1 billion and RMB13.5 billion respectively;

(iv) The expected business development of the Group and the Sinopec Group: Taking into account the fluctuations in crude oil and market demand caused by geopolitical conflicts, the demand of the Group for purchasing crude oil from Sinopec Group's commercial petroleum storage companies is expected to further increase. The Company expects that the amounts of crude oil provided by Sinopec Group to the Group in 2026 after July and in 2027 will increase by RMB10.4 billion and RMB74.0 billion respectively;

(v) Taking into account: (a) both the Group and Sinopec Group (including CNAF Group) are considered as large enterprises in terms of their large corporate scale and volume; (b) the evolving international geopolitics may lead to a significant volatility in the prices of crude oil, petroleum and petrochemical products and exchange rates, it may be difficult to accurately predict potential emergencies in the future; and (c) the importance and necessity of the sale of products and services by Sinopec Group to the Group under the Mutual Supply Agreement to the production and operation of the Company, and the Company is therefore of the view that the newly added annual caps for 2026 and 2027 should be flexible with a buffer of 5% and 15% respectively, to accommodate the maximum amount considering various possibilities according to commercially feasible plans.

In assessing the fairness and reasonableness of the proposed amended annual caps for the provision of products and services by Sinopec Group to the Group, we have reviewed the historical amounts of the relevant transactions for FY2025 and 1H2026, which represent utilisation rates of the existing annual caps of approximately 65% and 38% for the corresponding periods, respectively. For 1H2026, the actual transaction amounts for the provision of products and services by Sinopec Group to the Group increased by approximately 55% compared to the actual transaction amounts for 1H2025. We further noted that the proposed amended annual cap for FY2026 represents an increase of approximately 5% over the existing annual cap for FY2026, while the proposed amended annual cap for FY2027 represents an increase of approximately 18% over the proposed amended annual cap for FY2026.

We have reviewed the projection model provided by the Management for determining the Proposed Amended Annual Caps for FY2026 and FY2027 for the provision of products and services by Sinopec Group to the Group, and noted that the expected addition transaction amounts mainly arise from (i) the addition transaction amounts of products and services such as refined oil products sold by CNAF Group to the Group after the completion of reorganisation between Sinopec Group and CNAF Group; and (ii) the growth in the transaction amounts of crude oil provided by Sinopec Group to the Group. In addition to the basis for determining the proposed amended annual caps mentioned above, we were further advised by the Management that the Group is expected to increase the volume of crude oil purchased from the Sinopec Group starting from 2026. Since the expected addition transaction amount for FY2026 only takes into account the growth in the transaction amounts between the Group and CNAF Group and growth in the transaction amounts of crude oil provided by Sinopec Group to the Group from July to December 2026, whereas the expected addition transaction amounts for FY2027 take into account the growth of various transaction amounts for the full year of FY2027, the expected addition transaction amounts for FY2027 will be higher than that for FY2026.

Having considered (i) the utilisation rate of the existing annual cap for FY2026; (ii) the historical actual transaction amounts for the provision of products and services by CNAF Group to the Group; (iii) the recent substantial increases in crude oil prices and Singapore jet fuel prices due to the impact of international geopolitics as mentioned in the analysis in the section headed "4.2.1 Provision of products and services by the Group to Sinopec Group" above; (iv) the Company's assumptions of the crude oil prices for the second half of 2026 and 2027 are fair and reasonable as mentioned in the analysis in the section headed "4.2.1 Provision of products and services by the Group to Sinopec Group" above; and (v) the business plan of the Group to increase the purchase volume of crude oil, we consider that the factors adopted for determining the proposed amended annual caps for the provision of products and services by Sinopec Group to the Group under the Mutual Supply Agreement and the inclusion of buffer to cater for unexpected market volatility are reasonable and prudent, and that the proposed amended annual caps for the provision of products and services by Sinopec Group to the Group under the Mutual Supply Agreement are fair and reasonable.

5. Internal Control

The Company has formulated a series of internal control measures and procedures, details of which are set out in the section headed "PROPOSED AMENDMENTS TO THE MUTUAL SUPPLY AGREEMENT AND ITS RELEVANT ANNUAL CAPS – VI. Procedures and Internal Control System for Pricing and Terms of the Mutual Supply Agreement" in the Letter from the Board. We have reviewed such internal control measures and procedures of the Company and consider that obtaining market price information during pricing (including but not limited to taking into consideration the transaction prices of at least two comparable transactions between the Group and independent third parties during the same period, etc.) and conducting regular assessments of such transaction terms can ensure that individual transaction terms for the provision of products and services by the Group to Sinopec Group and the provision of products and services by Sinopec Group to the Group under the Mutual Supply Agreement are in line with market practice.

As discussed with the Management, we understood that the transaction amounts for the purchase of crude oil and refined oil products by the Group from Sinopec Group accounted for more than 50% of the actual transaction amounts for the purchase of products and services by the Group from Sinopec Group and the transaction amounts for the sale of crude oil and refined oil products by the Group to Sinopec Group accounted for more than 70% of the actual transaction amounts for the sale of products and services by the Group to Sinopec Group in 2025 and 1H2026. In assessing the sufficiency and effectiveness of the internal control measures adopted by the Group, we have obtained and reviewed the administration measure, internal control manual and monthly and quarterly internal review reports of the Group regarding the continuing connected transactions and seven historical transaction documents entered into by the Group and Sinopec Group in relation

to the purchase/sales of crude oil and refined oil products under the Mutual Supply Agreement and entered into by the Group and independent third parties in relation to the purchase/sales of similar crude oil and refined oil products during 2025 to 2026. As the reviewed historical transaction documents (i) are in relation to transactions occurred during the effective period of the Mutual Supply Agreement (as amended by the Continuing Connected Transactions Seventh Supplemental Agreement); (ii) cover the main types of products to be purchased / sold by the Group from / to Sinopec Group under the Proposed Amendments; and (iii) are sample documents selected randomly by the Company as per our request, we consider such historical transaction documents are fair and representative. We noted in our review that (i) the internal control measures and procedures under the Mutual Supply Agreement are in line with those set out in the administration measures and the internal control manual of the Group regarding the continuing connected transactions; (ii) the utilisation of annual caps was properly monitored and reported to the Board at least twice a year; and (iii) the products purchased/sold by the Group from/to Sinopec Group and independent third parties were all priced based on the open market prices of certain products with relevant adjustments and the terms offered/received by the Group to/from the Sinopec Group are not less favourable to the Group than those offered/received by the Group to/from the independent third parties in the reviewed historical transaction documents.

Pursuant to Rules 14A.55 and 14A.56 of the Hong Kong Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmation letters each year in respect of the continuing connected transactions of the Group. We have reviewed the 2025 Annual Report and noted that the independent non-executive Directors and auditors of the Company have reviewed the continuing connected transactions regarding the provision of products and services by the Group to Sinopec Group and the provision of products and services by Sinopec Group to the Group under the Mutual Supply Agreement and provided relevant confirmation letters. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirements under the Hong Kong Listing Rules.

Based on the above, we concur with the view of the Directors of the Company that the Company has established effective internal policies to continuously monitor the relevant Continuing Connected Transactions and the Proposed Amended Annual Caps under the Mutual Supply Agreement, to ensure that the terms of the Continuing Connected Transactions under the Mutual Supply Agreement are fair and reasonable and no less favourable than the terms provided to or obtained from independent third parties by the Company, and to ensure that they are in the interests of the Company and its shareholders as a whole, therefore the interests of the Company and its shareholders would be safeguarded.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the Continuing Connected Transactions regarding the provision of products and services by the Group to Sinopec Group and the provision of products and services by Sinopec Group to the Group under the Mutual Supply Agreement are conducted on normal commercial terms in the ordinary course of business of the Company; and (ii) the terms of such transactions and the Proposed Amended Annual Caps are fair and reasonable, and in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we also recommend the Independent Shareholders, to vote in favour of the resolution in relation to the Proposed Amendments to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Dian Deng
Managing Director

Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.

(1) RESPONSIBILITY STATEMENT

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

(2) DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company

As of the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which (a) have 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 or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

(b) Substantial shareholders and other persons' interests and short positions in the shares, underlying shares and securities of the Company

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO or would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO by the Company:

Name of shareholder	Class of shares	Number of shares held	Capacity	Approximate % of total issued share capital of the Company	Approximate % of relevant class of share capital of the Company
China Petrochemical Corporation	A shares	83,183,932,653 (L)	Beneficial owner	68.91% (L)	85.72% (L)
	H shares	1,404,842,000 (L) *Note*	Interests in corporations controlled by majority shareholders	1.16% (L)	5.93% (L)
BlackRock, Inc.	H shares	1,829,196,551 (L)	Interests in corporations controlled by majority shareholders	1.52% (L)	7.73% (L)
		39,462,000 (S)		0.03% (S)	0.17% (S)

(L) The letter "L" denotes long position.

(S) The letter "S" denotes short position.

Note: Sinopec Century Bright, an overseas wholly-owned subsidiary of China Petrochemical Corporation, holds 1,404,842,000 H shares of the Company through HKSCC Nominees Limited.

Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, no other person had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, there is no contract or arrangement entered into between Directors and any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group; none of the Directors had any interests, either direct or indirect, in any assets which have been acquired, disposed of by or leased to or are proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up; the Directors are not aware that any Director or his/her close associate had interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Hong Kong Listing Rules.

Save as disclosed below, as at the Latest Practicable Date, no Director is a director or employee of a company which had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(1) Mr. Hou Qijun as the Chairman of China Petrochemical Corporation.

(2) Mr. Zhao Dong as the Director and President of China Petrochemical Corporation.

(3) Mr. Zhong Ren as the Director of China Petrochemical Corporation.

(4) Mr. Wan Tao as the Vice President of China Petrochemical Corporation.

(5) Mr. Niu Shuanwen as the Vice President of China Petrochemical Corporation.

(6) Mr. Cai Yong as the Chief Accountant of China Petrochemical Corporation.

(7) Mr. Tian Hongbin as the Vice President of China Petrochemical Corporation.

(8) Mr. Chen Yanbin as the Vice President of China Petrochemical Corporation.

(3) SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(4) NO MATERIAL ADVERSE CHANGE

So far as the Directors are aware, as of the Latest Practicable Date, there had not been any material adverse changes in the financial or trading position of the Group since 31 December 2025, being the date to which the most recently published audited consolidated accounts of the Company were made up.

(5) QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the professional adviser who has given opinions or advice contained in this circular:

Names	Qualifications
Maxa Capital	a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 regulated activities (dealing in securities) and Type 6 regulated activities (advising on corporate finance)

The Independent Financial Adviser has given its written consent to the issue of this circular with the inclusion of its letter, agreeing to reproduce its letter and quote its name in the form and meaning printed in this circular, and has not withdrawn its written consent.

As at the Latest Practicable Date, since 31 December 2025 (being the date to which the most recently published audited consolidated accounts of the Company were made up), the Independent Financial Adviser had no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group, nor any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Group.

(6) GENERAL

(1) The Company Secretary of the Company is Mr. Huang Wensheng.

(2) The registered office and head office of the Company is No. 22 Chaoyangmen North Street, Chaoyang District, Beijing 100728, PRC.

(3) The General Register Office of the Company for H Share Register is Computershare Hong Kong Investor Services Limited (address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong).

(4) Unless otherwise stated, in the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

(7) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange within 14 days from (and including) the date of this circular (http://www.hkexnews.hk) and the Company's website (www.sinopec.com/listco/):

(1) The Continuing Connected Transactions Eighth Supplemental Agreement;

(2) The Letter from the Independent Financial Adviser dated 28 September 2026, the text of which is set out on pages 25 to 43 of this circular.

中国石化
SINOPEC

中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00386)

NOTICE OF FIRST EXTRAORDINARY GENERAL MEETING FOR THE YEAR 2026

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting for the year 2026 ("**EGM**") of China Petroleum & Chemical Corporation (the "**Company**") will be held at Swissôtel Beijing Hong Kong Macau Center, No. 2 Chaoyangmen North Street, Dongcheng District, Beijing, PRC on Friday, 23 October 2026 at 9:00 a.m.

Unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 28 September 2026 (the "**Circular**").

By way of ordinary resolution:

1. The resolution in relation to the amendments to the annual caps of the Continuing Connected Transactions between the Company and Sinopec Group for the year 2026 and 2027

By order of the Board
China Petroleum & Chemical Corporation
Zhang Zheng
Secretary to the Board of Directors

Beijing, PRC
28 September 2026

Notes:

I. ATTENDEES OF THE EGM

1. Eligibility for attending the EGM

Holders of A Shares whose names appear on the domestic shares register maintained by China Securities Depository & Clearing Corporation Limited Shanghai Branch and holders of H Shares whose names appear on the register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Thursday, 15 October 2026 are eligible to attend the EGM. Holders of H Shares who wish to attend the EGM shall lodge their share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Limited (the address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) before 4:30 p.m. on Wednesday, 14 October 2026.

2. Proxy

(1) A member eligible to attend and vote at the EGM is entitled to appoint, in written form, proxy(ies) to attend and vote at the EGM on its behalf. A proxy need not be a Shareholder of the Company.

(2) A proxy should be appointed by a written instrument signed by the appointer or its attorney duly authorised in writing. If the proxy form is signed by the attorney of the appointer, the power of attorney authorising that attorney to sign or other authorisation document(s) must be notarised.

(3) To be valid, the power of attorney or other authorisation document(s) which have been notarised together with the completed proxy form must be delivered to the statutory address of the Company not less than 24 hours before the designated time for holding the meeting. Holders of A Shares shall deliver the relevant document(s) to Board Secretariat of the Company (the address is No. 22 Chaoyangmen North Street, Chaoyang District, Beijing 100728, PRC). Holder(s) of H Shares shall deliver the relevant document(s) to the Computershare Hong Kong Investor Services Limited (the address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong).

(4) Shareholders or their proxies may exercise the right to vote by poll.

3. The Directors and senior management of the Company

4. Legal advisors of the Company

5. Others

II. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

1. (1) The individual shareholder shall provide his/her valid identification documents, or other valid identification certificates or proof of identity. Where a proxy is appointed to attend the meeting, the proxy shall provide his/her own valid identification documents, the proxy form, and documents which enable the Company to confirm the identity of his/her appointer as a shareholder such as a copy of the shareholder's valid identification document. (2) If a legal representative attends the meeting on behalf of the corporate shareholder, he/she shall provide his/her valid identification documents and proof or information which enable the Company to confirm the identity of the corporate shareholder and prove his/her qualification as a legal representative, such as a copy of the business license affixed with the corporate seal; Where the corporate shareholder or its legal representative appoints a proxy to attend the meeting, the proxy shall provide his/her own valid identification documents, the proxy form issued pursuant to law, and provide information which enables the Company to confirm the identity of the appointer as a shareholder, such as a copy of the business license affixed with the corporate seal. (3) Other non-individual shareholders attending the meeting shall follow the requirements for corporate shareholders.

2. Shareholders intending to attend the meeting should return the reply slip for attending the meeting to Board Secretariat of the Company during hours between 9:00 a.m. and 11:30 a.m., 2:00 p.m. and 4:30 p.m. on every business day on or before Friday, 16 October 2026 in person, by post or by fax.

3. Closure of Register of Members. The H Share register of members of the Company will be closed from Thursday, 15 October 2026 to Friday, 23 October 2026 (both days inclusive).

III. MISCELLANEOUS

1. The EGM will not last for more than one working day. Shareholders who attend shall bear their own travelling and accommodation expenses.

2. The address of the Share Registrar for A Shares of the Company, China Securities Registration and Clearing Company Limited Shanghai Branch Company is: 188 Yanggao South Road, Shanghai Pilot Free Trade Zone, PRC.

3. The address of the Share Registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited is: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

4. The contact for the EGM is:

   Board Secretariat of China Petroleum & Chemical Corporation
   No. 22 Chaoyangmen North Street
   Chaoyang District Beijing 100728
   PRC
   Attn: Chen Dongdong
   Telephone No.: (+86) 10 5996 9671
   Facsimile No.: (+86) 10 5996 0386

As of the date of this notice, Directors of the Company are: Hou Qijun, Zhao Dong*, Zhong Ren*, Wan Tao#, Niu Shuanwen#, Cai Yong*, Tian Hongbin#, Chen Yanbin#, Xu Lin+, Zhang Liying+, Liu Tsz Bun Bennett+, Zhang Xiliang+, Li Wei+ and Wang Shijie*.*

\# *Executive Director*

* *Non-executive Director*

\+ *Independent Non-executive Director*