



中国石化  
SINOPEC

中国石油化工股份有限公司  
SINOPEC CORP.



ANNUAL REPORT  
AND ACCOUNTS **2025**

# CONTENTS

<b>2</b>	Company Profile
<b>3</b>	Principal Financial Data and Indicators
<b>7</b>	Chairman's Address
<b>10</b>	Business Review and Prospects
<b>17</b>	Management's Discussion and Analysis
<b>28</b>	Corporate Governance, Environment and Society
<b>54</b>	Significant Events
<b>62</b>	Connected Transactions
<b>64</b>	Report of the Board of Directors
<b>73</b>	Changes in Share Capital and Shareholdings of Principal Shareholders
<b>77</b>	Bond General Information
<b>80</b>	Principal Wholly-owned and Controlled Subsidiaries
<b>81</b>	Financial Statements
<b>219</b>	Corporate Information
<b>220</b>	Documents for Inspection

This annual report includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that the Company expects or anticipates will or may occur in the future (including but not limited to projections, targets, reserve and other estimates and business plans) are forward-looking statements. The Company's actual results or developments in the future may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at 20 March 2026 and unless required by regulatory authorities, the Company undertakes no obligation to update these forward-looking statements.

**IMPORTANT NOTICE: THE BOARD OF DIRECTORS, DIRECTORS AND SENIOR MANAGEMENT OF SINOPEC CORP. WARRANT THAT THERE ARE NO FALSE REPRESENTATIONS, MISLEADING STATEMENTS OR MATERIAL OMISSIONS IN THIS ANNUAL REPORT, AND JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS ANNUAL REPORT. THERE IS NO OCCUPANCY OF NON-OPERATING FUNDS BY THE CONTROLLING SHAREHOLDERS OF SINOPEC CORP. ALL DIRECTORS ATTENDED THE 11TH MEETING OF THE NINTH SESSION OF THE BOARD. MR. HOU QIJUN, CHAIRMAN OF THE BOARD, MR. ZHAO DONG, VICE CHAIRMAN OF THE BOARD AND PRESIDENT, MS. SHOU DONGHUA, CHIEF FINANCIAL OFFICER AND HEAD OF THE FINANCIAL DEPARTMENT OF SINOPEC CORP. WARRANT THE AUTHENTICITY, ACCURACY AND COMPLETENESS OF THE FINANCIAL STATEMENTS CONTAINED IN THIS ANNUAL REPORT. THE AUDIT COMMITTEE OF SINOPEC CORP. HAS REVIEWED THE ANNUAL REPORT OF SINOPEC CORP. FOR THE YEAR ENDED 31 DECEMBER 2025.**

**THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 OF THE COMPANY PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (CASs) AND IFRS ACCOUNTING STANDARDS HAVE BEEN AUDITED BY KPMG HUAZHEN LLP AND KPMG RESPECTIVELY. BOTH FIRMS HAVE ISSUED STANDARD UNQUALIFIED AUDITOR'S REPORTS.**

**AS APPROVED AT THE 11TH MEETING OF THE NINTH SESSION OF THE BOARD OF DIRECTORS OF SINOPEC CORP., THE BOARD PROPOSED A FINAL CASH DIVIDEND OF RMB0.112 (TAX INCLUSIVE) PER SHARE FOR 2025, COMBINING WITH THE INTERIM CASH DIVIDEND OF RMB0.088 (TAX INCLUSIVE) PER SHARE, THE TOTAL CASH DIVIDEND FOR 2025 WILL BE RMB0.2 (TAX INCLUSIVE) PER SHARE. THE FINAL DIVIDEND PROPOSAL IS SUBJECT TO THE SHAREHOLDERS' APPROVAL AT THE ANNUAL GENERAL MEETING FOR THE YEAR 2025.**

#### COMPANY PROFILE

Sinopec Corp.'s H shares were listed in Hong Kong Stock Exchange on 18 October 2000 and A shares were listed in the SSE on 8 August 2001. Sinopec Corp. 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 import and export agency business, of petroleum, natural gas, petroleum products, petrochemical, other chemical products, 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.

#### DEFINITIONS:

In this report, unless the context otherwise requires, the following terms shall have the meaning as set out below:

Sinopec Corp.: China Petroleum & Chemical Corporation

Company: Sinopec Corp. and its subsidiaries

China Petrochemical Corporation: the controlling shareholder of Sinopec Corp., China Petrochemical Corporation

Sinopec Group: China Petrochemical Corporation and its subsidiaries

NDRC: China National Development and Reform Commission

SSE: Shanghai Stock Exchange

RMC: Oil and Natural Gas Reserves Management Committee of the Company

Sinopec Finance Co.: Sinopec Finance Co., Ltd.

Century Bright: Sinopec Century Bright Capital Investment, Ltd.

CSRC: China Securities Regulatory Commission.

Hong Kong Stock Exchange: The Stock Exchange of Hong Kong Limited

Hong Kong Listing Rules: Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

#### CONVERSION:

For domestic production of crude oil, 1 tonne is about 7.1 barrels;

For overseas production of crude oil: 1 tonne is about 7.25 barrels in 2025, 1 tonne is about 7.25 barrels in 2024, 1 tonne is about 7.26 barrels in 2023;

For production of natural gas, 1 cubic meter = 35.31 cubic feet;

## 1 FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH CASS

## (1) Principal financial data

Items	For the year ended 31 December			
	2025 RMB million	2024 RMB million	Change (%)	2023 RMB million
Operating income	2,783,583	3,074,562	(9.5)	3,212,215
Operating profit	40,470	72,257	(44.0)	86,744
Profit before taxation	43,184	70,513	(38.8)	86,116
Net profit attributable to equity shareholders of the Company	31,809	50,313	(36.8)	60,463
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	29,529	48,057	(38.6)	60,692
Net cash flow generated from operating activities	162,496	149,360	8.8	161,475

Items	2025				
	First Quarter RMB million	Second Quarter RMB million	Third Quarter RMB million	Fourth Quarter RMB million	Total RMB million
Operating income	735,356	673,696	704,389	670,142	2,783,583
Net profit attributable to equity shareholders of the Company	13,264	8,219	8,501	1,825	31,809
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	13,223	7,992	9,337	(1,023)	29,529
Net cash flow generated from operating activities	8,138	52,878	53,766	47,714	162,496

Items	As of 31 December			
	2025 RMB million	2024 RMB million	Change (%)	2023 RMB million
Total assets	2,155,617	2,084,771	3.4	2,026,674
Total liabilities	1,165,845	1,108,478	5.2	1,068,019
Total equity attributable to equity shareholders of the Company	830,324	819,922	1.3	805,794
Total number of shares (1,000 shares)	120,925,514	121,281,556	(0.3)	119,349,252

## (2) Principal financial indicators

Items	For the year ended 31 December			
	2025 RMB Yuan	2024 RMB Yuan	Change (%)	2023 RMB Yuan
Basic earnings per share	0.262	0.415	(36.9)	0.505
Diluted earnings per share	0.262	0.415	(36.9)	0.505
Basic earnings per share (excluding extraordinary gains and losses)	0.244	0.397	(38.5)	0.507
Weighted average return on net assets (%)	3.86	6.19	(2.33) percentage points	7.59
Weighted average return (excluding extraordinary gains and losses) on net assets (%)	3.58	5.91	(2.33) percentage points	7.61
Net cash flow generated from operating activities per share	1.341	1.233	8.8	1.348

Items	As of 31 December			
	2025 RMB Yuan	2024 RMB Yuan	Change (%)	2023 RMB Yuan
Net assets attributable to equity shareholders of the Company per share	6.866	6.760	1.6	6.752
Liabilities to assets ratio (%)	54.08	53.17	0.91 percentage points	52.70

## (3) Extraordinary items and corresponding amounts

Items	For the year ended 31 December (Income)/expenses		
	2025 RMB million	2024 RMB million	2023 RMB million
Net gain on disposal of non-current assets	(1,040)	(1,967)	(4,226)
Donations	293	293	310
Government grants	(1,396)	(4,068)	(3,533)
Loss/(gain) on holding and disposal of various investments	723	(586)	(931)
Other non-operating (income)/expenses, net	(2,778)	1,807	797
One-time impact on loss during the reporting period due to adjustments to laws and regulations	-	-	5,955
<b>Subtotal</b>	<b>(4,198)</b>	<b>(4,521)</b>	<b>(1,628)</b>
Tax effect	1,489	1,485	635
<b>Total</b>	<b>(2,709)</b>	<b>(3,036)</b>	<b>(993)</b>
Attributable to: Equity shareholders of the Company	(2,280)	(2,256)	229
Minority interests	(429)	(780)	(1,222)

## (4) Items measured by fair values

Unit: RMB million

Items	Beginning of the year	End of the year	Changes	Influence on the profit of the year
Other equity instruments investment	416	7,156	6,740	40
Receivables financing	2,613	5,340	2,727	-
Derivative financial instruments and cash flow hedging	(858)	(4,314)	(3,456)	4,093
Financial assets held for trading	4	4	-	1
<b>Total</b>	<b>2,175</b>	<b>8,186</b>	<b>6,011</b>	<b>4,134</b>

### (5) Significant changes of items in the financial statements

The table below sets forth reasons for those changes where the fluctuation was more than 30% during the reporting period:

Items of Consolidated Balance Sheet	As of	As of	Increase/(Decrease)		Main reasons for changes
	31 December 2025	31 December 2024	Amount	Percentage	
	RMB million	RMB million	RMB million	(%)	
Receivables financing	5,340	2,613	2,727	104.4	Increase in bill-settled transactions.
Bills payable	66,457	47,740	18,717	39.2	Increase in bill-settled transactions.
Other equity instrument investments	7,156	416	6,740	1,620.2	Strategic investment in the equity of Contemporary Ampere Technology Co., Limited (CATL).
Short-term loans	29,455	48,231	(18,776)	(38.9)	Repayment of maturing short-term loans.
Derivative financial assets	1,362	2,554	(1,192)	(46.7)	Impact of changes in fair value of hedging business.
Derivative financial liabilities	5,676	3,412	2,264	66.4	Impact of changes in fair value of hedging business.
Non-current liabilities due within one year	110,557	64,602	45,955	71.1	Certain long-term loans being reclassified to non-current liabilities due within one year.
Debentures payable	52,296	25,562	26,734	104.6	Impact of debentures such as medium-term notes and sci-tech innovation bonds for financing during the reporting period.
Other current liabilities	17,134	12,849	4,285	33.3	Impact of exchange rate fluctuations on the increase in long-term payables and other items.
Other comprehensive income	6,726	(987)	7,713	-	Changes in fair value of equity of CATL and foreign currency translation differences.

Items of Consolidated Income Statement	For	For	Increase/(Decrease)		Main reasons for changes
	12-month period ended 31 December 2025	12-month period ended 31 December 2024	Amount	Percentage	
	RMB Million	RMB Million	RMB Million	(%)	
Financial expenses	14,654	11,174	3,480	31.1	Increase in scale of interest-bearing debt and net exchange loss on certain foreign currency loans.
Other income	8,277	12,253	(3,976)	(32.4)	Cash received from disposal of Hunan Petrochemical assets in the first half of previous year, which did not happen during the reporting period and decrease in VAT refunds of imported LNG year-on-year with decrease in LNG price.
Investment income	10,671	15,889	(5,218)	(32.8)	Changes in performance of hedging business and decrease in profit of certain chemical joint ventures.
Gains/(losses) from changes in fair value	63	(4,147)	4,210	-	Increase in floating gain of hedging business.
Credit impairment reversals/(losses)	258	(108)	366	-	Increase in bad debt reversal of accounts receivables year-on-year.
Impairment losses	(12,953)	(6,702)	(6,251)	93.3	Increase in impairment of refining and chemical facilities, long-term equity investments and other items year-on-year.
Asset disposal gains	1,040	1,967	(927)	(47.1)	Decrease in the disposal gains of service station assets year-on-year.
Non-operating income	6,697	2,226	4,471	200.9	Increase in income from participation in joint venture projects.

Items of Consolidated Cash Flow Statement	For	For	Increase/(Decrease)		Main reasons for changes
	12-month period ended 31 December 2025	12-month period ended 31 December 2024	Amount	Percentage	
	RMB Million	RMB Million	RMB Million	(%)	
Cash received from disposal of investments	91	475	(384)	(80.8)	Decrease in recovery of investments from associates and joint ventures.
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,241	1,864	(623)	(33.4)	Cash received from disposal of Hunan Petrochemical assets in previous year, which did not happen during the reporting period.
Cash received from capital contributions	7,702	15,458	(7,756)	(50.2)	Cash received from the issuance of shares to the target subscriber in previous year, which did not happen during the reporting period.
Cash received from borrowings	417,594	672,450	(254,856)	(37.9)	Decrease in new borrowings year-on-year.
Other cash received relating to financing activities	112	1,290	(1,178)	(91.3)	Carrying out the finance leasing business in previous year, which did not happen during the reporting period.
Cash repayments of borrowings	(386,252)	(628,052)	241,800	(38.5)	Decrease in repayments of maturing borrowings year-on-year.

**2 FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS**

Unit: RMB million

Items	2025	For the year ended 31 December			
		2024	2023	2022	2021
Revenue	<b>2,783,583</b>	3,074,562	3,212,215	3,318,168	2,740,884
Operating profit	<b>48,608</b>	70,686	86,828	75,835	94,628
Profit before taxation	<b>43,744</b>	69,142	83,934	94,400	109,169
Profit attributable to shareholders of the Company	<b>32,476</b>	48,939	58,310	66,933	72,483
Basic earnings per share (RMB)	<b>0.268</b>	0.404	0.487	0.554	0.599
Diluted earnings per share (RMB)	<b>0.268</b>	0.404	0.487	0.554	0.599
Return on capital employed (%)	<b>4.01</b>	5.78	7.22	8.73	11.33
Return on net assets (%)	<b>3.95</b>	6.00	7.26	8.50	9.34
Net cash generated from operating activities per share (RMB)	<b>1.341</b>	1.233	1.348	0.962	1.860

Unit: RMB million

Items	2025	As of 31 December			
		2024	2023	2022	2021
Non-current assets	<b>1,630,744</b>	1,556,925	1,490,261	1,427,981	1,332,940
Net current liabilities	<b>175,812</b>	148,722	112,641	144,245	83,256
Non-current liabilities	<b>468,056</b>	436,056	421,811	344,194	332,162
Non-controlling interests	<b>159,413</b>	156,332	152,820	151,942	141,226
Total equity attributable to shareholders of the Company	<b>827,463</b>	815,815	802,989	787,600	776,296
Net assets per share (RMB)	<b>6.843</b>	6.727	6.728	6.569	6.412
Adjusted net assets per share (RMB)	<b>6.604</b>	6.500	6.486	6.310	6.228

**3 MAJOR DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS PREPARED UNDER CASS AND IFRS ACCOUNTING STANDARDS PLEASE REFER TO PAGE 213 OF THE REPORT.**



### Dear Shareholders and Friends,

On behalf of the Board, the management and our entire staff, I would like to extend my sincere gratitude to our shareholders and all sectors of society for your care and support for Sinopec Corp.

In 2025, facing profound and complex changes at home and abroad with increasingly fierce market competition, the Board remained steadfastly committed to the new development philosophy and promoted the high-quality development. Under the leadership of our management and supported by our entire staff, the Company overcame headwind challenges and achieved new progress and results in various aspects. Affected by factors including the sharp declining international crude oil prices and weak chemical margins, the Company's performance declined substantially compared with the same period last year. Nevertheless, we maintained an ample operating cash flow and a stable financial position. With an overall consideration of the Company's profitability, shareholders' returns and sustainable development, the Board proposed to distribute a final cash dividend of RMB0.112 per share (RMB, tax inclusive, hereinafter the same). The total annual cash dividends amounted to RMB0.2 per share and the annual payout ratio stood at 81% when combined with the aggregate amount of the share repurchases.

Over the past year, the Company's corporate governance was further enhanced. The internal control system including the Articles of Association was amended and improved. Pursuant to the regulatory requirements, the Supervisory Committee was reformed and the Audit Committee resumed the Supervisory Committee's functions and responsibilities in an orderly manner. The Company elected a new member of the Board and adjusted the composition of the Board committees, thereby further enhancing the diversity of the Board. Meanwhile, the Board reinforced strategic analysis, optimized investment decisions and conducted in-depth research on the Company's business development and strategic plan for the "15th Five-Year Plan" period. Our independent directors conducted thematic research covering the whole industry chain, providing valuable insights and suggestions for the Company's reform and development. Their roles of participating in decision-making, exercising oversight and checks and balances, and offering professional consultation have been effectively fulfilled. We have given full play to the leading and supporting role of Party building, and motivated our staff's enthusiasm for work and dedication. The Company attached great importance to shareholders' return and implemented both A shares and H shares repurchases for the fourth consecutive year to enhance our corporate value and shareholders' equity. In addition, we have maintained high-quality information disclosure and investor

relations management, and were consecutively granted with Grade A rating for our information disclosure practice by the Shanghai Stock Exchange.

Over the past year, the Company maintained steady progress in pursuit of high operation and development quality. As for upstream business, major breakthroughs were achieved in deep, unconventional and offshore explorations. Our domestic oil and gas equivalent output and the profitability of the natural gas industrial chain hit record high, exhibiting the remarkable results in our reserve and production growth. As for refining segment, we optimized the product mix, expanded profitable processing volume, and steadily advanced the low-cost "refined oil products to chemical feedstocks" transition and high-value "refined oil products to refining specialties" strategy. The profitability of refining by-products thus significantly improved. As for marketing segment, we emphasised on consolidating and expanding the market, maintained a stable domestic market share in refined oil products, achieved top position in domestic automotive LNG refueling and low-sulfur bunker fuel market, and realised steady development in non-fuel business. As for the chemical segments, we focused on business optimization, cost control and market expansion. The development of new materials was accelerated and the overall sales volume of chemical products grew steadily.

Over the past year, the Company has achieved fruitful results in technological innovation. With greater emphasis on innovation-driven development, the Company vigorously promoted the transition of technological achievements into real productivity, nurtured our development of both advantageous business and emerging businesses, and maintained a leading position among domestic enterprises in terms of patent quality. Remarkable progress has been made in research and development of major science and technology projects, including new types oil and gas exploration and development and new materials. The wider application of RTC (residue-to-chemicals) catalytic cracking technology and the commercialization of new materials such as polyolefin elastomers, liquid rubber and high-performance carbon fibers have been accelerated. We implemented the "AI+" initiative and advanced the application of The Great Wall large AI models and the development of smart factories, thereby accelerating digital and intelligent empowerment.

Over the past year, the Company has built momentum and accumulated strengths for business transition and upgrading. Committed to our direction of high-end, intelligent and green development, we completed the construction of our first 40-million-tonne refining base, and implemented a number of transition, upgrading, and quality improvement projects, including the ethylene project in Maoming and the aromatic project in Jiujiang in an orderly manner. We strive to develop the Company into an integrated energy service provider, maintained the largest market share in domestic hydrogen refueling business and established more than 13,000 EV charging and battery swapping stations. Along with the large-scale development of green electricity business, the Company integrated carbon trading with electricity business. Meanwhile, the Easy Joy services have been further enriched, and the launch of “vehicle ecosystem” and “home life” program has created a new paradigm for energy station, which contributed to a better life for the people.

Over the past year, the Company has achieved remarkable results in our ESG performance. We carried out the Action for Fundamental Improvement in Safety Production and maintained a safe and stable operation. Proactively addressing the global climate change, we refined our medium and long-term carbon reduction targets and steadily advanced The “Eight Actions for Carbon Peaking”. We continue to enhance energy efficiency, advance the Green Enterprise Initiative, strengthen the pollution prevention and control, and attached importance to biodiversity protection and supporting the ecological civilization. We promoted rural revitalization through consumption promotion, business development and education support programs and continued our signature public welfare projects including the “Sinopec Lifeline Express” and “Spring Bud Service Station”, enabling more people to benefit from the Company's development. With enhanced ESG disclosure and communication, the stakeholders' satisfaction was further improved.

2025 marked the concluded year of China's “14th Five-Year Plan”. Over the past five years, facing the external challenges and a severe and complex operating environment that far exceeded expectation, the Company responded proactively and successfully achieved our key operational targets for the “14th Five-Year Plan”. We achieved steadily yet rapidly progress in business transition and upgrading, further strengthened our technological innovation capabilities, enhanced our modern enterprise system with Chinese characteristics, improved corporate governance efficiency and comprehensively promoted high-quality development. The Company's market capitalization increased by more than RMB240 billion with cumulative dividends reaching RMB208.5 billion over the past five years, thereby delivering sound return to shareholders. On behalf of the Board, I would like to express my sincere gratitude to all shareholders and all sectors of society in the community for your strong support and to all directors, supervisors and the management team for their dedication and outstanding contributions.

Looking ahead, the energy transition and technological revolution are unfolding in tandem and the green transition in China's economy and society is accelerating. Resource and environmental constraints are exerting a far-reaching impact on the development of the energy and chemical industries, profoundly reshaping the industry landscape and development paradigm. China's economy boasts strong resilient, great potential and abundant vitality and its long-term positive trend remains unchanged. This provides a favorable development opportunity and enabling conditions for the Company to gather momentum, break through constraints, pursue reform and strive for excellence. During “15th Five-Year Plan” period, Sinopec Corp. will continue to inherit and

uphold the glorious tradition of hard working and entrepreneurship forged in petroleum and petrochemical industry. We will broaden our vision and fully embark on a new journey of Entrepreneurship 2.0. The Company will advance high-quality development by implementing six major strategies — innovation-driven development, business transition and upgrading, resources security, market expansion, cost effectiveness and open cooperation. We will accelerate the establishment of new industrial pattern characterized by “One foundation, Two wings, Three chains, and Four new growth drivers”—where energy resources serve as the foundation, refining and chemical segments serve as the two wings, three marketing value chains of refined oil products, natural gas, and chemicals serve as the driving force, and new energy, new materials, new business models and new tracks as the strategic emerging growth engines. We will continuously enhance our modern corporate governance system in a scientific, standardized and efficient manner, and committed to develop the Company into a world-leading modern energy and chemical company.

2026 marks the opening year of the “15th Five-Year Plan”. Sinopec Corp. will adhere to a full, accurate and comprehensive implementation of new development philosophy, stay focused on our targets and missions, strengthen the value leadership, and coordinate the effective improvement of quality and reasonable growth of business scale. We plan for promoting all initiatives in a well-organized manner and strive to achieve a sound start.

We will focus on energy security, striving to safeguard the “one foundation”. We will coordinate the development of oil and gas exploration, production, storage, marketing and trading system, thereby strengthening our capability to ensure an economic, reliable and sustainable resource supply. We will intensify high-quality oil and gas explorations, pursue the parallel development of conventional and unconventional resources as well as onshore and offshore operations, and the realization of high yields with fewer new wells. We will vigorously promote low-cost development and profitable large-scale production, boost crude oil reserves and output and achieve robust growth in natural gas business. Leveraging our strength in international trade and centralized procurement, we will proactively secure diversified and cost-effective resources.

We will focus on quality and profitability enhancement, striving to strengthen the “two wings”. In adherence to the directions of high-end, intelligent and green development, the Company will push for the structure adjustment of refining and chemicals sector. We will fully leverage our integrated advantages to optimize production and operation strategy covering feedstock, facilities and product mix, strengthen cost reduction across all staff, factors, process and business cycles, and further enhance the intensive and efficient operation of the industrial chain. To maximize the overall profitability, we will make solid progress in stabilizing refining throughput while improving efficiency, and reducing loss and increasing profit in chemical sector.

We will focus on market expansion and sales growth, striving to optimize the “three chains”. We will innovative our marketing mindset, adhere to customer-focus approach and empower our business through digital intelligence to upgrade the marketing sector toward the “provision of integrated solutions”. We will make robust efforts to consolidate our retail market share in refined oil products,

expand our natural gas sales network and enhance the quality and efficiency of the EV charging, battery swapping and hydrogen energy businesses. At the same time, we will improve the competitiveness of refining by-products and enhance the differentiated marketing models and service strategy for chemical products, elevate the marketing capabilities, sales volume and profitability of refined oil products, natural gas and chemical products, and drive an overall improvement in the competitiveness of entire industrial chain.

We will focus on the continuity of growth momentum, striving to develop the “four new growth drivers”. We will foster and expand strategic emerging businesses, layout and develop future businesses and accelerate the expansion of “second growth curve”. Adhering to large-scale and profitable development, we will proactively develop wind power, photovoltaic, hydrogen energy and biomass energy, further advance the construction of a green power system covering generation, grid, load and storage, and promote the commercialization and large-scale application of CCUS technology. We will speed up the construction of key projects such as high-performance carbon fibers and vigorously foster new business forms including smart e-commerce. Moreover, we will closely monitor business sectors including low-carbon circular economy, bio-manufacturing, artificial intelligence to explore new entry points for industrial development.

We will focus on strengthening the performance of technological support, striving to promote the integration and innovation of technology and industry. We will deepen the integration of innovation chain, industrial chain, capital chain and talent chain, improve the appraisal and incentive mechanism, and drive the integrated innovation between technology and industry. As for oil and gas exploration and development sector, we will make solid progress in tackling major projects such as the cost-effective development of continental shale oil and the

development of CCUS industrial chain. As for refining and chemical sector, we will accelerate the development and industrial demonstration of low-cost leading-edge production technologies, enhance the high-value utilization of refining by-products, and accelerate the development and application of high-performance metallocene polyolefin technology. As for strategic emerging sector, we will press forward with key projects including sustainable aviation fuel.

We will focus on enhancing governance effectiveness, strive to promote reform and strengthen management. We will continue improving our modern enterprise system with Chinese characteristics and elevate our corporate governance standards. We will deepen our ESG governance and improve ESG performance. We will steadily implement the Action for Carbon Peaking and promote the coordination of carbon reduction, pollution mitigation, green expansion and corporate growth. We will comprehensively deepen reform, optimize the management system and mechanism, build a lean management system covering the entire value chain, so as to improve our profitability through reform and management. We will strengthen risk prevention and control in key areas. Adhering to the principle of prudent, precise and effective investment, we will strengthen the whole-process management of decision-making so as to reinforce the Company’s overall competitive advantages.

Our Entrepreneurship 2.0 has set sail and embarked on a new voyage. The Board will lead and together with the management and the entire staff to forge ahead on this new journey with the spirit of innovation and entrepreneurship and dedicated efforts to achieve the annual targets with high quality so as to deliver greater value to our shareholders, customers, employees and the society at large.

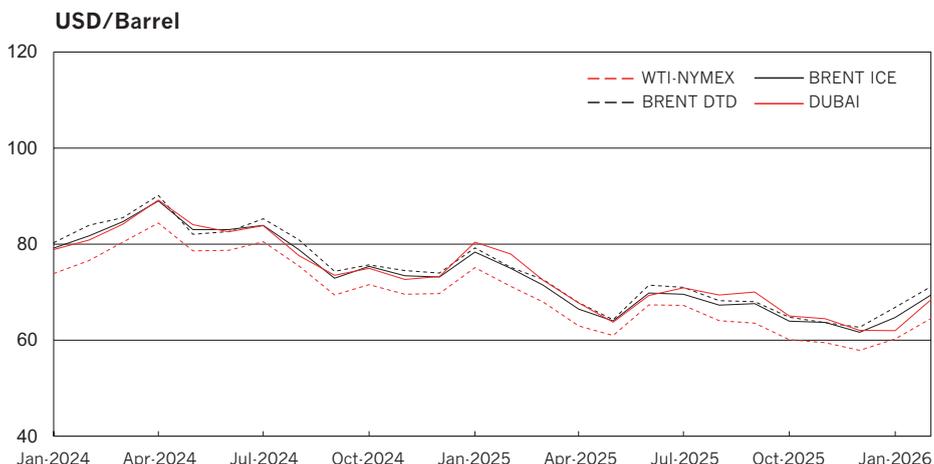
**Hou Qijun**  
Chairman

Beijing, China  
20 March 2026

**BUSINESS REVIEW**

In 2025, China's economy maintained stable growth, registering a GDP growth of 5.0% year-on-year. International crude oil prices fluctuated with a downward trend. The domestic demand for natural gas and chemical products continued to increase, while the demand for refined oil products declined.

**Movement of International Crude Oil Prices**



**1 MARKET REVIEW**

**(1) Crude Oil & Natural Gas Market**

In 2025, international crude oil prices fluctuated with a downward trend. The spot price of Platts Brent for the year averaged USD69.1 per barrel, down by 14.5% year-on-year. The domestic demand for natural gas kept growing. Based on our statistics, domestic consumption of natural gas increased by 2.9% year-on-year.

**(2) Refined Oil Products Market**

In 2025, the domestic demand for refined oil products decreased. According to our statistics, the domestic consumption of refined oil products (including gasoline, diesel and kerosene) decreased by 4.1% from the previous year, with gasoline down by 4.5% year-on-year, diesel down by 5.6% year-on-year and kerosene up by 4.4% year-on-year.

**(3) Chemical Products Market**

In 2025, the domestic demand for chemicals went up steadily. Based on our statistics, the domestic consumption of ethylene equivalent and the apparent consumption of PX increased by 8.5% and 1.3% respectively from the previous year, and the apparent consumption of synthetic resin, synthetic fibre and synthetic rubber rose by 5.4%, 4.2%, and 4.8% respectively from the previous year. However, the production capacity for basic petrochemical products was up by 10.2% from the previous year. As the incremental consumption was insufficient to offset the additional supply, overall chemical margin continued to decline.



## 2 PRODUCTION & OPERATIONS REVIEW

### (1) Exploration and Production

In 2025, the Company strengthened high-quality exploration and profitable development, and achieved new progress in reserve and production growth with oil and gas equivalent output reaching a record high. In terms of exploration, we spared no effort to expand mining rights and increase reserves. Significant breakthroughs were made in the exploration of shale oil in the Bohai Bay Basin, new area in the Sichuan

Basin and offshore natural gas etc. The construction of the Shengli Jiyang Shale Oil National Demonstration Zone was completed with high quality. In terms of oil development, we accelerated the construction of key projects such as Tahe, West Junggar, and offshore fields, implemented differentiated reservoir management, and shale oil production reached a million-tonne scale. In natural gas development, we pushed ahead the build-up of key projects such as marine facies gas in West Sichuan, offshore blocks, and Xujiache Formation in the

Sichuan Basin. At the same time, we further boosted the synergy of production, supply, storage and sales, with the profit for the natural gas business chain hitting a record high. The Company's production of oil and gas in 2025 was 525.28 million barrels of oil equivalent, up by 1.9% year-on-year, among which, the domestic crude oil production totaled 255.75 million barrels, and the natural gas production reached 1,456.6 billion cubic feet, up by 4.0% year-on-year.

### Summary of Operations for the Exploration and Production Segment

	2025	2024	2023	Change from 2024 to 2025(%)
Oil and gas production (mmbobe)	525.28	515.35	504.09	1.9
Crude oil production (mmbbls)	282.40	281.85	281.12	0.2
China	255.75	254.00	251.63	0.7
Overseas	26.65	27.84	29.49	(4.3)
Natural gas production (bcf)	1,456.63	1,400.39	1,337.82	4.0

### Summary of Reserves of Crude Oil and Natural Gas

Items	Crude oil reserves (mmbbls)	
	31 December 2025	31 December 2024
Proved reserves	2,074	2,097
Proved developed reserves	1,774	1,845
China	1,546	1,587
Consolidated companies	1,546	1,587
Shengli	1,153	1,188
Others	393	399
Overseas	228	258
Consolidated companies	10	14
Equity accounted entities	217	244
Proved undeveloped reserves	300	252
China	266	218
Consolidated companies	266	218
Shengli	117	84
Others	149	134
Overseas	34	34
Consolidated companies	2	3
Equity accounted entities	33	31

Items	Natural gas reserves (bcf)	
	31 December 2025	31 December 2024
Proved reserves	10,029	9,870
Proved developed reserves	8,152	7,951
China	8,146	7,942
Consolidated companies	8,146	7,942
Puguang	1,445	1,324
Fuling	1,859	1,834
Others	4,842	4,784
Overseas	6	9
Consolidated companies	0	0
Equity accounted entities	6	9
Proved undeveloped reserves	1,877	1,919
China	1,877	1,919
Consolidated companies	1,877	1,919
Fuling	133	140
Others	1,744	1,779
Overseas	0	0
Consolidated companies	0	0
Equity accounted entities	0	0

#### Exploration and Production Activities

Wells drilled	As of 31 December									
	2025					2024				
	Exploratory		Development			Exploratory		Development		
	Productive	Dry	Productive	Dry	Productive	Dry	Productive	Dry	Productive	Dry
China	480	82	2,309	14	425	79	2,083	4		
Consolidated companies	480	82	2,309	14	425	79	2,083	4		
Shengli	215	34	1,312	0	169	31	1,183	2		
Others	265	48	997	14	256	48	900	2		
Overseas	3	0	153	0	3	0	148	0		
Consolidated companies	0	0	2	0	0	0	0	0		
Equity accounted entities	3	0	151	0	3	0	148	0		
Total	483	82	2,462	14	428	79	2,231	4		

Wells drilling	As of 31 December									
	2025					2024				
	Gross		Net			Gross		Net		
	Exploratory	Development	Exploratory	Development	Exploratory	Development	Exploratory	Development	Exploratory	Development
China	24	269	24	267	80	179	80	177		
Consolidated companies	24	269	24	267	80	179	80	177		
Shengli	6	119	6	119	19	61	19	61		
Others	18	150	18	148	61	118	61	116		
Overseas	0	6	0	3	1	8	1	4		
Consolidated companies	0	0	0	0	0	0	0	0		
Equity accounted entities	0	6	0	3	1	8	1	4		
Total	24	275	24	270	81	187	81	181		

Crude Oil productive wells	As of 31 December				
	2025		2024		
	Gross	Net	Gross	Net	Net
China	58,274	58,274	56,630	56,630	
Consolidated companies	58,274	58,274	56,630	56,630	
Shengli	38,220	38,220	36,868	36,868	
Others	20,054	20,054	19,762	19,762	
Overseas	5,627	2,373	5,532	2,338	
Consolidated companies	32	12	30	11	
Equity accounted entities	5,595	2,361	5,502	2,327	
Total	63,901	60,647	62,162	58,968	

Natural gas productive wells Region	As of 31 December			
	2025		2024	
	Gross	Net	Gross	Net
China	9,244	9,152	8,731	8,640
Consolidated companies	9,244	9,152	8,731	8,640
Puguang	121	121	106	106
Fuling	1,300	1,300	1,156	1,156
Others	7,823	7,731	7,469	7,378
Total	9,244	9,152	8,731	8,640

Unit: Square kilometers

	As of 31 December	
	2025	2024
Acreage with exploration licenses	384,840	375,255
China	384,840	375,255
Acreage with development licenses	49,457	49,081
China	43,483	43,247
Overseas	5,974	5,834

## (2) Refining

In 2025, the Company actively addressed the challenges brought by fluctuation with downward trend in crude oil prices and decline in demand for gasoline and diesel, optimized the integration of production and marketing, maximized profitable processing volume and maintained a relatively high utilisation

rate. We optimized the pace for crude oil procurement to lower cost and freight. We optimised utilization rate and product mix and produced more market-favored products such as jet fuel, lubricant and grease close to market need. Efforts were made to carry forward low-cost “refined oil products to chemical feedstocks” and high-value “refined oil products to refining specialties” strategy in an

orderly manner. We consolidated our leading position nationwide in high-end carbon materials. In 2025, the Company processed 250 million tonnes of crude and produced 44.22 million tonnes of light chemical feedstock, up by 8.4% year-on-year. Refined oil products output was 149 million tonnes, with jet fuel production up by 7.3% year-on-year.

### Summary of Operations for the Refining Segment

Unit: million tonnes

				Change from
	2025	2024	2023	2024 to 2025(%)
Refinery throughput	250.33	252.30	257.52	(0.8)
Gasoline, diesel and kerosene production	148.95	153.49	156.00	(3.0)
Gasoline	62.61	64.15	62.51	(2.4)
Diesel	52.64	57.91	64.54	(9.1)
Jet fuel	33.71	31.43	28.95	7.3
Light chemical feedstock production	44.22	40.78	43.29	8.4

Note: Includes 100% of the production from domestic joint ventures.

## (3) Marketing and Distribution

In 2025, amid the challenges by intense competition in gasoline and diesel markets and rapid penetration of new energy vehicles, the Company fully leveraged its integration and network advantages, coordinated the expansion of sales and transition development, strived to develop itself as an integrated energy service provider of petro, gas, hydrogen, power and service. We carried forward

targeted marketing tactics, expanded strategic clients and boosted the sales volume of high-grade gasoline. We stepped up efforts in expanding network for gas refueling, EV charging and battery swapping, proactively promoted hydrogen mobility, and achieved significant volume growth in automotive LNG refueling, EV charging and hydrogen refueling, with maintaining top position in domestic LNG and hydrogen refueling businesses. The

“vehicle ecosystem” network and “home lifestyle” model were further developed to improve Easy Joy service quality. We accelerated development of international layout, with the Company remaining the world’s largest supplier of low-sulfur bunker fuel. Annual total sales volume of refined oil products reached 229 million tonnes.

**Summary of Operations for the Marketing and Distribution Segment**

	2025	2024	2023	Change from 2024 to 2025 (%)
Total sales volume of oil products (million tonnes)*	229.02	239.33	239.05	(4.3)
Domestic sales volume of oil products (million tonnes)	177.56	182.82	188.17	(2.9)
Retail sales (million tonnes)	110.16	113.45	120.12	(2.9)
Direct sales and distribution (million tonnes)	67.40	69.38	68.05	(2.9)

	31 December 2025	31 December 2024	31 December 2023	Change from the end of the previous year to the end of the reporting period (%)
Total number of service stations under the Sinopec brand	31,195	30,987	30,958	0.7
Number of company-operated stations	31,195	30,987	30,958	0.7

Note: The total sales volume of refined oil products includes the amount of refined oil sales and trading volume.

**(4) Chemicals**

In 2025, facing the severe condition of the rapid expansion in domestic chemicals capacity and narrowing chemical margin, the Company closely followed market demand to optimize production and operation, leveraged refining-chemical integration, and gave full play to the potential of profitable

facilities. We optimised facilities and product mix and achieved a record high in PX production. We reinforced cost control and adjusted chemical feedstock to reduce costs of raw materials and processing. With further coordination of production, sales, R&D and application, we sped up the development of new materials such as POE. Annual ethylene

production was 15.28 million tonnes. We strived to expand emerging and niche markets, seek strategic partnerships and explore overseas market. Total chemical sales volume for the year reached 87.12 million tonnes, up by 3.6% year-on-year, with export volume up by 29.8% year-on-year.

**Summary of Operations for the Chemicals Segment**

Unit: thousand tonnes

	2025	2024	2023	Change from 2024 to 2025 (%)
Ethylene	15,279	13,467	14,314	13.5
Synthetic resin	22,037	20,087	20,574	9.7
Synthetic rubber	1,578	1,429	1,424	10.4
Synthetic fiber monomer and polymer	11,967	10,033	7,866	19.3
Synthetic fiber	1,229	1,248	1,113	(1.5)

Note: Includes 100% of the production of domestic joint ventures.

**(5) Innovation in R&D and Digital Intelligence**

In 2025, the Company intensified efforts in innovation with breakthroughs achieved in R&D and digital intelligence. In terms of R&D, The differential cube development technology for shale oil in continental rift basins supported the cost-effective development of shale oil. Heterogeneous composite flooding technology was applied to various reservoirs with high salinity and high calcium-magnesium content. Breakthroughs were achieved in

high-end polypropylene cable insulation materials. We also achieved industrial production of 60K large tow carbon fiber. Our independently developed seawater electrolysis hydrogen production unit became China's first demonstration facility with long-term stable operation, while 100 KW-scale iron-chromium flow battery system was successfully deployed for "solar-storage-charging" integration at photovoltaic power stations. In terms of digital intelligence, we made steady moves to implement "AI+". The

Great Wall series of large AI models became operational while the intelligent operation centers were further promoted for application. We accelerated the construction of smart factories, with 3 subsidiaries recognized as National Excellence-level Smart Factories, and 1 subsidiary included in the first National Pilot-level Smart Factory Cultivation List. In 2025, the Company filed 9,953 patent applications at home and abroad with 5,768 granted. We won 1 Gold Award, 1 Silver Award, and 3 Excellence Awards in the China Patent Awards.

## (6) HSE

In 2025, the Company continued to improve its HSE management system, enhancing the HSE awareness of responsibility and capabilities of all employees. We carried forward the 2025 Action for Fundamental Improvement in Safety Production. Measures were taken to advance the control of major risks, conduct comprehensive inspections and rectifications of safety hazards, implement specialized campaign for the entire hazardous chemicals supply chain and achieve overall safe and stable production. We strengthened employee health management, further improved working conditions, actively promoted the “Healthy Enterprise” initiative, and safeguarded the occupational, physical, and mental health of employees both domestically and internationally. 43 cases were selected as outstanding examples in the national “Healthy Enterprise” program.

## (7) Capital Expenditure

In 2025, the Company continued to optimise investment in projects, with a capital expenditure of RMB147.2 billion for the whole year. The capital expenditure of the E&P segment was RMB70.9 billion, mainly for the crude capacity building in Jiyang and Tahe, natural gas capacity building in Dingshan-Dongxi as well as the oil and gas storage and transportation facilities. The capital expenditure of the refining segment was RMB22 billion, mainly for

Guangzhou Petrochemical revamping and Maoming Refining upgrading projects, etc. The capital expenditure of the marketing and distribution segment was RMB13.8 billion, mainly for the development of the petro, gas, hydrogen, power and service integrated energy station network. The capital expenditure of the chemical segment was RMB35.9 billion, mainly for the ethylene projects in Maoming and aromatics project in Jiujiang, etc. The capital expenditure of corporate and others was RMB4.6 billion, mainly for R&D and digital intelligent projects, etc.

## BUSINESS OUTLOOK

### 1 MARKET OUTLOOK

Looking forward to 2026, as China’s economy continues to recover and improve, domestic demand for natural gas and chemical products is expected to maintain growth, and that for refined oil products will remain influenced by alternative energy. Taking into account the impact of changes in global supply and demand, geopolitics and inventory levels, the uncertainty surrounding the trend of international crude oil prices has increased.

### 2 PRODUCTION & OPERATION

In 2026, the Company shall vigorously advance high-quality development in all fronts, focusing on safety and environmental protection, energy security, marketing, profitability enhancement and

efficiency improvement, integration of R&D innovation with industry and finance, and reform-driven empowerment. We shall pursue the following key initiatives:

**Exploration and Production:** The Company will advance efforts to increase reserves, stabilise oil production, boost gas output and reduce costs, accelerate the profitable development of new energy business, and strengthen the integrated oil and gas exploration, production, supply, storage, sales and trading system. In exploration, we will actively expand high-quality mining rights, intensify high-quality exploration activities, strive to secure substantial, high-quality reserves, and lower finding costs. In development, efforts will be made to accelerate crude capacity expansion in Tahe, offshore areas, and western Junggar, alongside natural gas capacity growth for offshore, the marine facies in western Sichuan, and the Xujiahe reservoir in Sichuan. We will drive large-scale, profitable production in new areas while proceeding with the fine development in mature oil and gas fields. For natural gas sales, the Company will optimise resource portfolio and reduce costs, accelerate targeted development of high-end, high-value-added markets, so as to improve the scale and profitability of natural gas business. The annual plan is to produce 280.91 million barrels crude oil, including 25.31 million barrels from overseas operations, and 1,471.7 billion cubic feet natural gas.





**Refining:** The Company will focus on stabilising processing volumes and enhancing efficiency, strengthening synergies with marketing and chemical business, and improving intensive and efficient operations. We will insist the coordination across trading, storage, transportation and production, optimise resource procurement and reduce procurement costs. We shall thoroughly assess the marginal benefits of resources, maximise profitable processing volumes, and flexibly adjust product mix. We will persistently advance the strategy of reducing refined oil products output while increasing chemical feedstock and refining specialties output, enhance the market competitiveness of refining by-products such as liquefied petroleum gas, petroleum coke, and asphalt, and accelerate to develop growth drivers including refining specialties and high-end carbon materials. We will expedite the construction of key projects to concentrate our advantageous capacity. The annual plan is to process 250 million tonnes of crude oil and produce 148 million tonnes of refined oil products.

**Marketing and Distribution:** The Company shall remain market-oriented and customer-focus and fully leverage strengths of its integrated business to enhance overall competitiveness. We shall promote coordination between procurement and sales activities, volume and price and develop a differentiated and more precise marketing system. We will increase the portion of premium gasoline sales, expand the jet fuel market, and steadfastly consolidate sales volume of refined oil products. We will continuously optimise network layout, advance the integrated development of all business models, expand the scale of automotive LNG refueling, and grow the quality and profitability of EV charging and battery swapping, as well as hydrogen energy services. The Company will accelerate the profitable

development of the “vehicle ecosystem” and “home lifestyle” model, expand the comprehensive service scenarios of Easy Joy, and build proprietary brands. We will consolidate and enhance the integrated advantages in bunker fuel and actively expand the scale of domestic and international operations. The annual plan for domestic refined oil product sales volume is 170 million tonnes.

**Chemicals:** The Company shall adhere to the strategy of “basic + high-end, chemicals + materials”, strive to reduce costs, expand markets and minimise losses and increase profits. We will promote projects in an orderly manner, scientifically arrange schedule of new capacity deployment and phase out of outdated capacity. We will leverage the advantages of the entire industrial chain and implement multiple measures to reduce raw material costs. Close to market changes, we will conduct dynamic valuation of the marginal benefits of different grades, facilities and product chains to precisely drive product structure optimisation and efficient resource allocation. We will intensify the development of new and high value-added products to improve profit. In chemical sales, we will establish an efficient product-service interaction system to meet differentiated and personalised customer needs, enhance product innovation, increase sales to strategic clients, and strengthen international market expansion. The annual ethylene production is planned at 15.8 million tonnes.

**Innovation and Digital Intelligence:** The Company shall pursue the deep integration of technological and industrial innovation, focusing on breakthroughs in key technologies to develop new quality productive forces. Collaborative research will advance projects including natural gas reserve expansion and production enhancement, profitable development

of continental facies shale oil, and the CCUS/CCS industrial chain. Accelerated development and industrial demonstration of low-cost, cutting-edge refining technologies will be pursued, alongside intensified efforts to maximise the value of intermediate and by-products. We shall expedite the development and application of high-performance metallocene polyolefin technology and establish a comprehensive collaborative system spanning production, sales, research, and application. We will advance integrated research in strategic emerging fields including SAF and key materials and applications for solid-state batteries. We will coordinate digital and intelligent transformation, deepen the “AI+” initiative, enhance overall smart manufacturing maturity, cultivate flagship and exemplary smart factories with significant industry influence, create more high-value application scenarios, and empower digital and intelligent upgrading across all business segments.

**Capex:** In 2026, the Company plans to invest RMB131.6 to RMB148.6 billion. Capex for E&P will be RMB72.3 billion, primarily for the crude capacity building in Jiyang and Tahe, natural gas capacity building in West and South Sichuan, and oil and gas storage and transportation facilities. Capex for refining will be RMB17.3 billion, mainly for Guangzhou Petrochemical revamping and Maoming Refining upgrading projects, etc. Capex for marketing and distribution will be RMB9 billion, primarily for developing the integrated energy station network. Capex for chemical will be RMB28.2 billion, mainly for projects including Maoming and Qilu ethylene, and Jiuliang aromatics. Capex for corporate and others will be RMB4.8 billion, primarily for R&D and digital intelligence initiatives, etc. The Company will also flexibly arrange Capex of RMB17 billion in light of market conditions.

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S AUDITED FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES. PARTS OF THE FOLLOWING FINANCIAL DATA WERE ABSTRACTED FROM THE COMPANY'S AUDITED FINANCIAL STATEMENTS THAT HAVE BEEN PREPARED ACCORDING TO THE IFRS ACCOUNTING STANDARDS. THE PRICES IN THE FOLLOWING DISCUSSION DO NOT INCLUDE VALUE-ADDED TAX.

## 1 CONSOLIDATED RESULTS OF OPERATIONS

In 2025, international crude oil price fluctuated with downward trend, new energy substitution increased, and production capacity in the chemical market continued to release. The Company focused on improving quality and profitability, made every effort to expand the market and sales, dynamically optimised production and operation, continued to strengthen cost and expense control, and took multiple measures to cope with the impact of market changes. The Company realised revenue of RMB2,783.6 billion, decreased by 9.5% year-on-year and operating profit of RMB48.6 billion, decreased by 31.2% year-on-year.

The following table sets forth the main revenue and expenses from the Company's consolidated financial statements:

	Year ended 31 December		Change (%)
	2025	2024	
	RMB million	RMB million	
<b>Revenue</b>	<b>2,783,583</b>	<b>3,074,562</b>	<b>(9.5)</b>
Revenue from primary business	2,726,460	3,015,321	(9.6)
Other operating revenues	57,123	59,241	(3.6)
<b>Operating expenses</b>	<b>(2,734,975)</b>	<b>(3,003,876)</b>	<b>(9.0)</b>
Purchased crude oil, products and operating supplies and expenses	(2,185,999)	(2,449,614)	(10.8)
Selling, general and administrative expenses	(57,184)	(57,547)	(0.6)
Depreciation, depletion and amortisation	(127,171)	(120,714)	5.3
Exploration expenses, including dry holes	(11,353)	(9,375)	21.1
Personnel expenses	(106,644)	(110,187)	(3.2)
Taxes other than income tax	(252,435)	(267,315)	(5.6)
Impairment reversals/(losses) on trade and other receivables	258	(108)	-
Other operating income/(expenses), net	5,553	10,984	(49.4)
<b>Operating profit</b>	<b>48,608</b>	<b>70,686</b>	<b>(31.2)</b>
Net finance costs	(14,654)	(11,174)	31.1
Investment income and share of profits less losses from associates and joint ventures	9,790	9,630	1.7
<b>Profit before taxation</b>	<b>43,744</b>	<b>69,142</b>	<b>(36.7)</b>
Income tax expense	(7,934)	(12,966)	(38.8)
<b>Profit for the year</b>	<b>35,810</b>	<b>56,176</b>	<b>(36.3)</b>
<b>Attributable to:</b>			
Shareholders of the Company	32,476	48,939	(33.6)
Non-controlling interests	3,334	7,237	(53.9)

### (1) Revenue

In 2025, the Company's revenue from primary business was RMB2,726.5 billion, representing a decrease of 9.6% year-on-year. This was mainly due to the decreased prices of petroleum and petrochemical products and decreased sales volumes of refined oil products.

The following table sets forth the external sales volume, average realised prices and respective rates of change of the Company's major products in 2025 and 2024:

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne, RMB/thousand cubic meters)		
	Year ended 31 December		Change (%)	Year ended 31 December		Change (%)
	2025	2024		2025	2024	
Crude oil	7,078	7,728	(8.4)	3,448	3,896	(11.5)
Natural gas (million cubic meters)	64,342	63,750	0.9	2,273	2,387	(4.8)
Gasoline	88,153	91,832	(4.0)	8,275	8,858	(6.6)
Diesel	76,528	82,678	(7.4)	6,312	6,790	(7.0)
Kerosene	25,153	27,856	(9.7)	5,028	5,497	(8.5)
Basic chemical feedstock	38,141	37,667	1.3	4,845	5,830	(16.9)
Monomer and polymer for synthetic fibre	8,313	7,545	10.2	5,127	5,683	(9.8)
Synthetic resin	17,726	16,699	6.2	6,946	7,472	(7.0)
Synthetic fibre	1,256	1,289	(2.6)	7,235	7,685	(5.9)
Synthetic rubber	1,518	1,407	7.9	11,077	12,438	(10.9)
Chemical fertiliser	549	397	38.3	2,049	2,168	(5.5)

Note: Natural gas includes the natural gas, LNG and others sold by the exploration and production segment and marketing and distribution segment to external customers.

Most crude oil and a small portion of natural gas produced by the Company were internally used for refining and chemical production and automotive natural gas business, with the remaining sold to external customers. In 2025, the revenue from crude oil, natural gas and other upstream products sold externally amounted to RMB157.9 billion (accounting for 5.7% of the Company's revenue), down by 10.2% year-on-year. The change was mainly due to decreases in price and sales volume of crude oil sold externally.

In 2025, petroleum products (mainly consisting of refined oil products and other refined petroleum products) sold by Refining Segment and Marketing and Distribution Segment achieved external sales revenues of RMB1,616.9 billion (accounting for 58.1% of the Company's revenue), representing a decrease of 11.7% year-on-year, mainly due to the decreased sales volumes and prices of products including gasoline and diesel. The sales revenue of gasoline, diesel and kerosene was RMB1,339.0 billion (accounting for 82.8% of the total sales revenue of petroleum products), representing a decrease of 12.4% year-on-year. Sales revenue of other refined petroleum products was RMB277.9 billion (accounting for 17.2% of the total sales revenue of petroleum products), representing a decrease of 8.4% year-on-year.

The Company's external sales revenue of chemical products was RMB378.0 billion (accounting for 13.6% of the Company's revenue), representing an decrease of 9.6% year-on-year, mainly due to decrease in prices of chemical products.

**(2) Operating expenses**

In 2025, the Company's operating expenses was RMB2,735.0 billion, decreased by 9.0% year-on-year, mainly due to the decreased external procurement costs of crude oil and refined oil products. The operating expenses mainly consisted of the following:

**Purchased crude oil, products and operating supplies and expenses** was RMB2,186.0 billion, representing a decrease of 10.8% year-on-year, accounting for 79.9% of the total operating expenses, of which:

Crude oil purchasing expenses was RMB790.4 billion, representing a decrease of 13.1% year-on-year. Crude oil purchased externally used for processing in 2025 was 203.04 million tonnes (excluding the volume processed for third parties), representing a decrease of 2.2% year-on-year. The average cost of processing crude oil purchased externally was RMB3,893 per tonne, representing a decrease by 11.1% year-on-year.

The Company's purchasing expense of refined oil products was RMB355.2 billion, representing a decrease of 13.0% year-on-year. This change was mainly due to decline in the volume and price of refined oil products purchased externally.

The Company's purchasing expense related to trading activities was RMB519.3 billion, representing a decrease of 3.7% year-on-year, mainly due to the decreased procurement costs of crude oil and refined oil products.

Other purchasing expenses were RMB521.1 billion, down by 12.1% year-on-year.

**Selling, general and administrative expenses** was RMB57.2 billion, representing a decrease of 0.6% year-on-year, mainly because the Company strengthened the control of non-productive expenditures, and reduced the selling and administrative expenses.

**Depreciation, depletion and amortisation** was RMB127.2 billion, representing an increase of 5.3% year-on-year. This was mainly due to the increase in fixed assets.

**Exploration expenses** were RMB11.4 billion, representing an increase of 21.1% year-on-year. This change was mainly because the Company intensified the efforts in shale oil and ultra-deep stratum oil and gas exploration.

**Personnel expenses** were RMB106.6 billion, representing a decrease of 3.2% year-on-year.

**Taxes other than income tax** were RMB252.4 billion, representing a decrease of 5.6% year-on-year. This change was mainly because the consumption tax decreased by RMB9.7 billion resulting from the decreased production volumes of refined oil products, and the special oil gain levy and resource tax decreased by RMB4.1 billion resulting from the decreased crude oil prices.

**Other operating income/(expenses), net** was RMB5.6 billion, representing a decrease of 49.4% year-on-year, mainly due to the increased impairment loss in refining and chemical facilities.

**(3) Operating profit** was RMB48.6 billion, representing a decrease of 31.2% over the same period of 2024. This change was mainly due to the inventory loss resulting from the continuously decreased prices of crude oil and petrochemical products of the Company along with decrease in international crude oil prices, a decline in domestic sales volumes and margins of gasoline and diesel, and a decrease in gross margin of chemical products.



(4) **Investment income and share of profits less losses from associates and joint ventures** was RMB9.8 billion, up by 1.7% year-on-year.

(5) **Profit before taxation** was RMB43.7 billion, representing a decrease of 36.7% year-on-year.

(7) **Profit attributable to non-controlling shareholders** was RMB3.3 billion, representing a decrease of 53.9% year-on-year.

(6) **Income tax expense** was RMB7.9 billion, representing a decrease of 38.8% year-on-year.

(8) **Profit attributable to shareholders of the Company** was RMB32.5 billion, representing a decrease of 33.6% year-on-year.

## 2 RESULTS OF SEGMENT OPERATIONS

The Company manages its operations through four business segments, namely exploration and production segment, refining segment, marketing and distribution segment and chemicals segment, and corporate and others. Unless otherwise specified, the inter-segment transactions have not been eliminated from financial data discussed in this section. In addition, the operating revenue data of each segment includes other operating revenues.

The following table shows the operating revenues by each segment, the contribution of external sales and inter-segment sales as a percentage of operating revenues before elimination of inter-segment sales, and the contribution of external sales as a percentage of consolidated operating revenues (i.e. after elimination of inter-segment sales) for the periods indicated.

	Operating revenues		As a percentage of consolidated operating revenue before elimination of inter-segment sales		As a percentage of consolidated operating revenue after elimination of inter-segment sales	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2025	2024	2025	2024	2025	2024
	RMB million	RMB million	(%)	(%)	(%)	(%)
<b>Exploration and Production Segment</b>						
External sales*	161,836	179,952	3.3	3.3	5.8	5.9
Inter-segment sales	124,156	117,297	2.5	2.1		
<b>Operating revenues</b>	<b>285,992</b>	<b>297,249</b>	<b>5.8</b>	<b>5.4</b>		
<b>Refining Segment</b>						
External sales*	163,010	168,774	3.3	3.1	5.9	5.5
Inter-segment sales	1,165,499	1,312,728	23.7	24.0		
<b>Operating revenues</b>	<b>1,328,509</b>	<b>1,481,502</b>	<b>27.0</b>	<b>27.1</b>		
<b>Marketing and Distribution Segment</b>						
External sales*	1,497,618	1,707,021	30.6	31.2	53.8	55.5
Inter-segment sales	7,657	7,337	0.2	0.1		
<b>Operating revenues</b>	<b>1,505,275</b>	<b>1,714,358</b>	<b>30.8</b>	<b>31.3</b>		
<b>Chemicals Segment</b>						
External sales*	384,792	425,937	7.9	7.8	13.8	13.8
Inter-segment sales	79,316	97,925	1.6	1.8		
<b>Operating revenues</b>	<b>464,108</b>	<b>523,862</b>	<b>9.5</b>	<b>9.6</b>		
<b>Corporate and Others</b>						
External sales*	576,327	592,878	11.8	10.8	20.7	19.3
Inter-segment sales	739,273	864,348	15.1	15.8		
<b>Operating revenues</b>	<b>1,315,600</b>	<b>1,457,226</b>	<b>26.9</b>	<b>26.6</b>		
<b>Operating revenue before elimination of inter-segment sales</b>	<b>4,899,484</b>	<b>5,474,197</b>	<b>100.0</b>	<b>100.0</b>		
<b>Elimination of inter-segment sales Revenue</b>	<b>(2,115,901)</b>	<b>(2,399,635)</b>			<b>100.0</b>	<b>100.0</b>

\* Other operating revenues are included.

The following table sets forth the operating revenues, operating expenses and operating profit by each segment before elimination of the inter-segment transactions for the periods indicated, and the percentage change of 2025 compared to 2024.

	Year ended 31 December		Change (%)
	2025 RMB million	2024 RMB million	
<b>Exploration and Production Segment</b>			
Operating revenues	285,992	297,249	(3.8)
Operating expenses	240,461	240,864	(0.2)
<b>Operating profit</b>	<b>45,531</b>	<b>56,385</b>	<b>(19.2)</b>
<b>Refining Segment</b>			
Operating revenues	1,328,509	1,481,502	(10.3)
Operating expenses	1,319,061	1,474,788	(10.6)
<b>Operating profit</b>	<b>9,448</b>	<b>6,714</b>	<b>40.7</b>
<b>Marketing and Distribution Segment</b>			
Operating revenues	1,505,275	1,714,358	(12.2)
Operating expenses	1,495,305	1,695,712	(11.8)
<b>Operating profit</b>	<b>9,970</b>	<b>18,646</b>	<b>(46.5)</b>
<b>Chemicals Segment</b>			
Operating revenues	464,108	523,862	(11.4)
Operating expenses	478,686	533,859	(10.3)
<b>Operating loss</b>	<b>(14,578)</b>	<b>(9,997)</b>	<b>-</b>
<b>Corporate and Others</b>			
Operating revenues	1,315,600	1,457,226	(9.7)
Operating expenses	1,318,333	1,457,658	(9.6)
<b>Operating loss</b>	<b>(2,733)</b>	<b>(432)</b>	<b>-</b>
<b>Elimination of inter-segment profit/(loss)</b>	<b>970</b>	<b>(630)</b>	<b>-</b>

### (1) Exploration and Production Segment

Most of the crude oil and a small portion of the natural gas produced by the exploration and production segment were used for the Company's refining and chemical production and automotive natural gas business. Most of the natural gas and a small portion of the crude oil were sold externally to other customers.

In 2025, the operating revenue of this segment was RMB286.0 billion, representing a decrease of 3.8% year-on-year. This was mainly due to the decrease in crude oil prices.

In 2025, the segment sold 34.68 million tonnes of crude oil, representing an increase of 0.5% year-on-year, average realised price was RMB3,279 per tonne, representing a decrease of 13.0% year-on-year. Natural gas (including self-produced natural gas and LNG) sales volume was 60.6 bcm, representing a decrease of 0.1% year-on-year, average realised price was RMB2,112 per

thousand cubic meters, representing a decrease of 6.5% year-on-year.

In 2025, the operating expenses of the segment were RMB240.5 billion, representing a decrease of 0.2% year-on-year. This change was mainly due to the following: Taxes including special oil gain levy and resource tax decreased by RMB4.6 billion year-on-year. Imported LNG procurement cost decreased by RMB4.5 billion year-on-year. Depreciation, depletion and amortization increased by RMB4.8 billion year-on-year. Exploration expenses increased by RMB2.0 billion year-on-year.

In 2025, the oil and gas lifting cost was RMB734.2 per tonne, representing a decrease of 1.5% year-on-year.

In 2025, the segment made efforts to increase reserves, boost production and cut costs, strived to improve the profitability of the whole natural gas industrial chain, but impacted by decrease in crude oil prices, the segment

realised an operating profit of RMB45.5 billion, representing a decrease of RMB10.9 billion or 19.2% year-on-year.

### (2) Refining Segment

Business activities of the refining segment include purchasing crude oil from third parties and the exploration and production segment of the Company, as well as processing crude oil into refined petroleum products. Most of gasoline, diesel and kerosene were sold internally to the marketing and distribution segment of the Company; part of the chemical feedstock was sold internally to the chemicals segment of the Company; and other refined petroleum products were sold externally to both domestic and overseas customers.

In 2025, the operating revenue of this segment was RMB1,328.5 billion, representing a decrease of 10.3% year-on-year. This change was mainly due to the decreased production and prices of refined oil products and others year-on-year.

The following table sets forth the sales volumes, average realised prices and the respective changes of the refined oil products of the segment in 2025 and 2024.

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Year ended 31 December		Change (%)	Year ended 31 December		Change (%)
	2025	2024		2025	2024	
Gasoline	61,097	62,642	(2.5)	7,764	8,409	(7.7)
Diesel	51,163	56,310	(9.1)	6,189	6,725	(8.0)
Kerosene	24,208	23,834	1.6	4,957	5,501	(9.9)
Chemical feedstock	41,951	40,353	4.0	4,136	4,692	(11.9)
Other refined petroleum products	63,302	64,986	(2.6)	3,802	3,880	(2.0)

In 2025, sales revenue of gasoline was RMB474.4 billion, representing a decrease of 10.0% year-on-year.

The sales revenue of diesel was RMB316.7 billion, representing a decrease of 16.4% year-on-year.

The sales revenue of kerosene was RMB120.0 billion, representing a decrease of 8.5% year-on-year.

The sales revenue of chemical feedstock was RMB173.5 billion, representing a decrease of 8.4% year-on-year.

The sales revenue of refined petroleum products other than gasoline, diesel, kerosene and chemical feedstock was RMB240.7 billion, representing a decrease of 4.6% year-on-year.

In 2025, the segment's operating expense was RMB1,319.1 billion, representing a decrease of 10.6% year-on-year, mainly due to a decrease in the crude oil and refining feedstock procurement cost.

In 2025, the average processing cost for crude oil and refining feedstock was RMB3,914 per tonne, representing a decrease of 11.2% year-on-year. Total crude oil and refining feedstock processed was 252.46 million tonnes (excluding volume processed for third parties), representing a decrease of 1.7% year-on-year. The total cost of crude oil and refining feedstock processed was RMB988.1 billion, representing a decrease of 12.8% year-on-year.

In 2025, refining margin was RMB330 per tonne, representing an increase of RMB27 per tonne year-on-year. This was mainly attributable to the significant improved margins of refining by-products such as sulfur, petroleum coke and etc., offsetting the impact of procurement premium of imported crude oil and freight cost at high level.

In 2025, the refining unit cash operating cost (defined as operating expenses less the processing cost of crude oil and refining feedstock, depreciation and amortisation, taxes other than income tax and other operating expenses, then divided by the throughput of crude oil and refining feedstock) was RMB214.4 per tonne, representing an increase of 2.6% year-on-year. This change was mainly because unit costs increased resulting from the decreased refining throughput and concentrated maintenance of certain companies.

In 2025, the segment coordinated the procurement pace of crude oil by closely following the international crude oil prices, continued to intensify efforts to improve synergy, flexibly adjusted utilization rate, and optimized products slate. The segment realised an operating profit of RMB9.4 billion, increased by RMB2.7 billion or 40.7% year-on-year.

### (3) Marketing and Distribution Segment

The business activities of the marketing and distribution segment include purchasing refined oil products from the refining segment and the third parties, conducting direct sales and wholesale to domestic customers and retailing, distributing oil products through the segment's retail and distribution network as well as providing related services and selling convenience store products, new energy products and providing related services.

In 2025, the operating revenues of this segment were RMB1,505.3 billion, down by 12.2% year-on-year. This was mainly due to decrease in demand for refined oil products and prices of refined oil products. The sales revenues of gasoline totalled RMB729.7 billion, down by 10.4% year-on-year; the sales revenues of diesel were RMB484.1 billion, down by 14.0% year-on-year; the sales revenues of kerosene were RMB126.2 billion, down by 17.6% year-on-year; the sales revenues of automotive natural gas were RMB37.8 billion, up by 28.3% year-on-year.

The following table sets forth the sales volumes, average realised prices and respective percentage changes of the segment's five major refined oil products in 2025 and 2024, including detailed information about retail, direct sales and distribution of gasoline and diesel:

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Year ended 31 December		Change (%)	Year ended 31 December		Change (%)
	2025	2024		2025	2024	
<b>Gasoline</b>	<b>88,185</b>	<b>91,877</b>	<b>(4.0)</b>	<b>8,275</b>	<b>8,857</b>	<b>(6.6)</b>
Retail	61,724	64,271	(4.0)	8,736	9,402	(7.1)
Direct sales and distribution	26,460	27,606	(4.3)	7,198	7,588	(5.1)
<b>Diesel</b>	<b>76,693</b>	<b>82,890</b>	<b>(7.5)</b>	<b>6,312</b>	<b>6,789</b>	<b>(7.0)</b>
Retail	31,370	32,474	(3.4)	6,731	7,366	(8.6)
Direct sales and distribution	45,322	50,415	(10.1)	6,022	6,418	(6.2)
<b>Kerosene</b>	<b>25,091</b>	<b>27,842</b>	<b>(9.9)</b>	<b>5,028</b>	<b>5,496</b>	<b>(8.5)</b>
<b>Fuel oil</b>	<b>22,722</b>	<b>26,716</b>	<b>(14.9)</b>	<b>3,521</b>	<b>3,972</b>	<b>(11.3)</b>
<b>Automotive natural gas</b>	<b>9,061</b>	<b>6,609</b>	<b>37.1</b>	<b>4,174</b>	<b>4,460</b>	<b>(6.4)</b>

In 2025, the operating expenses of the segment were RMB1,495.3 billion, down by 11.8% year-on-year. This was mainly due to a year-on-year decreased procurement cost of refined oil products.

In 2025, the segment's marketing expense (defined as the operating expenses less the purchase costs, taxes other than income tax, depreciation and amortization, divided by sales volume) was RMB190.1 per tonne, down by 2.1% year-on-year. This was mainly due to strengthened control over logistics and administrative expenses, and efforts to mitigate the cost.

In 2025, the gross profit of non-fuel business was RMB4.53 billion, representing a decrease of RMB0.19

billion or 3.9% year-on-year, among which, the profit of selling convenience store products and providing related services was RMB4.25 billion, the profit of power business was RMB0.29 billion.

In 2025, the segment adhered to integrated and synergistic profit creation, made great effort to expand market and increase sales volume, proactively developed EV charging and battery swapping, automotive natural gas and other businesses, strengthened cost and expense control, but impacted by fast development of alternative energy and the inventory loss caused by the decreased crude oil prices, the segment realised an operating profit of RMB10.0 billion, representing a decrease of RMB8.7 billion or 46.5% year-on-year.

#### (4) Chemicals segment

The business activities of the chemicals segment include purchasing chemical feedstock from the refining segment and the third parties and producing, marketing and distributing petrochemical and inorganic chemical products.

In 2025, the operating revenue of this segment was RMB464.1 billion, down by 11.4% year-on-year. This was mainly due to the decrease by 14.5% in prices of chemical products resulted from decrease in international crude oil prices year-on-year.

In 2025, the sales revenue generated by the segment's six major categories of chemical products (namely basic organic chemicals, synthetic resin, synthetic fibre monomer and polymer, synthetic fibre, synthetic rubber, and chemical fertiliser) was RMB445.4 billion, down by 8.3% year-on-year, accounting for 96.0% of the operating revenues of the segment.

The following table sets forth the sales volume, average realised prices and respective changes of each of the segment's six categories of chemical products in 2025 and 2024.

	Sales volume (thousand tonnes)			Average realised price (RMB/tonne)		
	Year ended 31 December		Change (%)	Year ended 31 December		Change (%)
	2025	2024		2025	2024	
Basic organic chemicals	52,079	50,274	3.6	4,844	5,752	(15.8)
Synthetic fibre monomer and polymer	8,348	7,582	10.1	5,124	5,682	(9.8)
Synthetic resin	17,738	16,705	6.2	6,946	7,472	(7.0)
Synthetic fibre	1,256	1,289	(2.6)	7,242	7,688	(5.8)
Synthetic rubber	1,520	1,410	7.9	11,081	12,443	(11.0)
Chemical fertiliser	585	442	32.4	2,027	2,130	(4.8)

In 2025, the operating expenses of the chemicals segment were RMB478.7 billion, representing a decrease of 10.3% over 2024, mainly due to decreased procurement cost of naphtha and coal, etc.

In 2025, the segment spared no effort to reduce feedstock cost, optimised the structure of products and operation of facilities, closely followed the market changes, promoted the utilization rate of profitable facilities, implemented precision marketing, but impacted by the

quick release of new capacities, shrank chemical margins and impairment loss of certain facilities, the segment realised an operating loss of RMB14.6 billion, representing an increase in loss of RMB4.6 billion year-on-year.

#### (5) Corporate and Others

The business activities of corporate and others mainly consist of import and export business activities of the Company's subsidiaries, R&D activities of the Company, and managerial activities of headquarters.

In 2025, the operating revenue generated from corporate and others was approximately RMB1,315.6 billion, representing a decrease of 9.7% over 2024. This was mainly due to the decrease in the trading prices of crude oil.

In 2025, the operating expense of corporate and others was RMB1,318.3 billion, representing a decrease of 9.6% over 2024.

In 2025, the operating loss from corporate and others was RMB2.7 billion.

### 3 ASSETS, LIABILITIES, EQUITY AND CASH FLOWS

The major funding sources of the Company are its operating activities and short-term and long-term loans. The major use of funds includes operating expenses, capital expenditures, and repayment of the short-term and long-term debts.

#### (1) Assets, liabilities and equity

Unit: RMB million

	As of 31 December 2025	As of 31 December 2024	Change
Total assets	2,153,485	2,081,440	72,045
Current assets	522,741	524,515	(1,774)
Non-current assets	1,630,744	1,556,925	73,819
Total liabilities	1,166,609	1,109,293	57,316
Current liabilities	698,553	673,237	25,316
Non-current liabilities	468,056	436,056	32,000
Total equity attributable to shareholders of the Company	827,463	815,815	11,648
Share capital	120,926	121,282	(356)
Reserves	706,537	694,533	12,004
Non-controlling interests	159,413	156,332	3,081
Total equity	986,876	972,147	14,729



As of 31 December 2025, the Company's total assets were RMB2,153.5 billion, representing an increase of RMB72.0 billion compared with that of the end of 2024, of which:

Current assets were RMB522.7 billion, representing a decrease of RMB1.8 billion compared with that of the end of 2024. This was mainly because inventories decreased by RMB25.8 billion due to decrease in crude oil prices coupled with decrease in crude oil inventories, accounts receivable increased by RMB6.8 billion due to an increase in the operating volume of the overseas trade such as crude oil trade, other receivables increased by RMB5.9 billion due to an increase in the margin deposits of hedging business, cash and cash equivalents and time deposits with financial institutions increased by RMB5.3 billion, receivables financing increased by RMB2.7 billion due to a decrease in cash expenditures coupled with an increase in bill-settled transactions.

Non-current assets were RMB1,630.7 billion, representing an increase of RMB73.8 billion compared with that of the end of 2024. This was mainly because that the Company continuously made efforts in increasing reserves and boosting production in upstream business as well as transition and upgrading of midstream and downstream businesses, and increased investments in gas capacity building, refining and chemical clusters construction, "refined oil products to chemical feedstocks", "refined oil products to refining specialties" and new chemical materials, thus, property, plant and equipment increased by RMB53.1 billion, as well as land and other right-of-use assets increased by RMB9.2 billion. In addition, an increase of RMB6.7 billion was because of the strategic investment in the equity of Contemporary Amperex Technology Co., Limited (CATL), and equity in associates and joint ventures increased by RMB6.5 billion due to exchange rate fluctuations.

The Company's total liabilities were RMB1,166.6 billion, representing an increase of RMB57.3 billion compared with that of the end of 2024, of which:

Current liabilities were RMB698.6 billion, representing an increase of RMB25.3 billion as compared with that of the end of 2024. This was mainly due to certain long-term loans being reclassified to non-current liabilities due within one year.

Non-current liabilities were RMB468.1 billion, representing an increase of RMB32.0 billion compared with that of the end of 2024. This was mainly due to an increase in low-cost bond financing, driven by the issuance of medium-term notes and sci-tech innovation bonds.

Total equity attributable to owners of the Company was RMB827.5 billion, representing an increase of RMB11.6 billion compared with that of the end of 2024.

## (2) Cash Flow

The following table sets forth the major items in the consolidated cash flow statements for 2025 and 2024.

Unit: RMB million

Major items of cash flows	Year ended 31 December	
	2025	2024
Net cash generated from operating activities	162,496	149,360
Net cash used in investing activities	(146,472)	(161,240)
Net cash used in financing activities	(26,074)	(19,237)



In 2025, the net cash generated from operating activities of the Company was RMB162.5 billion, representing an increase of RMB13.1 billion year-on-year. This was mainly due to the decrease in net changes from working capital as a result of enhanced management.

In 2025, the Company's net cash used in investing activities was RMB146.5 billion, representing a decrease of RMB14.8 billion year-on-year. This was mainly because investment expenditure decreased by RMB5.6 billion, and net increase in time deposits with maturities over three months decreased by RMB5.9 billion.

In 2025, the Company's net cash used in financing activities was RMB26.1 billion, representing an increase of RMB6.8 billion year-on-year. This was mainly due to a cash inflow from the issuance of

shares to the target subscriber in the last year, which did not happen during this period.

At the end of 2025, the cash and cash equivalents were RMB81.1 billion.

### (3) Contingent Liabilities

Please refer to "Material Guarantee Contracts and their Performance" in the Chapter "Significant Events" of this report.

### (4) Capital Expenditure

Please refer to "Capital Expenditure" in the Chapter "Business Review and Prospects" of this report.

### (5) Research & Development and Environmental Expenditures

R&D expenditures include related expenses and investment expenditure occurred in the period. In 2025, the

expenditures for R&D were RMB25.0 billion, of which expense was RMB15.9 billion, and investment expenditure was RMB9.1 billion.

Environmental expenditures refer to the normal pollutant discharge fees paid by the Company, excluding capitalised cost of pollutant treatment properties. In 2025, the Company paid environmental expenditures of RMB16.5 billion.

### (6) Measurement of fair values of derivatives and relevant system

The Company has established sound decision-making mechanism, business process and internal control systems relevant to financial instrument accounting and information disclosure. The following table sets out the items relevant to measurement of fair values.

#### Main items relevant to measurement of fair values

Unit: RMB million

Items	Beginning of the year	End of the year	Profits and losses from variation of fair values in the current year	Accumulated variation of fair values recorded as equity	Impairment loss provision of the current year	Funding source	Purchase amount in the current year	Sell and redemption amount in the current year	Other changes
Financial assets held for trading	4	4	-	-	-	-	-	-	-
Fund	4	4	-	-	-	-	-	-	-
Derivative financial instruments and cash flow hedges	(858)	(4,314)	2,148	16,386	-	-	-	(21,990)	-
Receivables financing	2,613	5,340	-	-	-	-	67,449	(64,722)	-
Other equity instrument investments	416	7,156	-	3,250	-	-	3,608	-	(118)
<b>Total</b>	<b>2,175</b>	<b>8,186</b>	<b>2,148</b>	<b>19,636</b>	<b>-</b>	<b>-</b>	<b>71,057</b>	<b>(86,712)</b>	<b>(118)</b>

#### Securities investment

Unit: RMB million

Securities type	Securities code	Security Abbreviation	Initial investment cost	Funding source	Book value at the beginning of the period	Profits and losses from variation of fair values in the current period	Accumulated variation of fair values recorded as equity	Purchase amount in the current period	Sell amount in the current period	Investment gains and losses in the current period	Other variation	Book value at the end of the period	Chart of Accounts
Stock	03750.HK	CATL	3,570	Self-owned Funds	-	-	3,233	3,570	-	15	(93)	6,710	Other equity instrument investments
<b>Total</b>	<b>None</b>	<b>None</b>	<b>3,570</b>	<b>None</b>	<b>-</b>	<b>-</b>	<b>3,233</b>	<b>3,570</b>	<b>-</b>	<b>15</b>	<b>(93)</b>	<b>6,710</b>	<b>None</b>

#### Derivatives investment:

In 2025, the Company traded in commodity and currency derivatives according to the Annual Business Plan for Financial Derivatives approved by the Board. Such business met the regulatory requirements of financial derivatives, operated in a standardized manner, and achieved the goals of suppressing price fluctuation, stabilising operating profit, and preventing market risks.

#### 4 ANALYSIS OF FINANCIAL STATEMENTS PREPARED UNDER CAS

The major differences between the Company's financial statements prepared under CASs and IFRS Accounting Standards are set out in Section C of the financial statements of the Company on page 213 of this report.

(1) Under CASs, the operating income and operating profit or loss by reportable segments were as follows:

	For the year ended 31 December	
	2025	2024
	RMB million	RMB million
<b>Operating income</b>		
Exploration and Production Segment	285,992	297,249
Refining Segment	1,328,509	1,481,502
Marketing and Distribution Segment	1,505,275	1,714,358
Chemicals Segment	464,108	523,862
Corporate and Others	1,315,600	1,457,226
Elimination of inter-segment sales	(2,115,901)	(2,399,635)
<b>Consolidated operating income</b>	<b>2,783,583</b>	<b>3,074,562</b>
<b>Operating profit/(loss)</b>		
Exploration and Production Segment	40,687	49,058
Refining Segment	9,095	6,303
Marketing and Distribution Segment	9,190	17,698
Chemicals Segment	(19,874)	(14,046)
Corporate and Others	(4,995)	(914)
Elimination	970	(630)
Financial expenses, investment income and losses/gains from changes in fair value	5,397	14,788
<b>Consolidated operating profit</b>	<b>40,470</b>	<b>72,257</b>
<b>Net profit attributable to equity shareholders of the Company</b>	<b>31,809</b>	<b>50,313</b>

**Operating profit:** In 2025, the operating profit of the Company was RMB40.5 billion, representing a decrease of RMB31.8 billion as compared with that of 2024.

**Net profit:** In 2025, the net profit attributable to the equity shareholders of the Company was RMB31.8 billion, representing a decrease of RMB18.5 billion or 36.8% compared with 2024.



**(2) Financial data prepared under CASs**

	As of 31 December 2025 RMB million	As of 31 December 2024 RMB million	Change
Total assets	2,155,617	2,084,771	70,846
Non-current liabilities	467,292	435,241	32,051
Shareholder's equity	989,772	976,293	13,479

Change analysis:

At the end of 2025, the Company's total assets were RMB2,155.6 billion, representing an increase of RMB70.8 billion compared with that of the end of 2024. This was mainly because that the Company continuously made efforts in increasing reserves and boosting production of upstream business combined with transition and upgrading of midstream and downstream businesses, and increased investments in gas capacity building, refining and chemical clusters construction, "refined oil products to chemical feedstocks", "refined oil products to refining specialties" and new chemical materials, thus, fixed assets and intangible assets increased by RMB63.4 billion. In addition, an increase of RMB6.7 billion was because of the strategic investment in the equity of CATL.

At the end of 2025, the Company's non-current liabilities were RMB467.3 billion, representing an increase of RMB32.1 billion compared with that of the end of 2024. This was mainly due to an increase in low-cost bond financing, driven by the issuance of medium-term notes and sci-tech innovation bonds.

At the end of 2025, total shareholders' equity of the Company was RMB989.8 billion, representing an increase of RMB13.5 billion compared with that of the end of 2024.

**(3) The results of the principal operations by segments**

Segments	Operation income RMB million	Operation cost RMB million	Gross profit margin* (%)	Increase/ (decrease) of operation income on a year-on-year basis (%)	Increase/ (decrease) of operation cost on a year-on-year basis (%)	Increase/ (decrease) of gross profit margin on a year-on-year basis (percentage point)
Exploration and Production	285,992	201,833	24.1	(3.8)	(0.3)	(1.1)
Refining	1,328,509	1,070,616	1.9	(10.3)	(12.0)	0.3
Marketing and Distribution	1,505,275	1,426,774	5.0	(12.2)	(12.2)	(0.1)
Chemicals	464,108	460,886	0.4	(11.4)	(10.9)	(0.5)
Corporate and Others	1,315,600	1,298,145	1.3	(9.7)	(9.7)	(0.0)
Elimination of inter-segment sales	(2,115,901)	(2,116,871)	-	-	-	-
<b>Total</b>	<b>2,783,583</b>	<b>2,341,383</b>	<b>6.8</b>	<b>(9.5)</b>	<b>(9.9)</b>	<b>0.0</b>

\*: Gross profit margin = (operation income – operation cost, tax and surcharges)/operation income.

**5 THE CAUSE AND IMPACT OF THE CHANGE IN THE COMPANY'S ACCOUNTING POLICY, ACCOUNTING ESTIMATES AND ACCOUNTING METHODS**

For details, please refer to Note 1 to the financial statement prepared in accordance with IFRS Accounting Standards.

### 1 IMPROVEMENTS IN CORPORATE GOVERNANCE DURING THE REPORTING PERIOD

During the reporting period, Sinopec Corp. complied with domestic and overseas laws and regulations as well as the Articles of Association, adhered to the standard operation, operated in compliance with laws and continuously improved the level of corporate governance. It strengthened strategic analysis and conducted in-depth research on its business development and strategic planning for the 15th Five-Year Plan period. In accordance with the latest regulatory requirements and in combination with the actual situation of the Company, the Company amended the Articles of Association, the Rules of Procedure for the General Meetings and the Rules of Procedure for the Board Meetings. Upon the completion of the amendments, the Company no longer had the Supervisory Committee. The functions and powers of the Supervisory Committee were assumed by the Audit Committee of the Board. The Company elected Chairman of the Board, Directors and Independent Non-executive Directors, adjusted the members composition of the Board Committees, thereby further enhancing the diversity of the Board. Sinopec Corp. attached great importance to shareholder returns, and repurchased A share and H share for the fourth consecutive year to increase the corporate value and shareholders' equity. Our Independent Directors conscientiously fulfilled their duties, played a positive role in "participating in decision-making, exercising oversight and checks and balances, and offering professional consultation". They reviewed proposals with due care, conducted thematic research covering the whole upstream, midstream, and downstream industry chain, and provided valuable insights and suggestions for the Company's reform and development. Sinopec Corp. improved the internal control system and promoted the effectiveness of the implementation of internal control system continuously. We improved the Company's transparency by focusing on value orientation and high-quality information disclosure, and continuously obtained A-level rating of SSE for information disclosure. We expanded the breadth and depth of investor communication, improved communication effectiveness and received

favorable market feedback. We strengthened ESG management, enhanced the ecological environmental protection, steadily advanced the Action for Carbon Peaking, and steadily advanced the second phase of the Green Enterprise Action plan. We continuously improved the effectiveness of the HSE management system and consolidated the favorable trend of safe and stable operation. We motivated the enthusiasm and creativity of employees and enhanced the inspection and supervision by giving full play to the leading and supporting role of Party building, which contributed to the effective implementation of the Board resolutions and the high-quality development of the Company.

During the reporting period, there was no material inconsistency between Sinopec Corp.'s corporate governance and the requirements of the PRC Company Law and relevant regulations of the CSRC. The Supervisory Committee or the Audit Committee of Sinopec Corp. had no objection to any of the supervised matters. None of Sinopec Corp., the Board, the Directors, the Supervisors, the Senior Management, the controlling shareholder or de facto controller of Sinopec Corp. was under the investigation by the CSRC or received any regulatory sanction or was criticised publicly by the CSRC, the Hong Kong Securities and Futures Commission or received any public censure from SSE or the Hong Kong Stock Exchange.

### 2 EQUITY INTERESTS HELD BY DIRECTORS AND OTHER SENIOR MANAGEMENT

As of 31 December 2025, none of the Directors and Senior Management of Sinopec Corp. and their respective associates had any interests or short positions (including any interests or short positions that are regarded or treated as being held in accordance with the Securities and Futures Ordinance (SFO)) in any shares, underlying shares or debentures of Sinopec Corp. or any associated corporations (as defined in Part XV of the SFO), as recorded in the registry pursuant to Section 352 of the SFO or as otherwise notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) contained in the Hong Kong Listing Rules.

As required under the Hong Kong Listing Rules, Sinopec Corp. has formulated Rules Governing Shares and Changes in Shares of the Company Held by Directors and Senior Management and Rules on Insider Registration and Management (collectively, Rules) to regulate securities transactions by relevant personnel. The standards of the Rules above-mentioned are no less strict than those set out in the Model Code. Upon the specific inquiries made by Sinopec Corp., all the Directors confirmed that they had complied with the required standards in the Model Code as well as those set out in the Rules during the reporting period.

### 3 COMPANY'S INDEPENDENCE FROM CONTROLLING SHAREHOLDER

The Company is independent from its controlling shareholder in terms of, among other matters, business, assets and finances. The controlling shareholder of the Company exercised shareholder's rights through the general meeting according to applicable laws and didn't overstep the authority of the general meeting or directly or indirectly interfere with the Company's operating decisions and operating activities. The Company has well-integrated independent businesses and independent operating capabilities. During the reporting period, the Company did not identify the controlling shareholder taking advantage of its special position to misappropriate and damage the interests of the Company or other shareholders.

### 4 COMPETITION BETWEEN SINOPEC CORP. AND ITS CONTROLLING SHAREHOLDER

Please refer to "Performance of the Undertakings by Relevant Entities" under the Chapter "Significant Events" for details.

## 5 IMPROVEMENT AND IMPLEMENTATION OF THE INTERNAL CONTROL SYSTEM

For details of internal control self-assessment and internal control auditing, please refer to the internal control evaluation report and the internal control auditing report disclosed by Sinopec Corp. on the same date of this annual report.

## 6 MANAGEMENT CONTROL OF SUBSIDIARIES

The Company implements standardized control over different types of subsidiaries in accordance with laws and regulations, the Articles of Association and the internal control system. During the reporting period, the Company did not acquire any subsidiaries that met material criteria, and there were no abnormalities in the management and control of subsidiaries.

## 7 SENIOR MANAGEMENT APPRAISAL AND INCENTIVE SCHEMES

According to incentive policies including the Measures of Sinopec Corp. for the Performance Evaluations and Remuneration Management, Sinopec Corp. has established and is continuously improving the fairness and transparency of its performance appraisal standards, incentive and restrictive mechanisms for Directors and other Senior Management.

## 8 CORPORATE GOVERNANCE REPORT (IN ACCORDANCE WITH THE HONG KONG LISTING RULES)

### (1) Compliance with the Corporate Governance Code

During the reporting period, Sinopec Corp. complied with all code provisions of the Corporate Governance Code set out in Appendix C1 of the Hong Kong Listing Rules.

### A. CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

#### A.1 Corporate Strategy, Business Model and Culture

- The Board of Sinopec Corp. has always adhered to the underlying principle of pursuing progress while ensuring stability, applied the new development philosophy fully, accurately and comprehensively, scientifically formulated the medium-term and long-term development strategy, facilitated the implementation of the strategy, actively promoted the high-quality development, and continuously created value for the stakeholders.
- Sinopec Corp. attaches great importance to the construction of corporate culture. In the long process of reform and development, the Company has cultivated and formed its corporate culture, comprising the enterprise spirit of “loving China,

strengthening the petrochemical industry”, as well as such fine traditions as being hardworking. The Company strives to provide more cutting-edge technologies, premium products and quality services. The relevant content is published on Sinopec Corp.’s website at <http://www.sinopec.com>.

#### A.2 Corporate Governance Functions

- The Board of Sinopec Corp. is responsible for performing duties of corporate governance, formulating and approving relevant corporate governance rules, adhering to the standard operation, improving the corporate governance, ensuring that the Company complies with laws, regulations and domestic and overseas regulatory rules, and disclosing the Company’s compliance with the Corporate Governance Code in the Corporate Governance Report.
- During the reporting period, the Board arranged training sessions for Directors, Supervisors and Senior Management, and kept relevant records. The Directors, Supervisors and Senior Management of Sinopec Corp. actively participated in the trainings and attached great importance to continuing professional development to ensure that they can contribute to Sinopec Corp. with informed and relevant information.

The Directors’ attendance to the trainings is as follows:

Name	Positions	Laws and regulations update		Accounting/finance/operational management		
		Reading materials	Training and lectures	Reading materials	Research	
Hou Qijun	Chairman, Non-executive Director	√	√	√		√
Zhao Dong	Vice Chairman, Executive Director, President	√	√	√		√
Zhong Ren	Non-executive Director	√	√	√		√
Lv Lianggong	Executive Director, Senior Vice President	√	√	√		√
Niu Shuanwen	Executive Director, Senior Vice President	√	√	√		√
Wan Tao	Executive Director, Senior Vice President	√	√	√		√
Cai Yong	Non-executive Director	√	√	√		√
Xu Lin	Independent Non-executive Director	√	√	√		√
Zhang Liying	Independent Non-executive Director	√	√	√		√
Liu Tsz Bun Bennett	Independent Non-executive Director	√	√	√		√
Zhang Xiliang	Independent Non-executive Director	√	√	√		√
Li Wei	Independent Non-executive Director	√	√	√		–
Wang Shijie	Employee Representative Director	–	–	–		–

Note: Mr. Li Yonglin, has ceased to be Director and Senior Vice President, and he participated in the aforesaid trainings during his tenure in the reporting period. Mr. Li Wei was elected as Independent Non-executive Director of Sinopec Corp. on 18 December 2025. Mr. Wang Shijie was elected as Employee Representative Director of Sinopec Corp. on 19 March 2026.

**B. BOARD COMPOSITION AND NOMINATION****B.1 Board Composition, Succession and Evaluation**

- a. The Board of Sinopec Corp. is the decision-making body of Sinopec Corp. and abides by sound corporate governance practices and procedures. All decisions made by the Board are implemented by the Management of Sinopec Corp.
- b. The Board of Sinopec Corp. consists of thirteen members, among whom there are four Executive Directors and nine Non-executive Directors. Among the Non-executive Directors, there are five Independent Non-executive Directors, accounting for approximately 38% of the total number of the Board.
- c. Each of the Independent Non-executive Directors has conducted independence self-examination and submitted a letter of annual confirmation to the Company, regarding their compliance with relevant independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules. The Board of Sinopec Corp. considers that each of the Independent Non-executive Directors is independent. The composition and operational mechanism of the Board of Sinopec Corp. ensure that independent and objective views and input are available to the Board. The Board reviews and evaluates the effectiveness of such operational mechanism on an annual basis.
- d. The Board of Sinopec Corp. established the Board Diversity Policy and amended it on 9 January 2026, which stipulates that the Board shall fully consider the goals and requirements regarding the diversity of its members. The size and composition of the Board shall comply with the requirements of laws, regulations, and the securities regulatory rules of the place where the shares are listed, and shall maintain a reasonable professional structure. When deciding the composition of the Board, Sinopec Corp. shall consider factors in relation to the diversity of the Board, including but not limited to gender, age, cultural and educational background, regions, ethnicity, professional experience, skills, knowledge, term of office, and any other factors that the Board deems relevant and applicable from time to time, in order to achieve the overall good functioning of the Board. The provisions of the Articles of Association concerning the term of office of Directors help to ensure that the Board has a proper balance between continuous experience and fresh perspective, and enhance the level of diversity. Sinopec Corp. annually reviews the implementation of the Board Diversity Policy. Currently, the Board achieved the diversity in terms of gender, culture, educational background and professional expertise. The Directors come from different industries domestically and abroad with rich professional experience, including petroleum and petrochemical corporate management, as well as industrial policy, energy and environmental economics, carbon trading and carbon management, new energy and electricity, artificial intelligence and new chemical materials industry investment, finance, accounting, internal control and risk management, etc., which are conducive to strategic planning and scientific decision-making. The Board and the Nomination Committee endeavor to look for potential female Director candidates matching development needs of the Company through self-regulatory organisations, professional recommendation and other channels to ensure gender diversity of the Board. Currently, female Director accounts for approximately 8% of the Board members, and has achieved the numerical targets of at least one female Director.

Sinopec Corp. has always devoted to establishing a workplace with diversity and equal opportunities, recruited female employees actively to increase the diversity of the team, and provided equal employment opportunities and environment for all employees, so as to offer them career development spaces to give full play to their personal characteristics and values. In 2025, female employees in the Company account for 29.8% of the total employees. The Company adheres to the doctrine of gender equality, ensuring female employees have equal labor and social security rights as male employees. For details, please refer to the 2025 Sustainability Report of Sinopec Corp.

## B.2 Appointment, Re-election and Removal

- a. The term of office for each Director is three years, and the consecutive terms of office of any Independent Non-executive Director cannot exceed six years. In July 2025, Mr. Hou Qijun and Mr. Cai Yong, nominated by the Board as the candidates for the ninth session of the Board based on the actual needs of the Company, were elected as Directors of the Company by the first extraordinary general meeting for the year 2025 (the “First EGM”) held in August 2025. In November 2025, Mr. Li Wei, nominated by the China Petrochemical Corporation as the Independent Non-executive Director candidate for the ninth session of the Board, was elected as Independent Non-executive Director of the Company by the second extraordinary general meeting for the year 2025 (the “Second EGM”) held in December 2025. In March 2026, Mr. Wang Shijie was elected as Employee Representative Director of Sinopec Corp. through democratic procedures in March 2026. For details about the tenure of each Director, please refer to Section 10 under this chapter.
- b. During the reporting period, all Directors of Sinopec Corp. must be elected at the general meeting. The Board has no power to appoint temporary Directors.
- c. Each of the Directors was able to devote sufficient time and energy to handling the affairs of Sinopec Corp.

## B.3 Nomination Committee

- a. The Board of Sinopec Corp. established the Nomination Committee, consisting of the Independent Non-executive Director, Ms. Zhang Liying, who serves as the Chairwoman, and the Chairman of the Board, Mr. Hou Qijun, and the Independent Non-executive Director, Mr. Liu Tsz Bun Bennett, who serve as members. The Nomination Committee shall be responsible for drawing up the selection criteria and procedures for Directors and Senior Management, vetting and reviewing candidates for Directors and Senior Management and their qualifications for the positions, and making recommendations to the Board on the nomination or removal of Directors and the appointment or removal of Senior Management. When recommending candidates for Directors, the Nomination Committee mainly considers the skills, knowledge, experience and qualifications of the candidates, and also evaluates the time and energy they can devote as well as the Board Diversity Policy. The Articles of Association, Procedures to Propose a Person for Election as a Director and Terms of Reference of the Nomination Committee of Sinopec Corp. stipulate the procedures for nomination of Directors, and are published on Sinopec Corp.’s website at <http://www.sinopec.com>.
- b. The Nomination Committee can engage a professional institution to provide professional advice when performing its duties, and the reasonable fees incurred in connection therewith shall be borne by Sinopec Corp. In the meantime, the Nomination Committee has also appointed consultant members and can require such members to provide advice. The working expenses of the Nomination Committee are included in the budget of Sinopec Corp.
- c. During the reporting period, the Nomination Committee held two meetings (please refer to “The Board Committees Meetings and the Special Meeting of Independent Directors” under the Chapter “Report of the Board of Directors” in this annual report).

## C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

### C.1 Responsibility of Directors

- a. Sinopec Corp. engages professional consultants to prepare detailed materials for newly elected Directors, to notify them of the regulations of each listing place of Sinopec Corp. and to remind them of their rights, responsibilities, and obligations as Directors. Each newly elected Director has received legal opinions from a qualified law firm on 21 August 2025, 18 December 2025, and 19 March 2026, respectively, and is aware of all the provisions in the Hong Kong Listing Rules applicable to the Directors of Sinopec Corp., as well as the potential consequences of making false statements or providing false information to the Hong Kong Stock Exchange. Sinopec Corp. has purchased liability insurance for all Directors to minimize the potential risks that might arise from the adequate performance of their duties.
- b. All Non-executive Directors have the same duties and powers as the Executive Directors. In addition, the Independent Non-executive Directors are entitled to certain specific powers. The Articles of Association, the Rules of Procedure for the Board Meetings and Terms of Reference of the Independent Directors clearly prescribe the duties and powers of Directors and Non-executive Directors including Independent Non-executive Directors, which are published on Sinopec Corp.'s website at <http://www.sinopec.com>.

- c. Each of the Directors confirmed that he/she has complied with the Model Code during the reporting period. Meanwhile, Sinopec Corp. formulated the Rules Governing Shares and Changes in Shares of the Company held by Directors and Senior Management and the Rules on Insider Registration and Management, which are no less exacting than the Model Code, to further regulate the dealings of Sinopec Corp.'s securities by relevant personnel.
- d. All the Independent Non-executive Directors and other Non-executive Directors of the Sinopec Corp. regularly attended the Board meetings and the meetings held by the Board Committees they served, closely followed the production and operational status of the Company, and offered constructive suggestions on the Company's reforms and development based on their skills and professional knowledge. For details about each Director's attendance at the relevant meetings, please refer to the Chapter "Report of the Board of Directors" in this annual report.

### C.2 Chairman and President

- a. Mr. Hou Qijun, elected by all Directors, serves as Chairman of the Board. Mr. Zhao Dong, appointed by the Board, serves as President of Sinopec Corp. The respective main duties and responsibilities of the Chairman of the Board and the President are clearly distinguished from each other, and the scope of their respective duties and responsibilities is set out in the Articles of Association.

- b. The Chairman of the Board ensures that all the Directors could receive full, clear and complete information in time, and be informed of proposals of the Board meetings.
- c. The Chairman of the Board places great emphasis on communication with the Independent Non-executive Directors. The Chairman independently communicated with the Independent Non-executive Directors in respect of development strategy, medium-term and long-term development plans, corporate governance, and operational management, etc.
- d. The Chairman of the Board encourages open and active discussions. The Directors fully and deeply participated in the discussions of significant decisions in the Board meetings.

### C.3 Management Functions

- a. The Board and the Management have clear duties and responsibilities under written rules. The Articles of Association clearly set forth the scope of duties, powers, and delegation of power of the Board and Management, which is published on the website of Sinopec Corp. at <http://www.sinopec.com>.

#### C.4 Board Committees

- a. In addition to the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, the Board of Sinopec Corp. has established the Strategy Committee and the Sustainable Development Committee. The Strategy Committee is responsible for studying long-term development strategies and significant investment decisions of the Company. The Strategy Committee consists of five Directors, including the Chairman of the Board, Mr. Hou Qijun, who serves as the Chairman, Vice Chairman, Executive Director, Mr. Zhao Dong, and Independent Non-executive Directors, Mr. Xu Lin, Ms. Zhang Liying and Mr. Li Wei, who serve as members. The Sustainable Development Committee is responsible for researching, supervising and inspecting the Company's sustainable development-related work (including health and safety, environmental protection, social responsibility, etc.), and make recommendation to the Board. The Sustainable Development Committee consists of five Directors, including the Vice Chairman, Executive Director, Mr. Zhao Dong, who serves as the Chairman, the Non-executive Director, Mr. Zhong Ren, the Executive Director, Mr. Wan Tao, and Independent Non-executive Directors, Mr. Zhang Xiliang and Mr. Li Wei, who serve as members.

- b. Each Board Committee shall report its decisions and recommendations to the Board and has formulated its terms of references. Terms of Reference of the Strategy Committee, Terms of Reference of the Audit Committee, Terms of Reference of the Sustainable Development Committee, Terms of Reference of the Remuneration and Appraisal Committee and Terms of Reference of the Nomination Committee are published on the website of Sinopec Corp. at <http://www.sinopec.com>.

#### C.5 Special Meeting of Independent Directors

- a. Sinopec Corp. has established the mechanism of the Special Meeting of Independent Directors, and stipulates that matters such as connected transactions subject to disclosure, shall be submitted to the Board for consideration after approval by a majority of all the Independent Directors.
- b. During the reporting period, Sinopec Corp. held two Special Meetings of Independent Directors (please refer to "The Board Committees Meetings and the Special Meeting of Independent Directors" under the Chapter "Report of the Board of Directors" in this annual report).

#### C.6 Board Proceedings and Supply of and Access to Information

- a. The Articles of Association and the Rules of Procedure for the Board Meetings of Sinopec Corp. clearly prescribe the proceedings of Board meetings, which are published on the website of Sinopec Corp. at <http://www.sinopec.com>.
- b. The Board of Sinopec Corp. held its meetings at least once a quarter. The Board will usually communicate the time and proposals of the Board meeting 14 days before convening the meeting. The relevant documents and materials for Board meetings and for the Board Committees are usually delivered to each Director 10 days in advance. Before the meetings were held, assigned persons were responsible for answering the possible questions raised by the Directors, ensuring the Directors could participate in the Board meetings effectively and positively, and fully understand the proposals to make decisions. In 2025, Sinopec Corp. held six Board meetings. For details about each Director's attendance at the meetings, please refer to the Chapter "Report of the Board of Directors" in this annual report.

- c. Each Director of the Board can submit proposals to be included in the agenda of Board meetings, and each Director is entitled to request other related information. The agenda and other documents for reference for meetings of the Board and Board Committees are distributed prior to the meetings to allow each Director sufficient time to review the materials so that Directors can make informed decisions.
- d. Each Director can obtain all related information in a comprehensive and timely manner. The Secretary to the Board is responsible for organising and preparing the materials for the Board meetings, including preparation of explanations for each proposal to ensure full understanding by the Directors. The Management is responsible for providing the Directors with necessary information and materials. The Directors can require the Management, or require relevant departments via the Management to provide necessary information or explanations. The Directors can seek advice from professional consultants when necessary, and the relevant fees shall be included in Sinopec Corp.'s budget.
- e. Resolutions and minutes of Board meetings and the meetings held by the Board Committees were recorded and archived by designated recorders, and were reviewed and confirmed by the Directors attending the relevant meetings. All the discussion matters and final decisions were recorded fully and accurately in the meeting minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

- f. During the reporting period, the Board has reviewed and evaluated its performance in 2025 and is of the view that the Board operated in compliance with domestic and overseas regulatory authorities' requirements and the Company's internal rules; that the Board has fully communicated, and considered the suggestions from the Party organisation, Supervisory Committee and Management during its decision-making process; and that the Board safeguarded the legitimate rights and interests of Sinopec Corp. and its shareholders.

#### C.7 Company Secretary

- a. The Hong Kong Stock Exchange recognised the Secretary to the Board of Sinopec Corp. as having the relevant qualifications as Company Secretary. The Secretary to the Board, nominated by the Chairman of the Board and appointed by the Board, is a senior management officer of Sinopec Corp. He reports to the Chairman of the Board and the President and is responsible to Sinopec Corp. and the Board. The Secretary to the Board gives opinions on corporate governance to the Board and arranges orientation training and professional development for the Directors.
- b. The Secretary to the Board of Sinopec Corp. assists the Directors in handling the day-to-day work of the Board, continuously informs the Directors of the regulations, policies or other requirements of domestic or overseas regulatory authorities in relation to corporate governance and ensures that the Directors comply with domestic and overseas laws and regulations when performing their duties and responsibilities.
- c. During the reporting period, the Secretary to the Board of Sinopec Corp. actively participated in career development training for more than 15 training hours.

## D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

### D.1 Financial Reporting

- a. Directors are responsible for supervising the preparation of accounts for each fiscal period to ensure that the accounts truly and fairly reflect the condition of the business, the performance, and the cash flow of the Company during the period. The Board approved the financial report for 2025 and warranted that the annual report contained no false representations, misleading statements or material omissions and jointly and severally accepted full responsibility for the authenticity, accuracy, and completeness of the content.
- b. The Management of Sinopec Corp. provides Directors with information about the financial, production and operating data of the Company, capital market updates, and securities regulatory developments every month to ensure that the Directors have access to the latest developments of the Company and regulatory changes in a timely manner.
- c. Sinopec Corp. has adopted an internal control mechanism to ensure that the Management and relevant departments will provide the Board and the Audit Committee with sufficient financial data and related explanations and materials.
- d. The external auditors of Sinopec Corp. made a statement on their audit responsibilities in the auditor's report contained in the financial report.

## D.2 Internal Control and Risk Management

- a. Sinopec Corp. has formulated and implemented its internal control and risk management system. The Board as a decision-making body for internal control and risk management, is responsible for evaluating and reviewing the effectiveness of internal control and risk management of Sinopec Corp. The Board and the Audit Committee periodically (at least annually) receive reports of the Company regarding internal control and risk management information from the Management. All major internal control and risk management issues are reported to the Board and the Audit Committee. Sinopec Corp. has set up its internal control and risk management department and internal auditing department, which are equipped with sufficient staff, and these departments periodically (at least twice per year) report to the Audit Committee. The internal control and risk management system of the Company is designed to manage rather than eliminate all the risks of the Company.
- b. In terms of internal control, Sinopec Corp. adopted the internal control framework prescribed in the internationally accepted report of Committee of Sponsoring Organisations of the Treadway Commission (COSO). Based upon the Articles of Association and the management policies currently in effect, as well as in accordance with domestic and overseas regulations, Sinopec Corp. formulates and continuously improves the Internal Control Manual to achieve internal control of all factors of internal

environment, risk assessment, controlling activities, information and communication, and internal supervision. At the same time, Sinopec Corp. has constantly supervised and evaluated its internal control, and conducted comprehensive and multi-level inspections including regular test, enterprise self-examination and auditing check, and included headquarters, branches and subsidiaries into the scope of internal control evaluation, with an internal control evaluation report being produced. The Board annually reviews the Company's internal control evaluation report. For detailed information about the internal control during the reporting period, please refer to the internal control evaluation report prepared by Sinopec Corp.

Sinopec Corp. has formulated and implemented its information disclosure policy and insider registration policy. The Company regularly evaluates the policy implementation and makes disclosure in accordance with relevant regulations. Please refer to the website of Sinopec Corp. (<http://www.sinopec.com>) for the details of the information disclosure policy.

- c. In terms of risk management, Sinopec Corp. adopted the enterprise risk management framework provided by COSO, and established its risk management policy and risk management organisation system. The Company annually conducts risk evaluation to identify major and important risks and perform risk management duties. It has designed

major and important risks tackling strategies and measures combined with its internal control system and periodically monitors their implementation to ensure adequate care, monitoring and tackling of major risks.

The Board attaches great importance to the ESG management approach and strategy, optimises ESG mechanism, strengthens the Board's role in supervising and participation in ESG related issues, and integrates ESG considerations into the Company's development strategy, major decision-making processes and production and operation. The Company keeps strictly to the anti-corruption laws and regulations of China, as well as anti-corruption and anti-bribery laws applicable in the country (region) where the business is conducted. The Company fully supports the UN Convention against Corruption, the UN Global Compact and other relevant initiatives, abides by the rules and commitments of the Company and business partners on clean practices and anti-corruption, and strengthens the construction of a culture of integrity. The Company has continuously improved the organisational and institutional systems of anti-corruption, organised and carried out anti-corruption trainings, and attached importance to risk assessment of anti-corruption. The Board has reviewed and evaluated the adequacy of resources, staff qualifications and experience, training programmes and budget of ESG performance and reporting during the reporting period. For details, please refer to the 2025 Sustainability Report of Sinopec Corp.

- d. Based upon the review and evaluation of internal control and risk management in the reporting period, the Board is of the view that the internal control and risk management of the Company is effective.

#### D.3 Audit Committee

- a. The Board of Sinopec Corp. has established an Audit Committee, formulated the Terms of Reference of the Audit Committee, which stipulates the scope of responsibility of the Audit Committee. The Audit Committee exercises the functions and powers of the Supervisory Committee as stipulated in the Company Law, and is responsible for examining the Company's financial policies, internal audit system, internal control system and risk management system, reviewing the Company's financial information and its disclosure, and supervising and evaluating the effectiveness of internal and external audit work, risk management and internal control systems, etc. The Audit Committee consists of Independent Non-executive Director, Mr. Liu Tsz Bun Bennett, who serves as the Chairman, Non-executive Director, Mr. Cai Yong, and Independent Non-executive Directors, Mr. Xu Lin, Ms. Zhang Liying, Mr. Zhang Xiliang and Mr. Li Wei, who serve as members.
- b. During the reporting period, the Audit Committee held five meetings (please refer to "The Board Committees Meetings and the Special Meeting of Independent Directors" under the Chapter "Report of the Board of Directors" in this annual report). The review opinions were issued at each meeting and submitted to the Board. During the reporting period, the Board of Sinopec Corp. and the Audit Committee had no disagreement.
- c. The Audit Committee has the right to engage intermediaries, legal counsels, certified public accountants, practicing auditors and other professional parties to provide professional advice when performing its duties, and the reasonable cost incurred shall be borne by Sinopec Corp. In the meantime, the Audit Committee has appointed consultant members and can request such members to provide advice. The working expenses of the Audit Committee are included in the budget of Sinopec Corp. In accordance with the policies of Sinopec Corp., the Senior Management and relevant departments of Sinopec Corp. shall actively support and cooperate with the Audit Committee.
- d. The Audit Committee has reviewed the adequacy and sufficiency of the resources for accounting, internal audit, financial reporting functions and the qualifications and experience of the relevant employees as well as the sufficiency of the training courses and the budget thereof. The Audit Committee is of the view that the Management has fulfilled the duties to establish an effective internal control system. The Company established a whistle-blowing policy in its internal control system reviewed and approved by the Audit Committee, providing several channels, including online reporting, reporting by letters, appeals and complaint mailbox, etc., to employees and others who have dealings with the Company (such as suppliers and customers) to raise concerns on improper matters of the Company secretly and anonymously. The Audit Committee has established an internal procedure, which covers receiving, retaining and handling complaints or anonymous reports concerning accounting, internal control or audit matters.

## E. REMUNERATION

### E.1 The Level and Make-up of Remuneration and Disclosure

- a. The remuneration policy of the Director is stipulated in Director's service contracts approved at the general meeting of Sinopec Corp. Remuneration of Executive Directors is determined according to the relevant national regulations and the relevant rules of performance evaluation and remuneration management of Sinopec Corp.; Non-executive Directors do not receive remuneration in the Company. Remuneration of Independent Non-executive Directors is approved at the general meeting, and is determined with comprehensive consideration of industry conditions, company size and other factors. For details about the annual remuneration of Directors and other Senior Management, please refer to page 178 in this annual report.
- b. The Board of Sinopec Corp. established the Remuneration and Appraisal Committee, consisting of Independent Non-executive Director, Mr. Xu Lin, who serves as the Chairman, and the Non-executive Director, Mr. Zhong Ren and the Independent Non-executive Director, Mr. Liu Tsz Bun Bennett, who serve as the members. The Remuneration and Appraisal Committee is responsible for formulating the appraisal standards for Directors and Senior Management and conducting appraisals, formulating and reviewing remuneration policies and plans such as the mechanism for determining and decision-making process of the remuneration of Directors and Senior Management, supervising the implementation of the remuneration system, and making recommendations to the Board.

- c. The Remuneration and Appraisal Committee always consults the Chairman of the Board and the President about the remuneration plans for other Executive Directors. After the Remuneration and Appraisal Committee's review, it is of the view that all the Executive Directors of Sinopec Corp. have fulfilled their duties according to their service contracts in 2025.
- d. The Remuneration and Appraisal Committee has the right to engage professional institutions to provide professional advice, and the reasonable fees incurred in connection therewith shall be borne by Sinopec Corp. In the meantime, the Remuneration and Appraisal Committee has also appointed consultant members and can require such members to provide advice. The working expenses of the Remuneration and Appraisal Committee are included in the budget of Sinopec Corp. According to the policies of Sinopec Corp., the Senior Management and relevant departments of Sinopec Corp. shall actively support and cooperate with the Remuneration and Appraisal Committee.
- e. During the reporting period, the Remuneration and Appraisal Committee held one meeting (please refer to "The Board Committees Meetings and the Special Meeting of Independent Directors" under the Chapter "Report of the Board of Directors" in this annual report).

## F. SHAREHOLDERS ENGAGEMENT

### F.1 Effective Communication

- a. Sinopec Corp. revised the relevant provisions of equity structure and registered capital in the Articles of Association in accordance with the actual situation on shares repurchase and cancellation of the repurchased shares which were reviewed and approved by the annual general meeting for 2024 (AGM). For details, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, and on the website of SSE on 24 March and 29 May 2025, respectively, and on the website of Hong Kong Stock Exchange on 23 March and 28 May 2025, respectively. In order to fully implement the requirements of laws, regulations and regulatory rules, and further enhance the level of corporate governance, Sinopec Corp. amended the Articles of Association, the Rules of Procedure for the General Meetings and the Rules of Procedure for the Board Meetings, and further revised the relevant provisions of equity structure and registered capital in the Articles of Association in accordance with the actual situation on shares repurchase and cancellation of those shares which were reviewed and approved by the Second EGM. For details, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, and on the website of SSE on 30 October and 19 December 2025, respectively, and on the website of Hong Kong Stock Exchange on 29 October and 18 December 2025, respectively.

- b. The policy on payment of dividends of Sinopec Corp. is disclosed in the Report of the Board of Directors in this annual report, please refer to page 66 to page 68 in this annual report.
  - c. Sinopec Corp. attaches considerable significance to investor relations. The Chairman of the Board attended annual and interim results conferences, and the Management attended road shows to answer questions on subjects of concern to investors, such as introducing the development strategies and the production and business performance of the Company. The Independent Non-executive Director, Ms. Zhang Liying, attended the annual and interim online performance meetings. The Board Secretariat of Sinopec Corp. is responsible for organising the communication with investors. In compliance with regulatory provisions, Sinopec Corp. enhances communication with investors by holding meetings with institutional investors, reverse roadshow, setting up an investor hotline, and communicating through internet platform, etc.
  - d. According to relevant rules of Sinopec Corp., the Secretary to the Board is responsible for establishing an effective communication channel between Sinopec Corp. and its shareholders, for setting up special departments to communicate with the shareholders and for passing the opinions and proposals of the shareholders to the Board and Management in a timely manner. Contact details of Sinopec Corp. can be found in the “Investor Center” on Sinopec Corp.’s website, ensuring that shareholders can get in touch with the Company at any time. During this year, Sinopec Corp. kept on monitoring and evaluating the implementation and effectiveness of the Shareholders’ Communication Policy, in order to ensure its effectiveness.
- F.2 General Meeting**
- a. During the reporting period, separate resolutions were proposed for each substantially separate issue at the general meeting. All resolutions were voted by poll in protection of the interest of all shareholders. Notices of the general meeting were dispatched to shareholders 45 days (excluding the date of the general meeting) in advance.
  - b. The Chairman of the Board of Sinopec Corp. hosted the AGM, the First A Shareholders Class Meeting for 2025, the First H Shareholders Class Meeting for 2025, and the Second EGM. The Vice Chairman of the Board hosted the First EGM. Several members of the Board, the Supervisory Committee, and Senior Management attended the meetings and conducted in-depth communication with the investors. Certain members of the Strategy Committee, the Audit Committee, the Sustainable Development Committee, the Remuneration and Appraisal Committee and the Nomination Committee attended the meetings. The external auditors of the Company attended the meetings. During the AGM and the Company assigned working staff to record questions raised by investors as well as the feedback in relation to each Board Committee. In the meetings, investors did not raise questions that need to be answered or matters that need to be paid attention to by each Board Committee. After the AGM and the EGMs, the Company communicated separately with investors.

- c. Shareholders who individually or collectively hold 10% of the total voting shares of Sinopec Corp. may request the Board in writing to hold the extraordinary general meeting. If the Board fails to approve the request to convene the meeting according to the Rules of Procedure for the General Meetings, the shareholders can request the Audit Committee in writing to hold the extraordinary general meeting. If the Audit Committee fails to convene the meeting according to the Rules of Procedure for the General Meetings, the shareholders can convene the meeting at their discretion according to applicable laws, and reasonable expenses incurred will be borne by Sinopec Corp. These aforementioned provisions are subject to the following conditions: the proposals at the general meeting must fall within the functions and powers of the general meeting, with specific proposals and resolutions and in compliance with relevant laws, administrative regulations and the Articles of Association. When Sinopec Corp. holds the general meeting, shareholders who individually or collectively hold 1% of the total voting shares of Sinopec Corp. can propose a supplemental proposal within the time limit specified in the Rules of Procedure for the General Meetings.
- d. The eligibility for attending the general meeting, the rights of shareholders, the resolutions at the meeting and the voting procedures are clearly set out in the notice and circular of the general meeting of Sinopec Corp. dispatched to the shareholders.
- e. Sinopec Corp. has established a special department for communication with shareholders and published relevant contact details to facilitate shareholders to make enquiries to the Company and the Board in accordance with Articles of Association.

#### G. AUDITORS

The re-appointment of KPMG Huazhen LLP and KPMG as the external auditors of Sinopec Corp. for the year 2025 and the authorisation of the Board to determine their remunerations were approved at Sinopec Corp.'s AGM on 28 May 2025. The audit fee for 2025 was RMB39.862 million (including audit fee of internal control), which was approved at the 11th meeting of the ninth session of the Board. The annual financial statements of the year ended 31 December 2025 have been audited by KPMG Huazhen LLP and KPMG. The Chinese certified public accountants signing the report are Yang Jie and He Shu from KPMG Huazhen LLP. KPMG Huazhen LLP and KPMG have provided audit services to Sinopec Corp. since 2021. For details of the period of the current engagement partners and certified public accountants for providing audit service to the Company, please refer to the announcement on re-appointment of the external auditors published on China Securities Journal, Shanghai Securities News, Securities Times and the website of SSE on 24 March 2025, and on the website of Hong Kong Stock Exchange on 23 March 2025. During the reporting period, KPMG Huazhen LLP, KPMG and their affiliates firms provided non-audit service, such as tax consulting and due diligence investigation to the Company, and the fee charged was RMB6.194 million.

#### (2) Other information about Sinopec Corp.'s corporate governance

Except for their working relationships in the Company, none of the Directors or other Senior Management has any financial, business or family relationship or any relationship in other material aspects with one another. For information about changes in share capital and shareholdings of principal shareholders, please refer to page 74; for information about meetings of the Board, please refer to page 64; for information about meetings held by Board Committees, please refer to page 65; for information about tenure of Non-executive Directors, please refer to page 45; for information about equity interests of Directors and other Senior Management, please refer to page 28; for biographies of Directors and other Senior Management, please refer to page 40.

#### 9 DETAILED IMPLEMENTATION OF THE SHARE INCENTIVE SCHEME

The Company did not implement any share incentive scheme during the reporting period.



Hou Qijun



Zhao Dong



Zhong Ren

## 10 BIOGRAPHICAL DETAILS OF DIRECTORS AND OTHER SENIOR MANAGEMENT

### (1) Directors

**Hou Qijun**, aged 59, Chairman of Sinopec Corp. Mr. Hou is a professor level senior engineer with a Ph.D. degree. In March 2017, he was appointed as Vice President of China National Petroleum Corporation; in June 2017, he was elected as Director and Vice President of PetroChina Company Limited ("PetroChina"); in March 2019, he was appointed as President of PetroChina; in October 2019, he was appointed as Director, President and Deputy Secretary of the Leading Party Member Group of China Oil & Gas Pipeline Network Corporation; in July 2021, he was appointed as Director, President and Deputy Secretary of the Leading Party Member Group of China National Petroleum Corporation; in October 2021, he was elected as Vice Chairman of the board of directors of PetroChina; in June 2025, he was appointed as Chairman and Secretary of the Leading Party Member Group of China Petrochemical Corporation. In August 2025, he was elected as the Chairman of the Board of Sinopec Corp.

**Zhao Dong**, aged 55, Vice Chairman of the Board and President of Sinopec Corp. Mr. Zhao is a professor level senior accountant with a Ph.D. degree. Mr. Zhao is an alternate member of the 20th Central Committee of the Party. In November 2016, he was appointed as Member of the Leading Party Member Group and Chief Accountant of China Petrochemical Corporation; in June 2017, he was appointed as Chairman of Supervisory Committee of Sinopec Corp.; in May 2020, he was appointed as Director and Deputy Secretary of the Leading Party Member Group of China Petrochemical Corporation; in June 2022, he was appointed as President of China Petrochemical Corporation. In May 2021, he was elected as Director of Sinopec Corp.; in April 2024, he was appointed as President of Sinopec Corp.; in June 2024, he was elected as Vice Chairman of the Board of Sinopec Corp.

**Zhong Ren**, aged 59, Director of Sinopec Corp. Mr. Zhong holds an EMBA degree. In May 2018, he was appointed as Member of the Leading Party Member Group and Vice President of Sinochem Group Co., Ltd.; in April 2021, he was appointed as Member of the Leading Party Member Group and Vice President of Sinochem Holdings Corporation Ltd.; in October 2023, he was appointed as Director and Deputy Secretary of the Leading Party Member Group of China Petrochemical Corporation. In June 2024, he was elected as Director of Sinopec Corp.



**Lv Lianggong**

**Lv Lianggong**, aged 60, Director and Senior Vice President of Sinopec Corp. Mr. Lv is a professor level senior engineer with a master's degree. In September 2018, he was appointed as General Manager and Deputy Secretary of the CPC Committee of Sinopec Zhenhai Refining & Chemical Company; in December 2019, he was appointed as Representative and Secretary of the CPC Committee of Sinopec Zhenhai Refining & Chemical Company; in December 2020, he was appointed as Deputy Chief Economist, Head of Organization Department of the Leading Party Member Group and General Manager of Human Resource Department of China Petrochemical Corporation; in May 2022, he was elected as Supervisor of Sinopec Corp.; in August 2022, he was appointed as Member of the Leading Party Member Group and Vice President of China Petrochemical Corporation. In October 2022, he was appointed as Senior Vice President of Sinopec Corp.; in May 2023, he was elected as Director of Sinopec Corp.



**Niu Shuanwen**

**Niu Shuanwen**, aged 51, Director and Senior Vice President of Sinopec Corp. Mr. Niu is a professor level senior engineer with a Ph.D. degree. In October 2018, he was appointed as Deputy General Manager of Sinopec Shengli Oilfield Company; in May 2020, he was appointed as General Manager and Deputy Secretary of CPC Committee of Sinopec Shengli Petroleum Administrative Bureau Co., Ltd. and General Manager of Sinopec Shengli Oilfield Company; in January 2022, he was appointed as Executive Director and Secretary of CPC Committee of Sinopec Shengli Petroleum Administrative Bureau Co., Ltd. and Representative of Sinopec Shengli Oilfield Company; in June 2023, he was appointed as Member of the Leading Party Member Group and Vice President of China Petrochemical Corporation. In July 2023, he was appointed Senior Vice President of Sinopec Corp.; in June 2024, he was elected as Director of Sinopec Corp.



**Wan Tao**

**Wan Tao**, aged 58, Director and Senior Vice President of Sinopec Corp. Mr. Wan is a professor level senior engineer with a master's degree. In January 2018, he was appointed as Executive Director, General Manager and Secretary of CPC Committee of Sinopec Yizheng Chemical Fibre Limited Liability Company and General Manager of Yizheng Branch at Sinopec Assets Management Co, Ltd.; in July 2022, he was elected as Chairman and appointed as Secretary of CPC Committee of Sinopec Shanghai Petrochemical Company Limited; in March 2024, he was appointed as Member of the Leading Party Member Group and Vice President of China Petrochemical Corporation. In April 2024, he was appointed as Senior Vice President of Sinopec Corp.; in June 2024, he was elected as Director of Sinopec Corp.



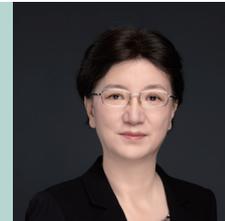
Cai Yong

**Cai Yong**, aged 51, Director of Sinopec Corp. Mr. Cai is a senior economist with a master's degree. In April 2021, he was appointed as General Manager of the Finance Department of China National Petroleum Corporation; in June 2022, he was elected as Supervisor of PetroChina; in December 2024, he was elected as Chairman of the board of directors and Secretary of CPC Committee of CNPC Capital Company Limited; in January 2025, he was appointed as Assistant to the President of China National Petroleum Corporation; in March 2025, he was appointed as Member of the Leading Party Member Group and Chief Accountant of China Petrochemical Corporation. In August 2025, he was elected as Director of the Board of Sinopec Corp.



Xu Lin

**Xu Lin**, aged 63, Independent Director of Sinopec Corp. Mr. Xu holds master's degrees in economics and public administration. Mr. Xu is now Chairman of China-U.S. Green Fund Management Co., Ltd. He concurrently serves as Executive President and Secretary of CPC Committee of China Mergers & Acquisitions Association, Member of the Academic Committee of the China Capital Market Society, Independent Director of Industrial Bank Co., Ltd., Director of Farsoon Technologies Co., Ltd., Independent Director of CNFinance Holdings Limited. Mr. Xu previously served as Deputy Director of the Department of Development Planning of the State Development Planning Commission, Director General of the Department of Fiscal and Financial Affairs, Director General of the Department of Development Planning, Director of the China Center for Urban Development of NDRC, Independent Director of Zhejiang Crystal-Optech Co., Ltd., Beijing GeoEnviron Engineering & Technology, Inc, and Guomin Pension Insurance Co., Ltd., External Supervisor of the Supervisory Committee of Bank of Beijing, Chairman of the China-U.S. Green Investment Management Co., Ltd. In June 2024, he was elected as Independent Director of Sinopec Corp.



Zhang Liying

**Zhang Liying**, aged 66, Independent Director of Sinopec Corp. Ms. Zhang is a professor level senior engineer with a doctor's degree in technical economics and management. She is now an Independent Director of Huaneng Power International, Inc., Executive Member, Chairwoman of the Urban Power Supply and Reliability Committee, Chairwoman of the Committee of Women Science and Technology Workers of the Chinese Society for Electrical Engineering, and Chief Expert of the Expert Committee of the China Electricity Council and enjoys the State Council's special government allowance. She previously served as Chief Engineer, President Assistant and Consultant of State Grid Corporation of China. In June 2024, she was elected as Independent Director of Sinopec Corp.



**Liu Tsz Bun Bennett**

**Liu Tsz Bun Bennett**, aged 63, Independent Director of Sinopec Corp. Mr. Liu holds a bachelor's degree in economics and has the chartered accountant qualification in England and Wales as well as the Hong Kong Institute of Certified Public Accountants senior fellowship. Mr. Liu is now an honorary consultant of the Hong Kong Business Accountants Association, an Independent Director of China CITIC Bank Co., Ltd., an Independent Director of China Vanke Co., Ltd., an Independent Director of Shenzhen WeBank Co., Ltd., and an Independent Director of Ping An Life Insurance Company of China. He was Chairman of KPMG China from April 2015 to September 2019, and senior advisor of KPMG Hong Kong from September 2019 to March 2021. He previously served as an accounting consulting expert of the Ministry of Finance of China and a Hong Kong member of the 14th Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. In June 2024, he was elected as Independent Director of Sinopec Corp.



**Zhang Xiliang**

**Zhang Xiliang**, aged 62, Independent Director of Sinopec Corp. Mr. Zhang holds a Ph.D. in systems engineering. He is now the Director of the Institute of Energy, Environment and Economy, a professor of the Institute of Nuclear and New Energy Technology and the Chief Scientist of Climate Governance and Carbon Finance Area of Carbon Neutral Institute of Tsinghua University. Mr. Zhang is concurrently a member of the National Experts Panel on Climate Change, the Chairman of China Emissions Trading Association of Chinese Society for Environmental Sciences, an Executive Council Member and the Chairman of the Energy System Engineering Committee of the China Energy Research Society, and a Council Member of the Chinese Society for Sustainable Development. In June 2024, he was elected as Independent Director of Sinopec Corp.



**Li Wei**

**Li Wei**, aged 62, Independent Director of Sinopec Corp. Mr. Li holds a master's degree in economics and an EMBA. He is now Chairman of Shenzhen Pine Venture Capital Co., Ltd. and a founding partner of Shenzhen Green Pine Capital Management Co., Ltd. Mr. Li serves as a member of the 7th Shenzhen Committee of the Chinese People's Political Consultative Conference ("CPPCC") and Deputy Director of its Economic Committee, Honorary Trustee of Peking University, Chairman of the PKU Entrepreneur's Training Camp, Independent Director of Harbour Life Insurance Co., Ltd., expert member of the Investment Committee of the Shenzhen Angel Fund of Funds, and Vice Chairman of the China Association of Technology Entrepreneurs. He previously served as a member of the 5th Shenzhen Committee of CPPCC and Deputy Director of its Economic Committee, a standing member of the 6th Shenzhen Committee of CPPCC and Deputy Director of its Economic Committee, Chairman of the Peking University Entrepreneurs Club, and Independent Directors of CCB Life Asset Management Co., Ltd. and SenseTime Group Inc. In December 2025, he was elected as Independent Director of Sinopec Corp.



**Wang Shijie**

**Wang Shijie**, aged 54, is the Employee Representative Director of Sinopec Corp. Mr. Wang is a professor level senior engineer with a master's degree. In October 2018, he was appointed as General Manager and Deputy Secretary of CPC Committee of Sinopec Group Northwest Petroleum Bureau Co., Ltd., and General Manager of Northwest Oilfield Branch of Sinopec Corp.; in December 2023, he was elected as Executive Director and Secretary of CPC Committee of Sinopec Group Northwest Petroleum Bureau Co., Ltd., and Representative of Northwest Oilfield Branch of Sinopec Corp. In March 2026, he was elected as the Employee Representative Director of Sinopec Corp.

## LIST OF MEMBERS OF THE BOARD

Name	Gender	Age	Position in Sinopec Corp.	Tenure	Remuneration paid by Sinopec Corp. in 2025 (RMB'0'000, before tax)	Whether paid by the shareholders of the Company or their related entities in 2025	Equity interests in Sinopec Corp. (as at 31 December)	
							2025	2024
Hou Qijun	Male	59	Chairman of the Board, Non-executive Director	2025.8-2027.6	–	Yes	0	0
Zhao Dong	Male	55	Vice Chairman of the Board, Executive Director, President	2021.5-2027.6	192.82	No	0	0
Zhong Ren	Male	59	Non-executive Director	2024.6-2027.6	–	Yes	0	0
Lv Lianggong	Male	60	Executive Director, Senior Vice President	2023.5-2027.6	–	Yes	0	0
Niu Shuanwen	Male	51	Executive Director, Senior Vice President	2024.6-2027.6	–	Yes	0	0
Wan Tao	Male	58	Executive Director, Senior Vice President	2024.6-2027.6	–	Yes	0	0
Cai Yong	Male	51	Non-executive Director	2025.8-2027.6	–	Yes	0	0
Xu Lin	Male	63	Independent Non-Executive Director	2024.6-2027.6	55	No	0	0
Zhang Liying	Female	66	Independent Non-Executive Director	2024.6-2027.6	55	No	0	0
Liu Tsz Bun Bennett	Male	63	Independent Non-Executive Director	2024.6-2027.6	55	No	0	0
Zhang Xiliang	Male	62	Independent Non-Executive Director	2024.6-2027.6	55	No	0	0
Li Wei	Male	62	Independent Non-Executive Director	2025.12-2027.6	4.58	No	0	0
Wang Shijie	Male	54	Employee Representative Director	2026.3-2027.6	0	No	0	0

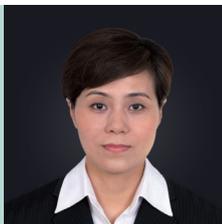
Note: Total remuneration of Mr. Zhao Dong as Director in 2025 includes incentive bonus based on the performance.

## LIST OF FORMER MEMBERS OF THE BOARD OF DIRECTORS

Name	Gender	Age	Position in Sinopec Corp.	Tenure	Remuneration paid by Sinopec Corp. in 2025 (RMB'0'000, before tax)	Whether paid by the shareholders of the Company or their related entities in 2025	Equity interests in Sinopec Corp. (as at 31 December)	
							2025	2024
Ma Yongsheng	Male	64	Former Chairman of the Board, Non-executive Director	2016.2-2025.6	–	Yes	0	0
Yu Baocai	Male	61	Former Executive Director, Senior Vice President	2018.10-2025.4	22.48	No	0	0
Li Yonglin	Male	59	Former Executive Director, Senior Vice President	2021.5-2026.2	–	Yes	0	0



Tian Hongbin



Shou Donghua



Huang Wensheng

## (2) Other Members of Senior Management

**Tian Hongbin**, aged 55, Senior Vice President of Sinopec Corp. Mr. Tian is a senior engineer with a master's degree in engineering. In July 2019, he was appointed as General Manager and Deputy Secretary of the CPC Committee of Sinopec Guangzhou Petrochemic Company, General Manager of Guangzhou Branch of Sinopec Group Assets Management Company Limited; in December 2022, he was appointed as Representative and Secretary of the CPC Committee of Sinopec Guangzhou Petrochemic Company; in May 2024, he was appointed as President of the Refining Department of Sinopec Corp.; in January 2026, he was appointed as Member of the Leading Party Member Group and Vice President of China Petrochemical Corporation; In March 2026, he was appointed as Senior Vice President of Sinopec Corp.

**Shou Donghua**, aged 57, Chief Financial Officer of Sinopec Corp. Ms. Shou is a professor level senior accountant with a master's degree in business administration. In August 2017, she was appointed as Secretary of the CPC Committee and Deputy General Manager of Sinopec Zhenhai Refining & Chemical Company; in September 2018, she was appointed as Director General of Finance Department of China Petrochemical Corporation and Chairwoman of Century Bright; in December 2019, she was appointed as General Manager of Finance Department of Sinopec Corp.; in October 2023, she was appointed as Chairwoman and Secretary of the CPC Committee of Sinopec Overseas Investment Holding Limited. In January 2020, she was appointed as Chief Financial Officer of Sinopec Corp.

**Huang Wensheng**, aged 59, Vice President and Secretary to the Board of Directors of Sinopec Corp. Mr. Huang is a professor level senior economist with a bachelor's degree. In June 2018, he was appointed as Director General of Department of Capital Management and Financial Services of China Petrochemical Corporation; in July 2018, he was appointed as Chairman, General Manager and Secretary of the CPC Committee of Sinopec Capital Co., Ltd; in October 2025, he was appointed as Chief Compliance Officer of Sinopec Corp. and General Manager of Corporate Reform and Legal Department of Sinopec Corp. In May 2012, he was appointed as Secretary to the Board of Directors of Sinopec Corp; in May 2014, he was appointed as Vice President of Sinopec Corp.



**Guo Hongjin**

**Guo Hongjin**, aged 60, Vice President of Sinopec Corp. Mr. Guo is a professor level senior engineer with a Ph.D. degree. In March 2018, he was appointed as General Manager and Deputy Secretary of the CPC Committee of Sinopec Shengli Petroleum Administrative Bureau Co., Ltd. and General Manager of Sinopec Shengli Oilfield Company; in December 2018, he was appointed as Executive Director, General Manager and Deputy Secretary of the CPC Committee of Sinopec Jiangnan Petroleum Administrative Bureau Co., Ltd. and General Manager of Sinopec Jiangnan Oilfield Company; in July 2019, he was appointed as Executive Director and Secretary of the CPC Committee of Sinopec Jiangnan Petroleum Administrative Bureau Co., Ltd. and Representative of Sinopec Jiangnan Oilfield Company; in April 2020, he was appointed as General Manager of the Petroleum Exploration & Development Department of Sinopec Corp.; in May 2021, he was elected as Supervisor of Sinopec Corp.; in May 2022, he was elected as Employee Representative Supervisor of Sinopec Corp. In June 2024, he was appointed as Vice President of Sinopec Corp.



**Xu Yi**

**Xu Yi**, aged 59, Vice President of Sinopec Corp. Mr. Xu is a senior engineer with a master's degree. In March 2019, he was appointed as Executive Director and Secretary of the CPC Committee of Sinopec Group Chongqing SVW Chemical Co., Ltd.; in August 2019, he was appointed as General Manager and Deputy Secretary of the CPC Committee of Sinopec Chemical Commercial Holding Company Limited; in December 2020, he was appointed as Executive Director and Secretary of the CPC Committee of Sinopec Chemical Commercial Holding Company Limited, Chairman of Sinopec Chemical Commercial Holding (Hong Kong) Co., Ltd. and Deputy General Manager of the Chemicals Department of Sinopec Corp.; in April 2024, he was appointed as General Manager of the Chemicals Department of Sinopec Corp. and Executive Director of Sinopec Group Asset Management Co., Ltd. In June 2024, he was appointed as Vice President of Sinopec Corp.



**Li Yuxing**

**Li Yuxing**, aged 59, Vice President of Sinopec Corp. Mr. Li is a professor level senior engineer with a master's degree. In October 2019, he was appointed as Representative of Sinopec Guangxi Oil Products Company and Secretary of the CPC Committee of Sinopec Group Guangxi Oil Products Company; in July 2021, he was appointed as Vice Chairman, General Manager and Deputy Secretary of the CPC Committee of Sinopec Marketing Co., Ltd., Deputy General Manager of the Marketing Department of Sinopec Corp. and Vice Chairman and General Manager of Sinopec Sales Industry Co., Ltd.; in September 2023, he was appointed as Chairman and Secretary of the CPC Committee of Sinopec Marketing Co., Ltd., General Manager of the Marketing Department of Sinopec Corp., Executive Director of Sinopec Sales Industry Co., Ltd. and Chairman of Sinopec (Hong Kong) Limited. In June 2024, he was appointed as Vice President of Sinopec Corp.



**Liu Jiahai**

**Liu Jiahai**, aged 59, Chief Safety Officer of Sinopec Corp. Mr. Liu is a professor level senior engineer with a Ph.D. degree. In August 2018, he was appointed as Representative of Sinopec Wuhan Company, Secretary of the CPC Committee of Wuhan Petroleum and Chemical Factory of Sinopec Group and Chairman of Sinopec-SK (Wuhan) Petrochemical Company Limited; in July 2022, he was appointed as General Manager of Safety Supervisory Department of Sinopec Corp.; in May 2023, he was appointed as General Manager of Department of Health, Safety and Environmental Protection of Sinopec Corp. In June 2024, he was appointed as Chief Safety Officer of Sinopec Corp.

## LIST OF OTHER MEMBERS OF THE SENIOR MANAGEMENT

Name	Gender	Age	Position in Sinopec Corp.	Remuneration paid by Sinopec Corp. in 2025 (RMB0'000, before tax)	Whether paid by the shareholders of Sinopec Corp. or their related entities in 2025	Equity interests in Sinopec Corp. (as at 31 December)	
						2025	2024
Tian Hongbin	Male	55	Senior Vice President	-	Yes	0	0
Shou Donghua	Female	57	Chief Financial Officer	141.19	No	0	0
Huang Wensheng	Male	59	Vice President, Secretary to the Board	140.27	No	0	0
Guo Hongjin	Male	60	Vice President	145.85	No	0	0
Xu Yi	Male	59	Vice President	148.07	No	0	0
Li Yuxing	Male	59	Vice President	147.30	No	0	0
Liu Jiahai	Male	59	Chief Safety Officer	130.61	No	0	0

Note: Total remuneration of other members of the senior management listed above in 2025 includes incentive bonus based on the performance.

## LIST OF FORMER OTHER MEMBERS OF THE SENIOR MANAGEMENT

Name	Gender	Age	Position in Sinopec Corp.	Remuneration paid by Sinopec Corp. in 2025 (RMB0'000, before tax)	Whether paid by the shareholders of the Company or their related entities in 2025	Equity interests in Sinopec Corp. (as at 31 December)	
						2025	2024
Guo Xusheng	Male	60	Former Chief Geologist	169.65	No	0	0

Note: Total remuneration of Mr. Guo Xusheng in 2025 includes incentive bonus based on the performance.

### 11 INFORMATION ON APPOINTMENT OR TERMINATION OF DIRECTORS AND SENIOR MANAGEMENT

On 30 April 2025, Mr. Yu Baocai resigned as Executive Director and Senior Vice President of Sinopec Corp. due to his age.

On 30 June 2025, Mr. Ma Yongsheng resigned as Chairman of the Board, Non-executive Director due to his age.

On 21 August 2025, Mr. Hou Qijun was elected as Chairman and Non-executive Director of the Board of Sinopec Corp., and Mr. Cai Yong was elected as Non-executive Director of Sinopec Corp.

On 18 December 2025, Mr. Li Wei was elected as Independent Non-executive Director of the Board of Sinopec Corp.

On 13 February 2026, Mr. Li Yonglin resigned as Executive Director and Senior Vice President of Sinopec Corp. due to change of working arrangement.

On 27 February 2026, Mr. Guo Xusheng resigned as Chief Geologist of Sinopec Corp. due to his age.

On 19 March 2026, Mr. Wang Shijie was elected as Employee Representative Director of Sinopec Corp.

On 20 March 2026, Mr. Tian Hongbin was appointed as Senior Vice President of Sinopec Corp.

**12 CHANGE OF SHAREHOLDING OF DIRECTORS AND OTHER SENIOR MANAGEMENT**

There is no change in shareholdings of Sinopec Corp. of Directors and other senior management during the reporting period.

**13 CONTRACTUAL INTERESTS OF DIRECTORS**

As of 31 December 2025 or any time during the reporting period, no Director entered into any agreement with Sinopec Corp., its controlling shareholder, any subsidiary or related subsidiary which shall substantially benefit such Director or Supervisor.

**14 CONTRACTS WITH DIRECTORS**

The Company has entered into service contracts with all the Directors. None of the Directors has entered into or will enter into service contracts that are not terminable by the Company within one year without compensation (except for statutory compensation).

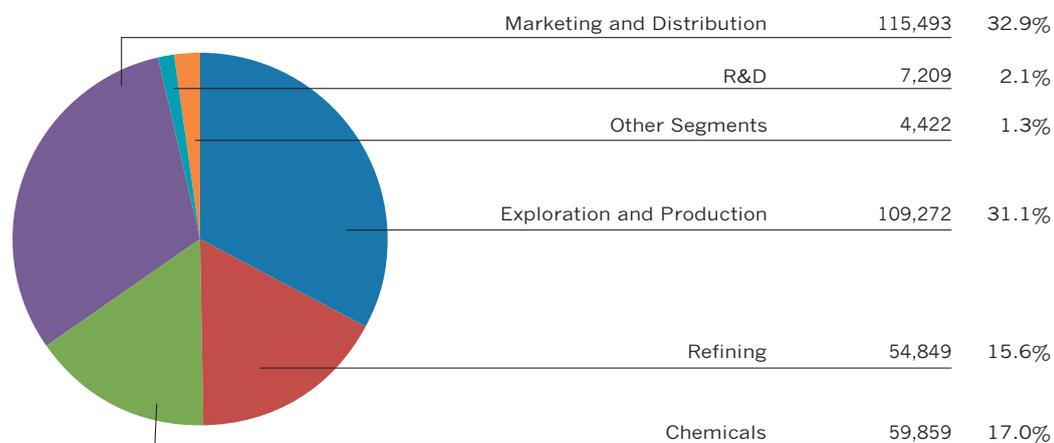
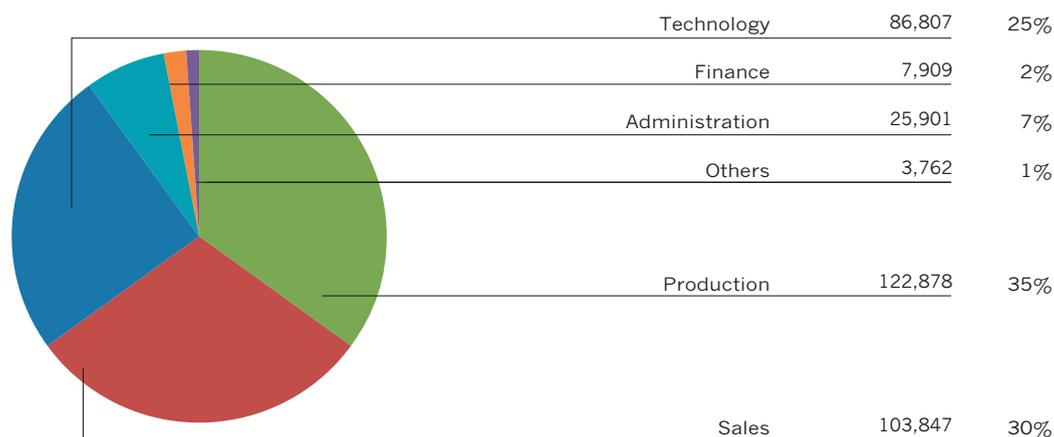
**15 REMUNERATION OF DIRECTORS AND OTHER SENIOR MANAGEMENT**

During the reporting period, a total of 14 Directors and other senior management received remuneration from Sinopec Corp. with a total amount of RMB14.6282 million, including incentive bonus based on the performance of certain Directors and senior management. The remuneration of independent directors shall be implemented in accordance with the standards determined by the general meeting. Pursuant to the Measures of Sinopec Corp. for the Management of Performance Evaluation and Remuneration Management and other policies, the remuneration of senior management is determined by the Board of Directors based on the Company's production and operating performance as well as individual annual and term performance appraisal results. Directors and senior management receiving remuneration from the Company have all completed performance appraisal in accordance with the Measures of Sinopec Corp. for the

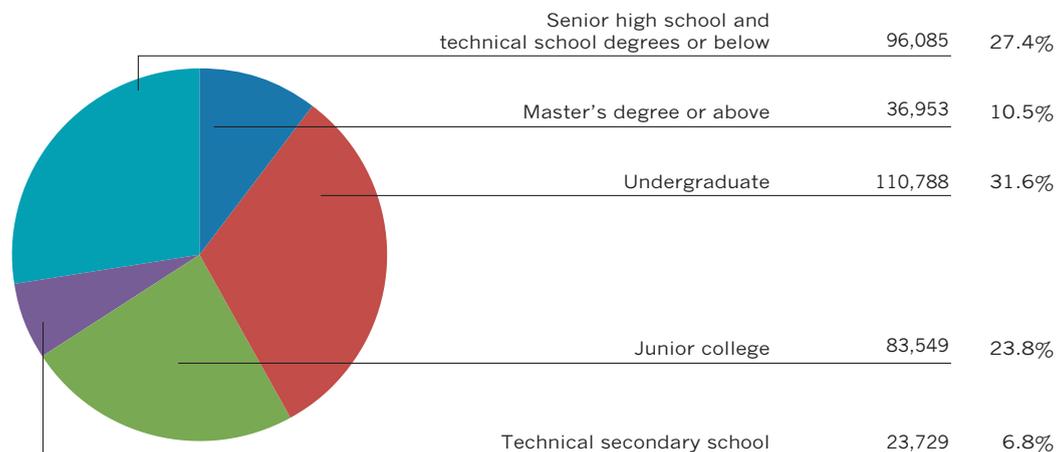
Management of Performance Evaluation and Remuneration Management and other relevant policies of the Company. Deferred payment, suspension of payment and recovery matters shall be implemented in accordance with the relevant provisions of the Company.

**16 THE COMPANY'S EMPLOYEES**

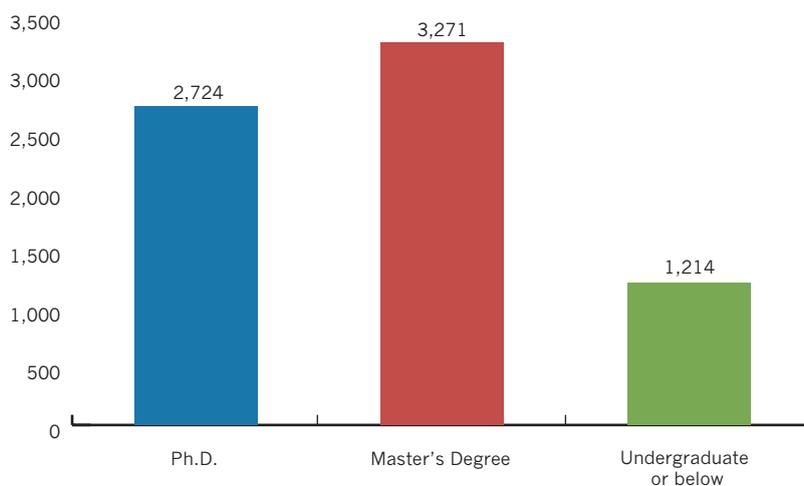
As at 31 December 2025, the Company has a total of 351,104 employees. There are a total of 351,623 retired employees to be reimbursed by the Company. Sinopec Marketing Co. Limited and China International United Petroleum & Chemicals Co. Limited, the principal subsidiaries of Sinopec Corp., have 115,493 and 642 employees respectively. The male and female ratio of all employees is 2.4:1, achieved the Company's target for the female representation, and the male and female ratio of the members of senior management is 11.6:1.

**THE BREAKDOWN OF NUMBER OF EMPLOYEES BY OPERATION SEGMENTS IS AS FOLLOWS: (INCLUDING EXPLORATION AND PRODUCTION, REFINING, MARKETING AND DISTRIBUTION, CHEMICALS, R&D AND OTHERS)****EMPLOYEES' PROFESSIONAL STRUCTURE AS FOLLOWS: (INCLUDING PRODUCTION, SALES, TECHNOLOGY, FINANCE, ADMINISTRATION AND OTHERS)**

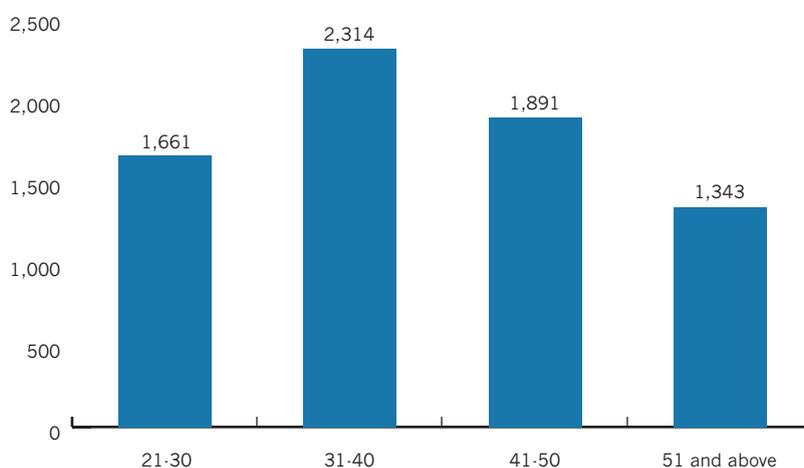
**EDUCATIONAL BACKGROUND STRUCTURE FOR EMPLOYEES AS FOLLOWS: (INCLUDING MASTER'S DEGREE AND ABOVE, UNDERGRADUATE, JUNIOR COLLEGE, TECHNICAL SECONDARY SCHOOL, SENIOR HIGH SCHOOL AND TECHNICAL SCHOOL DEGREES OR BELOW)**



**R&D PERSONNEL EDUCATIONAL STRUCTURE: (INCLUDING PHD, MASTER'S DEGREE, UNDERGRADUATE AND BELOW)**



**R&D PERSONNEL AGE STRUCTURE:**



**17 CHANGES OF CORE TECHNICAL TEAM OR KEY TECHNICIANS**

During the reporting period, there are no significant changes of core technical team or key technicians in the Company.

**18 EMPLOYEE BENEFITS SCHEME**

Details of the Company's employee benefits scheme are set out in Note 40 of the financial statements prepared under IFRS Accounting Standards of this annual report. As at 31 December 2025, the Company had a total of 351,623 retired employees. All of them participated in the basic pension schemes administered by provincial governments (or those of autonomous regions or municipalities). Government-administered pension funds are responsible for the payments of basic pensions.

**19 REMUNERATION POLICY**

Sinopec Corp. has established its remuneration system based on the value of positions, performance & contribution, with an aim at improving employee capabilities, and has constantly improved employee performance evaluation and incentive & discipline mechanisms.

**20 TRAINING PROGRAMS**

During the reporting period, the Company continued to strengthen the overall management of education and training, improved the high-quality training system, precisely conducted training programs for all types of talents, and comprehensively strengthened training for frontline employees. The headquarter trained 4,167 key talents. Focusing on serving corporate strategy, we implemented the training for managers, experts, technical personnel, and international talents. We carried out artificial intelligence training by category and level, emphasised on supporting strategy, strengthened the combination of theory and practice, and comprehensively improved the overall caliber and performance ability of all kinds of talents. The Company enhanced the intelligent and precise level of training by promoting the application of Sinopec Network College. The digital transformation of training was vigorously promoted and over 65 million on-line training hours were achieved this year.

**21 ENVIRONMENTAL INFORMATION**

Sinopec Corp. established the HSE management system since 2001 and continued to improve it. During the reporting period, Sinopec organized and revised 8 environmental protection management systems, including the Sinopec Corp. Environmental Protection Management Regulations, formed the system consisting of 16 environmental protection management policies currently in effect and covering pollution prevention, ecological protection, environmental protection of construction projects, environmental statistics and monitoring, as well as environmental risk management and emergency response.

**22 WORK CONDUCTED IN ECOLOGICAL PROTECTION, POLLUTION PREVENTION AND ENVIRONMENTAL RESPONSIBILITIES PERFORMANCE BY THE COMPANY IN THE REPORTING PERIOD**

In the reporting period, the Company deepened the campaign of pollution prevention and systematic ecological and environmental governance, comprehensively promoted the second phase of the Green Enterprise Action plan, persistently built the "no waste group", build up the nation's first "no waste petrochemical base", strengthened ecological and environmental protection in the Yangtze and Yellow River basins, and enhanced environmental risk prevention and control. The sewage COD remained basically unchanged year-on-year, sulphur dioxide emissions decreased by 3.7% year-on-year respectively, and the solid waste was 100% properly disposed.

**23 MEASURES TAKEN TO MITIGATE CARBON EMISSION AND ITS EFFECT**

During the reporting period, the Company steadily promoted the action plan for carbon peaking, promoted the coupled development of traditional industries and new energy industries, adjusted and optimized the industrial structure and energy consumption structure, strengthened the research, development and application of key green and low-carbon technologies, enhanced the control of carbon dioxide and methane emissions and achieved good results in carbon emission reduction. In 2025, the Company decreased GHG emissions by 1.45 million tonnes of CO<sub>2</sub> equivalent through energy conservation and consumption reduction, 2.05 million tonnes of CO<sub>2</sub> were recycled, 0.97 million tons of carbon dioxide used for EOR, 1.164 billion cubic meters of methane were recovered.

**24 THE NUMBER AND NAMES OF COMPANIES INCLUDED IN THE LIST OF ENTERPRISES SUBJECT TO LEGAL DISCLOSURE OF ENTERPRISE ENVIRONMENTAL INFORMATION AND CORRESPONDING SEARCH INDEX**

In accordance with the requirements stipulated in the "Administrative Measures for the Legal Disclosure of Enterprise Environmental Information" and other regulations, Sinopec Corp. and its principal subsidiaries, which are included in the list of enterprises subject to legal disclosure of enterprise environmental information, have duly disclosed their environmental information through relevant systems established by ecological and environmental departments.

As of 31 December 2025, the entities of Sinopec Corp. and its principal subsidiaries included in the list of enterprises subject to legal disclosure of enterprise environmental information were as follows:

No.	Company name	Website for disclosure
1	Sinopec Shanghai Gaoqiao Petrochemical Company Limited	<a href="https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp">https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp</a> (搜索: 中國石化上海高橋石油化工有限公司、中國石化上海高橋石油化工有限公司化工部)
2	Sinopec Hunan Petrochemical Company Limited	<a href="https://yfpl.sthjt.hunan.gov.cn:8181/hnyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=9cd9a747-5660-4042-969d-c9175509bf2e&amp;XH=1676906075292026324992&amp;year=2025&amp;reportType=1">https://yfpl.sthjt.hunan.gov.cn:8181/hnyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=9cd9a747-5660-4042-969d-c9175509bf2e&amp;XH=1676906075292026324992&amp;year=2025&amp;reportType=1</a>
3	Sinopec (Henan) Refining and Chemical Company Limited	<a href="http://222.143.24.250:8247/enpInfo/enpOverview?enterId=91410300721836588G001P">http://222.143.24.250:8247/enpInfo/enpOverview?enterId=91410300721836588G001P</a>
4	Sinopec-SK (Wuhan) Petrochemical Company Limited	<a href="http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=9f64a379-4e10-4f10-a42b-d1583c8f7786&amp;XH=1677751083329009244672">http://219.140.164.18:8007/hbyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=9f64a379-4e10-4f10-a42b-d1583c8f7786&amp;XH=1677751083329009244672</a>
5	Sinopec Yangzi Petrochemical Company Limited	<a href="http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/sps/views/yfpl/views/yfplHomeNew/index.js">http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/sps/views/yfpl/views/yfplHomeNew/index.js</a> (搜索: 中國石化揚子石油化工有限公司)
6	Sinopec Shanghai Petrochemical Company Limited	<a href="https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp">https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp</a> (搜索: 中國石化上海石油化工有限公司)
7	Sinopec Yizheng Chemical Fibre Limited Liability Company	<a href="http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/sps/views/yfpl/views/yfplHomeNew/index.js">http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/sps/views/yfpl/views/yfplHomeNew/index.js</a> (搜索: 中國石化儀徵纖維有限責任公司)
8	Sinopec Beihai Refining and Chemical Limited Liability Company	<a href="https://bqfq.sthjt.gxzf.gov.cn/GXHJXXPLQYD/frontal/index.html#/home/enterpriseInfo?XTXH=0295c084-06fc-422e-843f-1f582e67a6dc&amp;XH=1675414053115031789056&amp;year=2025">https://bqfq.sthjt.gxzf.gov.cn/GXHJXXPLQYD/frontal/index.html#/home/enterpriseInfo?XTXH=0295c084-06fc-422e-843f-1f582e67a6dc&amp;XH=1675414053115031789056&amp;year=2025</a>
9	Sinopec Qingdao Refining and Chemical Company Limited	<a href="http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=1&amp;id=91370200766720175X">http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=1&amp;id=91370200766720175X</a>
10	Sinopec Hainan Refining and Chemical Company Limited	<a href="https://hnsthb.hainan.gov.cn/yfpl/#/gkwz/ndpl/index?search=%E4%B8%AD%E5%9B%BD%E7%9F%B3%E5%8C%96%E6%B5%B7%E5%8D%97%E7%82%BC%E6%B2%B9%E5%8C%96%E5%B7%A5%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8">https://hnsthb.hainan.gov.cn/yfpl/#/gkwz/ndpl/index?search=%E4%B8%AD%E5%9B%BD%E7%9F%B3%E5%8C%96%E6%B5%B7%E5%8D%97%E7%82%BC%E6%B2%B9%E5%8C%96%E5%B7%A5%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8</a>
11	ZhongKe (Guangdong) Refinery & Petrochemical Company Limited	<a "="" href="https://gdee.gd.gov.cn/gdeepub/front/dal/report/list?entName=%E4%B8%AD%E7%A7%91%EF%BC%88%E5%B9%BF%E4%B8%9C%EF%BC%89%E7%82%BC%E5%8C%96%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8&amp;reportType=&amp;areaCode=&amp;entType=&amp;reportDateStartStr=&amp;reportDateEndStr=">https://gdee.gd.gov.cn/gdeepub/front/dal/report/list?entName=%E4%B8%AD%E7%A7%91%EF%BC%88%E5%B9%BF%E4%B8%9C%EF%BC%89%E7%82%BC%E5%8C%96%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8&amp;reportType=&amp;areaCode=&amp;entType=&amp;reportDateStartStr=&amp;reportDateEndStr=</a>
12	Sinopec Qingdao Petrochemical Company Limited	<a href="http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=0&amp;id=91370200163576944B">http://221.214.62.226:8090/EnvironmentDisclosure/enterpriseRoster/openEnterpriseDetails?comDetailFrom=0&amp;id=91370200163576944B</a>

## 25 DONATION AND INVESTMENT IN RURAL REVITALIZATION AND PUBLIC WELFARE PROJECT

During the reporting period, Sinopec contributed its strengths to support the needs of rural revitalization and promoted high-quality rural revitalization. Throughout the year, the Company implemented a total of 290 external donation, rural revitalization and public welfare projects, with an expenditure of RMB0.29 billion. The funds were mainly used for rural revitalization initiatives in industries, education and consumption, as well as social public welfare projects such as the “Spring Bud Gas Station” and emergency disaster relief. For relevant information, please refer to the 2025 Sustainability Report of Sinopec Corp.

## 1 MAJOR CONSTRUCTION PROJECTS

**(1) Shengli Shale Oil Project**

The project mainly launches shale oil exploration and development in Jiyang depression, with the target of 1 million tpa capacity in the 14th Five Year Plan. The project started in 2019. It has drilled 201 wells and generated capacity of 1.259 million tpa. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested was RMB17.2 billion.

**(2) Longkou LNG Project**

The project mainly consists of building wharf, terminal and power plant warm drainage and water intake. The designed LNG capacity in the first phase is 6 million tpa. One LNG berth with 0.266 million cubic meters will be modified and four 0.22 million cubic meters storage tanks will be newly built. The project started in November 2021. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested was RMB6.7 billion.

**(3) Maoming Refining Transition and Upgrading and Ethylene Quality Revamping Project**

The project mainly consists of building 3 million tpa catalytic cracking united plant, 1 million tpa ethylene unit, supporting utilities and auxiliary facilities, etc. The project started in June 2023. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested was RMB13.5 billion.

**(4) Qilu Refining of Local Crude Oil Upgrading and Technical Transformation Project**

The project mainly consists of building 10 million tpa crude oil distillation unit, renovating 1 million tpa ethylene unit, construction of supporting utilities and auxiliary facilities, etc. The project started in December 2024. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested was RMB0.7 billion.

**(5) Jiujiang 1.5 million tpa Aromatic and Supporting Refinery Renovation Project**

The project mainly consists of building 1.5 million tpa aromatic united plant, 2.6 million tpa hydrocracking unit, 2.6 million tpa continuous catalytic reforming unit, supporting utilities and auxiliary facilities, etc. The project started in July 2024. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested was RMB4.1 billion.

**(6) Zhenhai 1.5 million tpa Ethylene and Downstream High-End New Material Industry Cluster Project**

The project mainly consists of building 1.5 million tpa ethylene units, downstream processing units, supporting utilities and auxiliary facilities, etc. The project started in November 2023. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested was RMB4.6 billion.

**(7) Henan 1 million tpa Ethylene Project**

The project mainly consists of building 1 million tpa ethylene units, downstream processing units, supporting utilities and auxiliary facilities, etc. The project started in May 2023. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested was RMB2.7 billion.

**(8) Phase II Project of Fujian Gulei Refining and Petrochemical Integration Project**

The project mainly consists of building 16 million tpa refining plant, 2 million tpa aromatic united plant, 1.5 million tpa ethylene cracking unit and downstream derivative unit and supporting utilities including 300,000-ton crude oil terminal. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested in equity was RMB1.08 billion.

**(9) Kazakhstan Natural Gas Chemical Project**

The project uses ethane separated from the Tengiz Field in Kazakhstan as feedstock. It mainly consists of one 1.3 million tpa ethane cracker unit, two 625,000 tpa polyethylene plants, as well as supporting utility facilities. The project started in September 2024. The project investment consists of the self-owned fund and bank loan. As of 31 December 2025, the aggregate amount invested in equity was RMB2.818 billion.

## 2 ACTUAL DAILY RELATED TRANSACTIONS ENTERED INTO BY THE COMPANY AND CHINA OIL & GAS PIPELINE NETWORK CORPORATION DURING THE REPORTING PERIOD

On 17 January 2025, the Board of Sinopec Corp. considered and approved the daily related transaction cap in relation to refined oil pipeline transportation services between Sinopec Marketing Company Limited and China Oil & Gas Pipeline Network Corporation for the period from 1 January 2025 to 31 December 2025. For details, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, and on the website of SSE on 18 January 2025 and on the website of Hong Kong Stock Exchange on 17 January 2025.

The actual amount of the daily related transactions of Sinopec Marketing Company Limited and China Oil & Gas Pipeline Network Corporation regarding refined oil pipeline transportation services from 1 January 2025 to 31 December 2025 was RMB5.145 billion.

## 3 CAPITAL INCREASE IN SINOPEC CAPITAL

On 28 April 2025, Sinopec Corp., Sinopec Group and Sinopec Capital Co., Ltd. (Sinopec Capital) entered into the Capital Increase Agreement. The capital increase in Sinopec Capital will be contributed by Sinopec Corp. and Sinopec Group with an aggregate amount of RMB1.99 billion, of which, Sinopec Corp. will contribute RMB0.9751 billion in cash, and Sinopec Group will contribute RMB1.0149 billion in cash. The registered capital of Sinopec Capital will be increased from RMB10 billion to RMB11.99 billion. Upon completion of the Capital Increase, the respective equity interests held by Sinopec Corp. and Sinopec Group in Sinopec Capital remained unchanged, being 49% and 51%.

By increasing the registered capital of Sinopec Capital on a pro-rata basis, Sinopec Corp. will further indirectly enhance its layout in the fields such as new energy, new materials and high-end intelligent manufacturing, supporting the transition and upgrading of Sinopec Corp.'s industrial chain.

Sinopec Group is the controlling shareholder of Sinopec Corp. and constitutes a connected

person of Sinopec Corp. As certain applicable percentage ratio of the Capital Increase is more than 0.1% but less than 5%, thus, the Capital Increase is subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details and definitions, please refer to the announcement on China Securities Journal, Shanghai Securities News, Securities Times and the website of SSE on 29 April 2025, and on the website of Hong Kong Stock Exchange on 28 April 2025.

## 4 THE ISSUANCE OF A SHARES BY SINOPEC CORP. TO THE TARGET SUBSCRIBER

In 2024, Sinopec Corp. completed the issuance of 2,390,438,247 A shares to China Petrochemical Corporation (Issuance). For details, please refer to announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times and the website of the SSE on 16 March 2024 and 20 March 2024 and the circular and announcement published on the website of Hong Kong Stock Exchange on 13 April 2023 and 19 March 2024, respectively. The use of the proceeds from the Issuance is as follows:

### (1) Use of the proceeds

Unit: RMB million

Source of proceeds	Receiving time of proceeds	Total amount of proceeds	Net amount of proceeds after deducting issuance fees	Proposed amount of proceeds to be invested in the offering circular	Amount of remaining proceeds at the end of the reporting period	Accumulated amount of used proceeds at the end of the reporting period	% of accumulated amount of used proceeds at the end of the reporting period	Amount used in the reporting period	% of amount used in the reporting period	Accumulated amount of proceeds with changed purposes
The issuance of shares to the target subscriber	12 March 2024	12,000	11,987	11,987	10,120	3,584	30	1,717	14	-

Note: There were no excess-raised funds involved in the Issuance.

**(2) Detail of investment projects  
Detailed use of the proceeds**

Unit: RMB million

Source of proceeds	Name of projects	Nature of projects	Whether the projects be mentioned in the prospectus or not	Whether the project be changed or not	Proposed amount of proceeds to be invested	Amount of used proceeds during the reporting period	Accumulated amount of used proceeds at the end of the reporting period	Amount of remaining proceeds at the end of the reporting period	% of accumulated amount of used proceeds at the end of the reporting period	Year of projects reaching expected conditions for use	Whether the project be finished or not	Whether the progress of investment is in line with the proposed schedule or not	Whether the feasibility of the project has significantly changed or not.	Profits realized during the reporting period	Profits achieved or R&D achievements of the projects	Balance
The issuance of shares to the target subscriber	First Stage of Phase III of Tianjin LNG Project	Construction and production	Yes	No	4,500	92	370	4,130	8	2027	No	No	*	-	-	-
The issuance of shares to the target subscriber	Yanshan Branch Hydrogen Purification Facilities Improvement Project1	Construction and production	Yes	No	187	40	156	31	83	2024	Yes	Yes	No	2	2	22
The issuance of shares to the target subscriber	Maoming Branch Oil Refining Transition and Upgrading and Ethylene Quality Revamping Project	Construction and production	Yes	No	4,800	1,269	1,450	3,350	30	2027	No	Yes	No	-	-	-
The issuance of shares to the target subscriber	Maoming Branch 50,000 tpa Polyolefin Elastomer (POE) Industrial Test Unit Project	Construction and production	Yes	No	900	53	849	51	94	2025	No	Yes	No	6	6	-
The issuance of shares to the target subscriber	ZhongKe (Guangdong) Refinery & Petrochemical Company Limited No. 2 EVA Project	Construction and production	Yes	No	1,600	263	759	841	47	2026	No	Yes	*	-	-	-
<b>Total</b>	-	-	-	-	11,987	1,717	3,584	8,403	30	-	-	-	-	-	-	-

\*: For details, please refer to the Special Report on the Deposit and Actual Use of Proceeds from Fund Raising for 2025 of China Petroleum & Chemical Corporation, disclosed by Sinopec Corp. on the website of the Shanghai Stock Exchange on March 20, 2026.

**(3) In the reporting period, there were no changes or terminations of investment projects.**

**(4) Pre-investment of investment projects and replacement of self-raised funds**

On 28 April 2024, the 22nd meeting of the eighth session of the Board considered and approved Proposal on Replacing Pre-invested Self-raised Funds with Proceeds, approving the Company to use the proceeds of RMB1,215,422,591.73 to replace the pre-invested self-raised funds. For details, please refer to announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times and the website of the SSE on 29 April 2024 and 26 August 2024, respectively.

**(5) Other situations regarding the use of proceeds**

The Company convened the 9th meeting of the 9th Board of Directors on 29 October 2025, which considered and approved the Proposal on the Temporary Use of Part of the Raised Funds to Supplement Working Capital. The Company agreed to use raised funds of no more than RMB6 billion (inclusive) for the temporary supplement of working capital. Such funds shall only be used for production and operation related to the principal business, with a term of no more than 12 months (inclusive) from the date of approval by the Board of Directors. For details, please refer to the relevant announcement disclosed by the Company on the website of the Shanghai Stock Exchange on October 30, 2025.

Other than the above, during the reporting period, the Company did not use idle proceeds to carry out cash management or invest in related products.

**(6) Conclusive opinions of intermediary agency on the special verification and authentication of the storage and use of proceeds**

In the opinion of KPMG Huazhen LLP, the accounting firm, the Company's Special Report on the Deposit and Utilization of Raised Funds for the year 2025 was prepared, in all material respects, in accordance with the requirements of Rules on the Supervision of Raised Funds of Listed Companies (Announcement [2025] No. 10 of the China Securities Regulatory Commission) and the "Self-regulatory Guidelines for Listed Companies on the SSE No. 1 – Standardized Operation" issued by the SSE, as well as relevant format guidelines. It also faithfully reflected the deposit and utilization of raised funds for the year 2025 in all material respects.

In the opinion of GF Securities Co., Ltd., the sponsor, the Company's deposit and utilization of raised funds for the year 2025 complied with the requirements of Rules on the Supervision of Raised Funds of Listed Companies (Announcement [2025] No. 10 of the China Securities Regulatory Commission) and the "Self-regulatory Guidelines for Listed Companies on the SSE No. 1 – Standardized Operation" issued by the SSE, as well as relevant laws, regulations, and normative documents. The Company deposited the proceeds in dedicated accounts and used them for approved projects, without any change in the usage or prejudice to the shareholders' interests, nor any illegal use of proceeds.

## **5 IMPLEMENTATION OF THE COMPANY'S CORPORATE VALUE AND RETURN ENHANCEMENT ACTION PLAN**

To further promote the corporate value, enhance value recognition, and improve investor returns, the Company actively responded to the SSE Initiative on Carrying Out the Corporate Value and Return enhancement Action Plan for Shanghai-listed Companies and formulated Corporate Value and Return Enhancement Action Plan for 2024 and Dividend Distribution and Return Plan for Shareholders for the Next Three Years (2024-2026). For details, please refer to announcement published by Sinopec Corp. on the website of the SSE on 26 August 2024.

In 2025, Sinopec Corp. maintained the continuity and stability of dividend and continued to implement share repurchases. The Company formulated cash dividend plan in accordance with the Articles of Association and the Dividend Distribution and Return Plan for Shareholders for the Next Three Years (2024-2026), emphasizing on investor return and sharing development achievements with shareholders.

## **6 ESTABLISHMENT OF A JOINT VENTURE BY THE COMPANY, FPCL AND AAS**

On 28 April 2025, Sinopec Corp., Fujian Petrochemical Company Limited (FPCL) and Aramco Asia Singapore Pte. Ltd. (AAS) entered into the Joint Venture Agreement. Pursuant to the Joint Venture Agreement, Sinopec Corp., FPCL and AAS will jointly establish the Joint Venture through capital contribution. The registered capital of the Joint Venture is RMB28,800,906,667, of which, the Company and FPCL shall each contribute RMB7,200,226,667 and RMB14,400,453,334 in cash, accounting

for 25% and 50% of the registered capital of the Joint Venture, respectively; AAS shall contribute RMB7,200,226,667 in cash, accounting for 25% of the registered capital of the Joint Venture. The financial support provided by Sinopec Corp. to the FPCL, in accordance with its shareholding of 50% in FPCL, covering FPCL's capital contribution obligations, possible cost overrun liabilities, option interest purchase obligations and other liabilities under the Joint Venture Agreement. In addition to the establishment of the Joint Venture, Sinopec Corp. and FPCL are granted a call option to acquire the equity interest held by AAS in the Joint Venture, and AAS is granted a put option to sell its equity interest in the Joint Venture under the Joint Venture Agreement. For details and definition, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, and on the website of SSE on 29 April 2025 and on the website of Hong Kong Stock Exchange on 28 April 2025, respectively.

## 7 PERFORMANCE OF THE UNDERTAKINGS BY RELEVANT ENTITIES

Background	Type of undertaking	Party	Contents	Date of undertaking	Whether bears deadline or not	Term for performance	Whether strictly performed or not
Undertakings related to Initial Public Offerings (IPOs)	IPOs	China Petrochemical Corporation	<ol style="list-style-type: none"> <li>Compliance with the connected transaction agreements;</li> <li>Solving the issues regarding the legality of land-use rights certificates and property ownership rights certificates within a specified period of time;</li> <li>Implementation of the Reorganisation Agreement (please refer to the definition of Reorganisation Agreement in the H share prospectus of Sinopec Corp.);</li> <li>Granting licenses for intellectual property rights;</li> <li>Avoiding competition within the same industry;</li> <li>Abandonment of business competition and conflicts of interest with Sinopec Corp.</li> </ol>	22 June 2001	No	–	Yes
Other undertakings	Other	China Petrochemical Corporation	Given that China Petrochemical Corporation engages in the same or similar businesses as Sinopec Corp. with regard to the exploration and production of overseas petroleum and natural gas, China Petrochemical Corporation hereby grants a 10-year option to Sinopec Corp. with the provision, that in relation to the overseas oil and gas assets acquired by China Petrochemical Corporation after the issuance of the undertaking, within 10 years of the completion of such acquisition, after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell these assets to Sinopec Corp. China Petrochemical Corporation undertakes to transfer the assets as required by Sinopec Corp., provided that the exercise of such option complies with applicable laws and regulations, contractual obligations and other procedural requirements.	28 April 2014	Yes	Within 10 years after the date when China Petrochemical Corporation acquires the assets	Yes
Undertaking related to refinancing	Restricted sale of shares	China Petrochemical Corporation	China Petrochemical Corporation undertook not to transfer its subscribed A-shares within 36 months from the completion of the Issuance.	March 2023	Yes	36 months from the completion of the Issuance	Yes

As of the date of this report, Sinopec Corp. had no undertakings in respect of financial performance, asset injections or asset restructuring that had not been fulfilled, nor did Sinopec Corp. make any profit forecast in relation to any asset or project.

## 8 SIGNIFICANT EQUITY INVESTMENT

In the reporting period, no significant equity investment carried out by the Company.

## 9 SIGNIFICANT SALE OF ASSETS OR EQUITY

In the reporting period, no significant sale of assets or equity carried out by the Company.

## 10 MATERIAL GUARANTEE CONTRACTS AND THEIR PERFORMANCE

Unit: RMB million

External guarantees (excluding guarantees for controlled subsidiaries)													
Guarantor	Relationship with the Company	Name of guaranteed company	Amount <sup>1</sup>	Transaction date (date of signing)	Period of guarantee	Type	Principal debt condition	Guaranty	Whether completed or not	Whether overdue or not	Amount of overdue guarantee	Counter-guaranteed	Whether guaranteed for connected parties (yes or no) <sup>2</sup>
Sinopec Corp.	The listed company itself	Zhong An United Coal Chemical Co., Ltd.	3,522	April 2018	April 2018-December 2031	Joint and several liability guarantee	Normal performance	None	No	No	None	No	No
Sinopec Corp.	The listed company itself	Kazakhstan Natural Gas Chemical Project Company	1,901	June 2025	June 2025-April 2027	Joint and several liability guarantee	Normal performance	None	No	No	None	No	No
Total amount of guarantees provided during the reporting period <sup>3</sup>													1,901
Total amount of guarantees outstanding at the end of reporting period <sup>3</sup> (A)													5,423
<b>Guarantees by the Company to the controlled subsidiaries</b>													
Total amount of guarantee provided to controlled subsidiaries during the reporting period													-
Total amount of guarantee for controlled subsidiaries outstanding at the end of the reporting period (B)													3,514
<b>Total amount of guarantees by the Company (including those provided to controlled subsidiaries)</b>													
Total amount of guarantees (A+B)													8,937
The proportion of the total amount of guarantees to the Sinopec Corp.'s net assets (%)													1.1
Among which:													
Guarantees provided for shareholders, de facto controller and its related parties (C)													-
Amount of debt guarantees provided directly or indirectly to the companies with liabilities to assets ratio over 70% (D)													3,522
The amount of guarantees in excess of 50% of the net assets (E)													-
Total amount of the above three guarantee items (C+D+E)													3,522
Statement of guarantee undue that might be involved in any joint and several liabilities													None
<b>Statement of guarantee status</b>													None

\*1: Guarantee amount refers to the actual amount of guarantee liability that the Company may undertake during the reporting period within the approved guarantee limit.

\*2: As defined in the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

\*3: The amount of guarantees provided during the reporting period and the outstanding balance of guarantees amount at the end of the reporting period include the guarantees provided by the controlled subsidiaries to external parties. The amount of the guarantees provided by these subsidiaries is derived from multiplying the guarantees provided by Sinopec Corp.'s subsidiaries by the percentage of shareholding of Sinopec Corp. in such subsidiaries.

**11 SIGNIFICANT LITIGATION AND ARBITRATION**

No significant litigation or arbitration relating to the Company occurred during the reporting period.

**12 INSOLVENCY AND RESTRUCTURING**

During the reporting period, the Company was not involved in any insolvency or restructuring matters.

**13 OTHER MATERIAL CONTRACTS**

The Company did not enter into any material contracts subject to disclosure obligations during the reporting period.

**14 CREDIBILITY FOR THE COMPANY, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER**

During the reporting period, the Company and its controlling shareholder did not fail to perform any effective judgments of the courts or fail to repay any substantial amount of debt due.

**15 TRUSTEESHIP, CONTRACTING AND LEASES**

During the reporting period, the Company was not involved in any events relating to significant trusteeship, contracting or leases for the assets of any other company, nor has it placed its assets with any other company under a trust, contracting or lease agreement subject to disclosure obligations.

**16 ENTRUSTED FINANCING AND LOAN****(1) ENTRUSTED FINANCING**

During the reporting period, the Company was not involved in any entrusted financing subject to disclosure obligations.

**(2) ENTRUSTED LOAN**

During the reporting period, the Company was not involved in any entrusted loan subject to disclosure obligations.

**(3) OTHER LOAN**

Unit: RMB million

Type	Fund sources	Transaction amount	Undue amount	Overdue
Project construction loan	Self-owned fund	122	3,092	–

**(4) OTHER INVESTMENT AND FINANCING**

During the reporting period, the Company was not involved in other investment or financing subject to disclosure obligations.

**17 BUSINESS WITH SINOPEC FINANCE CO. AND CENTURY BRIGHT****(1) DEPOSIT BUSINESS**

Unit: RMB million

Related party	Related party relationship	Daily Cap	Interest rate range	Transaction amount				
				Balance at beginning	Total deposit	Total withdrawn	Net changes in demand deposits	Balance in the end
Sinopec Finance Co.	China Petrochemical Corporation 51%; Sinopec Corp. 49%	RMB90.0 billion by Sinopec Finance Co. and Century	Current: 0.25%-0.70%; Time deposit: 0.60%-1.60%	7,722	17,738	17,352	(1,134)	6,974
Century Bright	China Petrochemical Corporation 100%	Bright	Current: 0%-4.10% Time deposit: 0.15%-5.50%	58,711	658,064	649,050	(128)	67,597

Note: Generally, the deposit interest rate at Sinopec Finance Co. and Century Bright is no lower than that of the same type of deposits for the same period from major commercial banks.

**(2) LOAN BUSINESS**

Unit: RMB million

Related party	Related party relationship	Loan Cap	Interest rate range	Transaction amount			Balance in the end
				Balance at beginning	Total loan	Total repayment	
Century Bright	China Petrochemical Corporation 100%	104,863	1.67%-5.42%	2,669	215,534	216,455	1,748
Sinopec Finance Co.	China Petrochemical Corporation 51%; Sinopec Corp. 49%	53,776	2.10%-4.20%	25,309	21,310	16,330	30,289

Note: Generally, the loan interest rate at Sinopec Finance Co. and Century Bright is no higher than that of the same type of loan for the same period from major commercial banks.

### (3) CREDIT BUSINESS OR OTHER FINANCE BUSINESS

Unit: RMB million

Related party	Related party relationship	Business nature	Balance in the end	Transaction amount
Sinopec Finance Co.	China Petrochemical Corporation 51%; Sinopec Corp. 49%	Issued the acceptance bills	17,364	39,456
		Discounted bills	–	8,735

Note: The transaction amount includes the newly issued bills and discounts in the year.

In order to regulate connected transactions between the Company and Sinopec Finance Co. (Sinopec Corp.'s domestic settlement center) and to ensure the safety and liquidity of the deposits of the Company at Sinopec Finance Co., Sinopec Corp. and the Finance Company formulated the Risk Control System on Connected Transactions between China Petroleum & Chemical Corporation and Sinopec Finance Co., Ltd., which covers the risk control system and the risk management plan of the Company to prevent financial risks, ensuring the Company's discretion to use and control its deposits with Sinopec Finance Co.. At the same time, as the controlling shareholder of Sinopec Finance Co., China Petrochemical Corporation undertook that in case of an emergency when Sinopec Finance Co. has difficulty in making payments, China Petrochemical Corporation would increase the capital of Sinopec Finance Co. to meet the payment needs.

In order to regulate connected transactions between the Company and Century Bright (Sinopec Corp.'s overseas settlement center), Century Bright ensures the safety of the deposits of the Company at Century Bright by strengthening internal risk controls and obtaining support from China Petrochemical Corporation. China Petrochemical Corporation has formulated a number of internal rules, including the Rules for the Internal Control System, the Rules for Implementation of Overseas Capital Management Methods, and the Provisional Methods for Overseas Fund Platform Management, to impose strict restrictions on Century Bright regarding the provision of overseas financial services. Century Bright has also established the Rules for the Implementation of the Internal Control System, which ensures the standardisation and safety of its corporate deposits business. At the same time, as the wholly controlling shareholder of Century Bright, China Petrochemical Corporation entered into a

keep-well agreement with Century Bright in 2013, in which China Petrochemical Corporation undertakes that when Century Bright has difficulty in making payments, China Petrochemical Corporation will ensure that Century Bright will fulfill its repayment obligation through various channels.

Sinopec Corp. has formulated the Risk Disposal Plan of China Petroleum & Chemical Corporation for Conducting Financial Business with Sinopec Finance Co. and Century Bright and agreed on the corresponding risk control measures to ensure the safety of the Company's funds in Sinopec Finance Co. and Century Bright to effectively prevent, timely control and resolve financial business risks. At the same time, Sinopec Finance Co. and Century Bright undertake that the deposits obtained from Sinopec Corp. will be primarily used for the Company's capital needs and ensure the safety of the deposits. In the event that Sinopec Corp. has a need for funds in excess of those deposited with Sinopec Finance Co. and/or Century Bright, Sinopec Finance Co. and/or Century Bright will use their best endeavours to satisfy the aforesaid needs of the Company in accordance with the relevant provisions under the financial services agreement.

The deposits of the Company at Sinopec Finance Co. and Century Bright during the reporting period are in strict compliance with the relevant caps as approved at the general meeting of Sinopec Corp. During daily operations, the Company can withdraw the full amount of its deposits at the Sinopec Finance Co. and Century Bright.

**18 APPROPRIATION OF NON-OPERATIONAL FUNDS BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES AND THE PROGRESS FOR CLEARING UP**  
Not applicable

**19 STRUCTURED ENTITY CONTROLLED BY THE COMPANY**  
None

### 20 MAJOR INFLUENCES ON THE INDUSTRY FROM NEWLY-ENFORCED LAWS, ADMINISTRATIVE RULES, REGULATIONS AND INDUSTRY POLICIES

On 27 January 2025, the General Office of the State Council issued and implemented the Opinions on Promoting High-Quality Development of Refined Oil Product Circulation (Opinions). Through measures such as building a full-chain digital supervision system, implementing credit-based hierarchical management, and cracking down on illegal operations, the Opinions drive the industry to shift from scale expansion to quality priority, accelerate the green and low-carbon transition, and provide institutional support for safeguarding energy security and regulating market order. On 28 October 2025, the Standing Committee of the National People's Congress promulgated and put into effect the Environmental Protection Tax Law of the People's Republic of China (2025 Amendment). The core of this amendment is to bring all Volatile Organic Compounds (VOCs) into the scope of environmental protection tax collection, marking a comprehensive upgrade of China's green taxation system.

In addition, relevant government authorities have issued a series of important policies and regulations concerning emergency response management for unexpected incidents, transportation of dangerous goods, work safety, construction and operation of oil and gas infrastructure, and data security in the energy sector. These documents emphasize the need to continuously strengthen compliance management in improving emergency response systems, enhancing safety management for road transportation of dangerous goods, establishing a rigorous accountability mechanism for work safety, upgrading planning, construction and operation of oil and gas infrastructure, and strengthening data security protection in the energy industry. At the same time, efforts will be focused on enhancing national emergency response capabilities and energy security safeguards, maintaining market order and public interests, and promoting high-quality development of relevant industries.

## 1 AGREEMENTS ON CONTINUING CONNECTED TRANSACTIONS BETWEEN SINOPEC CORP. AND SINOPEC GROUP

Prior to Sinopec Corp.'s overseas listing, in order to ensure the smooth continuation of production and business conducted by the Company and Sinopec Group, the two parties entered into the agreements on continuing connected transactions.

On 23 August 2024, Sinopec Corp. entered into the seventh supplemental agreement on continuing connected transactions with its controlling shareholder, China Petrochemical Corporation, and the Financial Services Agreement with the Sinopec Finance Co. and Century Bright. The resolution in relation to the continuing connected transactions for the three years from 2025 to 2027 and the resolution in relation to the Financial Services Agreement signed with Sinopec Finance Co. and Century Bright were approved at the extraordinary general meeting of Sinopec Corp. held on 22 October 2024. For details of agreements on the above continuing connected transactions, please refer to relevant announcements and circular of Sinopec Corp. published on 26 August 2024 in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE and on 25 August 2024, 1 September 2024 and 22 October 2024 on the website of the Hong Kong Stock Exchange. The capitalised terms used in this paragraph shall have the same meaning as that used in the above-mentioned announcements.

## 2 COMPLIANCE OF DISCLOSURE AND APPROVALS OF CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND SINOPEC GROUP WITH THE HONG KONG LISTING RULES AND THE SHANGHAI LISTING RULES

Pursuant to the Hong Kong Listing Rules and the Shanghai Listing Rules, the continuing connected transactions between the Company and Sinopec Group are subject to disclosure, independent directors committee meeting's approval and/or independent shareholders' approval (if needed) based on the nature and the value of the transactions. Sinopec Corp. has fully complied with the above requirements of the rules in relation to the continuing connected transactions between the Company and Sinopec Group.

The aggregated amount of the continuing connected transactions for 2025 of the Company is in compliance with the relevant requirements of the Hong Kong Listing Rules and the Shanghai Listing Rules. For actual performance details of continuing connected transaction agreements, please refer to section 3.

## 3 ACTUAL PERFORMANCE OF CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY DURING THE YEAR

In the reporting period, actual purchase expenses of the continuing connected transactions of the Company were RMB275.832 billion, representing 9.69% of the total amount of this type of transactions for the reporting period, including purchases

of products and services (procurement, storage, transportation, exploration and development services, and production-related services) of RMB262.502 billion, payment of property rent of RMB1.184 billion (annual value of right-of-use assets for property leasing of RMB3.263 billion), payment of land rent of RMB11.171 billion (annual value of right-of-use assets for lands leasing of RMB30.797 billion), and interest expenses of RMB0.975 billion. The sales income of the continuing connected transactions of the Company during the reporting period was RMB167.351 billion, representing 5.81% of the total amount of this type of transactions for the reporting period, including sales of products of RMB164.433 billion, agency commission income of RMB95 million, and interest income of RMB2.823 billion. In addition, entrusted loan provided by the Company to the Connected Subsidiaries was RMB1 million. For definitions, please refer to relevant announcements and circular published on 26 August 2024 in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE, and the website of the Hong Kong Stock Exchange on 25 August 2024 and 1 September 2024.

The amounts of the above continuing connected transactions between the Company and Sinopec Group did not exceed the relevant caps for the continuing connected transactions as approved by the general meeting and the Board.

The pricing principles for the continuing connected transactions are as follows:

- (a) the government-prescribed price;
- (b) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance price will apply;
- (c) where there is neither a government-prescribed price nor a government-guidance price, the market price will apply; or
- (d) where none of the above is applicable, the price for the provision of the products or services is to be agreed between the relevant parties, which shall be the reasonable cost incurred in providing the same plus 6% or less of such cost.

Sinopec Corp. confirmed that the prices and terms of continuing connected transactions in the reporting period complied with their pricing principles. For details of the pricing principle, please refer to relevant announcements published on 26 August 2024 in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE and on 25 August 2024 on the website of the Hong Kong Stock Exchange.

Decision-making procedures: The continuing connected transaction agreements were entered into in the ordinary course of the Company's business and in accordance with normal commercial terms and principles that are fair and reasonable to the Company and its shareholders. The Company, according to its internal control procedures, adjusts the scope and the relevant caps of continuing connected transactions

every three years, and will announce and implement upon the approval of the Board and/or independent shareholders. For the other non-continuing connected transactions, Sinopec Corp., in strict compliance with domestic and overseas regulatory rules, will publish the announcement and implement the transactions only after submitting the relevant proposals of connected transactions to the Board and/or the general meeting for consideration and approval according to internal control procedures.

Related party transactions between the Company and Sinopec Group that occurred during the year, as set out in Note 39 to the financial statements prepared under the IFRS Accounting Standards in this annual report, also fall under the definition of connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The above-mentioned connected transactions between the Company and Sinopec Group were approved at the 2nd meeting of the ninth session of the Board and have complied with the requirements under Chapter 14A of the Hong Kong Listing Rules.

The external auditor of Sinopec Corp. was engaged to report on the Company's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000, Assurance Engagement other than Audits or Reviews of Historical Financial Information, and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules, issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules.

After reviewing the above-mentioned connected transactions, the independent directors committee meeting of Sinopec Corp. has confirmed the following:

- (a) the transactions have been conducted in the ordinary course of the Company's business;
- (b) the transactions have been entered into based on either of the following terms:
  - i normal commercial terms; or
  - ii terms not less favorable than those available from or to independent third parties, where there is no available comparison to determine whether such terms are on normal commercial terms; and
- (c) the transactions were conducted pursuant to the terms of relevant agreements, and the terms were fair and reasonable and in the interests of Sinopec Corp. and its shareholders as a whole.

#### 4 OTHER SIGNIFICANT CONNECTED TRANSACTIONS OCCURRED THIS YEAR

For details, please refer to section 2 "Actual Daily Related Transactions Entered into by the Company and China Oil & Gas Pipeline Network Corporation During the Reporting Period" and section 3 "Capital Increase in Sinopec Capital" in the Chapter "Significant Events".

#### 5 FUNDS PROVIDED BETWEEN RELATED PARTIES

Unit: RMB million

Related Parties	Relations	Funds to related parties			Funds from related parties		
		Balance at the beginning of the year	Amount incurred	Balance at the end of the year	Balance at the beginning of the year	Amount incurred	Balance at the end of the year
Sinopec Group	Parent company and affiliated companies*	14,660	5,456	20,116	21,089	3,383	24,472
Other related parties	Associates and joint ventures	3,936	354	4,290	5,819	3,042	8,861
<b>Total</b>		<b>18,596</b>	<b>5,810</b>	<b>24,406</b>	<b>26,908</b>	<b>6,425</b>	<b>33,333</b>
Reason for provision of funds between related parties				Loans and other accounts receivable and payable			
Impacts on the Company				No material negative impact			

\*: affiliated companies include subsidiaries, associates and joint ventures.

The Board is pleased to present the report of the Board of Directors for the year ended 31 December 2025 for the shareholders' review.

### 1 IMPLEMENTATION OF RESOLUTIONS APPROVED AT THE GENERAL MEETINGS BY THE BOARD

During this reporting period, in accordance with relevant laws and regulations as well as the Articles of Association, all members of the Board diligently implemented the resolutions approved at the general meetings of Sinopec Corp., and completed all the tasks delegated to them at the general meetings.

### 2 DIRECTORS' ATTENDANCE TO THE BOARD MEETINGS AND TO THE GENERAL MEETINGS DURING THE REPORTING PERIOD

#### (1) Attendance to the Board meetings and general meetings during the reporting period by the Directors of the ninth session of the Board

Director titles	Name	No. of meetings due to attend	On-site attendance	Board meetings			General meetings	
				Meetings attended through electronic means of communication	Meetings attended by proxy	Absent	No. of meetings due to attend	Actual attendance
Chairman	Hou Qijun	2	1	1	0	0	1	1
Director	Zhao Dong	6	2	4	0	0	5	4
Director	Zhong Ren	6	1	4	1	0	5	3
Director	Lv Liangong	6	2	4	0	0	5	4
Director	Niu Shuanwen	6	2	4	0	0	5	1
Director	Wan Tao	6	2	4	0	0	5	3
Director	Cai Yong	2	1	1	0	0	1	1
Independent Director	Xu Lin	6	2	4	0	0	5	3
Independent Director	Zhang Liying	6	2	4	0	0	5	3
Independent Director	Liu Tsz Bun Bennett	6	2	4	0	0	5	1
Independent Director	Zhang Xiliang	6	2	4	0	0	5	0
Independent Director	Li Wei	0	0	0	0	0	0	0

#### (2) Attendance to the Board meetings and general meetings during the reporting period by the former Directors of the ninth session of the Board

Director titles	Name	No. of meetings due to attend	On-site attendance	Board meetings			General meetings	
				Meetings attended through electronic means of communication	Meetings attended by proxy	Absent	No. of meetings due to attend	Actual attendance
Former Chairman	Ma Yongsheng	3	1	2	0	0	3	3
Former Director	Yu Baocai	3	1	2	0	0	0	0
Former Director	Li Yonglin	6	2	4	0	0	5	4

Note: No Directors were absent from two consecutive meetings of the Board.

### 3 THE BOARD COMMITTEES MEETINGS AND THE SPECIAL MEETING OF INDEPENDENT DIRECTORS

During the reporting period, the Board committees held eleven (11) meetings, among which the Strategy Committee held one (1) meeting, the Audit Committee held five (5) meetings, the Sustainable Development Committee held two (2) meetings, the Remuneration and Appraisal Committee held one (1) meeting, and the Nomination Committee held two (2) meetings. All members of each committee had attended the relevant meetings. The Company held two (2) Special Meetings of Independent Directors. All independent Directors attended the meetings. Details of those meetings are as follows:

- (1) The 4th meeting of the ninth session of the Audit Committee was held by on-site meeting on 14 January 2025, whereby the proposal in relation to the Internal Control Manual (2025) was approved.
- (2) The 2nd meeting of the Special Meeting of Independent Directors of the ninth session of the Board was held by on-site meeting on 14 January 2025, whereby the proposal in relation to the daily related transactions between Sinopec Corp. and China Oil & Gas Pipeline Network Corporation for the year 2025 was approved.
- (3) The 1st meeting of the ninth session of the Strategy Committee was held through electronic means of communication on 19 March 2025, whereby the proposal in relation to the investment plan of 2025 was approved.
- (4) The 5th meeting of the ninth session of the Audit Committee was held by on-site meeting on 19 March 2025, whereby the proposals in relation to the following matters were approved: (i) Notes on financial results, business performance and related matters of the Company for the year 2024; (ii) Financial Statements of Sinopec Corp. for the year 2024; (iii) Annual Report of the Company for the year 2024; (iv) Continuous Risk Assessment Report of Connected Transactions for the year 2024 between Sinopec Corp. and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited; (v) Report on the Implementation of Currency Derivatives Business for the year 2024 and the Work Plan for the year 2025; (vi) Report on the Implementation of Commodity Derivatives Business for the year 2024 and the Work Plan for the year 2025;
- (vii) Assessment Report on KPMG's Performance in 2024 by the Company; (viii) Internal Control Evaluation Report of Sinopec Corp. for the year 2024; (ix) Report on the Main Audit Work in 2024 and the Overall Arrangement of Audit Work in 2025; (x) Assessment Report on KPMG's Performance in 2024 by the Audit Committee; (xi) 2024 Annual Performance Report of the Audit Committee.
- (5) The 1st meeting of the ninth session of the Remuneration and Appraisal Committee was held through electronic means of communication on 19 March 2025, whereby the proposal in relation to the implementation of the rules of the remuneration of Directors, supervisors and senior management for 2024 was approved.
- (6) The 2nd meeting of the ninth session of the Sustainable Development Committee was held through electronic means of communication on 19 March 2025, whereby the proposals in relation to the following matters were approved: (i) Report of the Sustainable Development of Sinopec Corp. for the year 2024; (ii) Report on the Completion of HSE Work for the year 2024 and the Work Arrangements for the year 2025; (iii) Report on the Anti-corruption and Compliance Work of Sinopec Corp. for the year 2024 and the Work Plan for the year 2025.
- (7) The 3rd meeting of the Special Meeting of Independent Directors of the ninth session of the Board was held by on-site meeting and video conference on 23 April 2025, whereby the proposal in relation to the Capital Increase in Sinopec Capital Co., Ltd. was approved.
- (8) The 6th meeting of the ninth session of the Audit Committee was held through electronic means of communication on 28 April 2025, whereby the proposals in relation to the following matters were approved: (i) First Quarterly Report for 2025; (ii) Report on the Implementation of the Internal Audit Plan in the first quarter of 2025.
- (9) The 2nd meeting of the ninth session of the Nomination Committee was held through electronic means of communication on 6 July 2025, whereby the proposal in relation to the Nomination of Non-executive Directors of Sinopec Corp. was approved.
- (10) The 7th meeting of the ninth session of the Audit Committee was held by on-site meeting on 20 August 2025, whereby the proposals in relation to the following matters were approved: (i) Notes on Financial Results, Business Performance and related matters for the first half of the year 2025; (ii) Special Report on the Deposit and Utilization of Raised Funds for the first half of the year 2025; (iii) Continuous Risk Assessment Report of Connected Transactions between Sinopec Corp. and Sinopec Finance Co., Ltd. and Sinopec Century Bright Capital Investment Limited for the first half of the year 2025; (iv) Financial Statements for the first half of the year 2025; (v) Interim Report for 2025; (vi) Report on the Main Audit Work for the first half of 2025 and the Major Arrangement of Audit Work for the second half of 2025.
- (11) The 3rd meeting of the ninth session of the Sustainable Development Committee was held through electronic means of communication on 20 August 2025, whereby the proposal in relation to the Report on the Completion of HSE Work for the first half of 2025 and the Major Work Arrangements for the second half of 2025 was approved.
- (12) The 8th meeting of the ninth session of the Audit Committee was held through electronic means of communication on 29 October 2025, whereby the proposals in relation to the following matters were approved: (i) Third Quarterly Report for 2025; (ii) Report on the Implementation of the Internal Audit Plan in the third quarter of 2025.
- (13) The 3rd meeting of the ninth session of the Nomination Committee was held through electronic means of communication on 28 November 2025, whereby the proposal in relation to the Review of the Qualifications of the Independent Non-executive Director Candidate of Sinopec Corp. was approved.

### 4 BOARD COMMITTEES ISSUED REVIEW OPINIONS TO THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, WITHOUT OBJECTION.

### 5 PERFORMANCE OF THE DIRECTORS

During the reporting period, the Directors of Sinopec Corp. fulfilled their duties diligently in accordance with the Articles of Association, and the newly appointed Chairman led the Board in strengthening strategic analysis and conducting in-depth research on the

Company's business development and strategic planning for the 15th Five-Year Plan period. The Directors attended Board meetings and meetings of the relevant Board committees on time, reviewed proposals with due care, utilized their professional expertise to provide suggestions on the Company's development strategy, production and operations, reform and development and other significant matters, thus continuously improving scientific decision-making capacity of the Board, and maintained timely and effective communication with the management, external auditors and internal audit department to continuously strengthen internal control and risk prevention.

The Directors participated in securities regulatory training as required, continuously enhancing their performance abilities of compliance. During the reporting period, the Independent Directors conducted three thematic research visits to subsidiaries, inspected the Company's upstream, midstream, and downstream industrial chain on site, deepened their understanding of the business development of various segments, and held two special meetings to review and approve connected transactions, protecting the minority shareholders' legitimate interests. None of the Directors had any objection to the Company's resolutions, and the suggestions of Directors relevant to reform and development were accepted.

Pursuant to requirements of the securities regulatory authority of China, Independent Directors of Sinopec Corp. reviewed the performance of the senior management of Sinopec Corp. in 2025 who concurrently serve as senior management in China Petrochemical Corporation, and issued a special opinion as follows: the senior management of Sinopec Corp. including Mr. Zhao Dong, Mr. Li Yonglin, Mr. Lv Lianggong, Mr. Niu Shuanwen and Mr. Wan Tao, each of whom concurrently held position as senior management of China Petrochemical Corporation, have obtained the exemptions for holding concurrent positions in Sinopec Corp. from CSRC. In 2025, Mr. Zhao Dong, Mr. Li Yonglin, Mr. Lv Lianggong, Mr. Niu Shuanwen and Mr. Wan Tao strictly abided by the provisions of laws and regulations, the Articles of Association and the service contracts, conscientiously fulfilled their duties of loyalty and diligence, implemented the resolutions of the Board, and devoted sufficient time and energy to organizing production and operation. They protected the interests of Sinopec Corp. and its

shareholders and have not prejudiced the legitimate interests of Sinopec Corp. and its shareholders due to holding aforesaid concurrent positions in China Petrochemical Corporation.

## 6 BUSINESS PERFORMANCE

The financial results of the Company for the year ended 31 December 2025, which were prepared in accordance with IFRS Accounting Standards and the financial position as at that date and the accompanying analysis are set out from page 156 to page 212 in this annual report. A fair review of the Company's business, a discussion and analysis on the material factors underlying our business performance, results and financial position during the reporting period, particulars of significant events affecting the Company and the outlook of the Company's business are discussed in the Chapters "Chairman's Address", "Business Review and Prospects", "Management's Discussion and Analysis" and "Significant Events" of this annual report. All of the above discussions constitute parts of the report of the Board of Directors.

## 7 DIVIDEND

The profit distribution policy of Sinopec Corp. maintains consistency and steadiness and considers the long-term interests of the Company, overall interests of all the shareholders and the sustainable development of the Company. Sinopec Corp. gives priority to adopting cash dividends for profit distribution and is allowed to distribute an interim profit. If the net profit of the parent company for the current year is positive, the retained earnings are positive and the Company's cash flow can satisfy the normal operation and sustainable development of the Company, Sinopec Corp. shall distribute cash dividends and the profit of the Company to be distributed by cash in each year shall not be less than 65% of the net profit attributable to equity shareholders of the Company under CASs or the profit attributable to shareholders of the Company under IFRS Accounting Standards (whichever is lower).

The profit distribution plan of the Company for the corresponding year shall be carried out in accordance with the policy and procedures stipulated in the Articles of Association and Dividend Distribution and Return Plan for Shareholders for Three Years (2024 to 2026), taking into account the advice from the minority shareholders.

## Proposals for dividend distribution

At the 11<sup>th</sup> meeting of the ninth session of the Board, the Board approved the proposal to distribute a final cash dividend of RMB0.112 (tax inclusive) per share for 2025. Taking into account the distributed interim dividend of RMB0.088 (tax inclusive) per share for the first half of 2025, the total dividend for the whole year is RMB0.2 (tax inclusive) per share.

The final cash dividend will be distributed on or before Friday, 26 June 2026 to all shareholders whose names appear on the register of members of Sinopec Corp. on the record date of Tuesday, 16 June 2026. In order to qualify for the final dividend for H shares, the holders of H shares must lodge all share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Tuesday, 9 June 2026 for registration. The H shares register and transfer of members of Sinopec Corp. will be closed from Wednesday, 10 June 2026 to Tuesday, 16 June 2026 (both dates inclusive). The dividend will be denominated and declared in RMB, and distributed to the domestic shareholders and investors participating in the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Programmes in RMB and to the overseas shareholders in Hong Kong Dollar. The exchange rate for the dividend calculated in Hong Kong Dollar is based on the average of the last published daily reference exchange rates by the China Foreign Exchange Trade System during the 5 working days prior to the announcement of payment of dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, Sinopec Corp. is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H Shares of Sinopec Corp. when distributing the cash dividends or issuing bonus shares by way of capitalisation from retained earnings. Any Shares of the Sinopec Corp. which are not registered under the name of an individual shareholder, including those registered under HKSCC Nominees Limited, other nominees,

agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. On such basis, enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H Shares intend to change their shareholder status, please enquire about the relevant procedures with your agents or trustees. Sinopec Corp. will strictly comply with the law or the requirements of the relevant government authority to withhold and pay enterprise income tax on behalf of the relevant shareholders based on the registration of members for H shares of Sinopec Corp. as at the record date.

If the individual holders of H shares are residents of Hong Kong, Macau or countries which had an agreed tax rate of 10% for cash dividends or bonus shares by way of capitalisation from retained earnings with China under the relevant tax agreement, Sinopec Corp. should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. If the individual holders of H Shares are residents of countries which had an agreed tax rate of less than 10% with China under relevant tax agreement, Sinopec Corp. shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount

withheld due to the application of 10% tax rate, Sinopec Corp. would apply for the relevant agreed preferential tax treatment pursuant to the relevant tax agreement provided that the relevant shareholders submit the evidence required by the notice of the tax agreement to the share register of H Shares of Sinopec Corp. in a timely manner. Sinopec Corp. will assist with the tax refund after the approval of the competent tax authority.

If the individual holders of H Shares are residents of countries which had an agreed tax rate of over 10% but less than 20% with China under the tax agreement, Sinopec Corp. shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreements. If the individual holders of H Shares are residents of countries which had an agreed tax rate of 20% with China, or which had not entered into any tax agreement with China, or otherwise, Sinopec Corp. shall withhold and pay the individual income tax at a rate of 20%.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong

Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2016] No.127): For dividends of domestic investors investing in the H Shares of Sinopec Corp. through Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Program, the Company shall withhold and pay income tax at the rate of 20% on behalf of individual investors and securities investment funds. The Company will not withhold or pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax by themselves. For dividends of investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of Sinopec Corp. through Shanghai-Hong Kong Stock Connect Program, the Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the competent tax authorities for the withholding. For investors who are tax residents of other countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, the enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The dividend distribution and capital reserve capitalization declared by Sinopec Corp. in the past three years are as follows (in accordance with CASs):

	2025	2024	2023
Cash dividends (RMB/Share, tax inclusive)	0.200	0.286	0.345
Cash dividends paid in other ways (such as repurchase of shares) (RMB million, tax inclusive)	1,554	2,131	2,325
Total amount of cash dividends (including dividends paid in other ways) (RMB million, tax inclusive)	25,760	36,878	43,575
Net profits attributed to the shareholders of the listed company shown in the consolidated statement for the dividend year (RMB million)	31,809	50,313	60,463
Ratio of the dividends to the net profit attributed to the shareholders of the listed company in the consolidated statement (%)	81.0	73.3	72.1

Note: The final cash dividend for 2025 is subject to the approval at the 2025 annual general meeting.

The aggregate cash dividend declared by Sinopec Corp. during three years from 2023 to 2025 is RMB0.831 per share, with a total amount of RMB100.203 billion, the total paid amount for repurchase of shares was RMB6.010 billion, and the aggregate amount with cash dividend was RMB106.213 billion. The average net profit attributed to the shareholders of the Company in the three years was RMB47.528 billion. The total cash dividend and repurchase amount from 2023 to 2025 as a percentage of average net profit attributed to the shareholders was 223.47%. At the end of 2025, the retained earnings of the parent company were RMB110.483 billion.

## 8 RESPONSIBILITIES FOR THE COMPANY'S INTERNAL CONTROL

The Board is fully responsible for establishing and maintaining the internal control system related to the financial statements as well as ensuring its effective implementation. In 2025, the Board assessed and evaluated the internal control of Sinopec Corp. according to the Basic Standard for Enterprise Internal Control, Application Guidelines for Enterprise Internal Control and Assessment Guidelines for Enterprise Internal Control. There was no important and material defect in relation to the internal control system as of 31 December 2025. The internal control system of Sinopec Corp. related to the financial statements is sound and effective.

2025 Internal Control Evaluation Report of Sinopec Corp. was reviewed and approved at the 11th meeting of the ninth session of the Board on 20 March 2026, and all members of the Board warrant that the contents of the report are true, accurate and complete, and there are no false representations, misleading statements or material omissions contained in the report.

## 9 DURING THE REPORTING PERIOD, THE COMPLIANCE OF ENVIRONMENTAL POLICIES BY THE COMPANY

During the reporting period, the Company complied with the environmental policy in all material aspects. Details with regard to the Company's environmental policies and performances are provided in the Chapter "Corporate Governance, Environment and Society" in this annual report as well as the 2025 Sustainability Report of Sinopec Corp.

## 10 DURING THE REPORTING PERIOD, THE COMPANY DID NOT VIOLATE LAWS OR REGULATIONS WHICH HAVE A MATERIAL IMPACT ON THE COMPANY.

## 11 MAJOR SUPPLIERS AND CUSTOMERS

The Company maintained a stable cooperation relationship with major suppliers and customers. During the reporting period, the total value of the purchasing from the top five suppliers accounted for 44.57% of the total value of purchasing by the Company, among which, the purchasing value of the largest supplier accounted for 16.19% of the total annual purchasing value and the total value of the purchasing from the connected party Sinopec Group among the five largest suppliers was RMB379.104 billion, accounted for 16.19% of the total value of purchasing by the Company.

The total revenue from the five largest customers of the Company was RMB218.959 billion, accounting for 7.87% of the total revenue of the Company for the year, among which the sales value to the connected party Sinopec Group among the five largest customers was RMB107.767 billion, accounting for 3.87% of the total revenue for the year.

During the reporting period, other than disclosed above, to the best knowledge of the Board of the Directors of the Company, none of the Directors of the Company, their close associates, and shareholders holding more than 5% of the shares of the Company had any interest in the top five suppliers or the top five customers of the Company. There were no suppliers, customers, employees or others on which the Company's success depends.

## 12 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company as of 31 December 2025 are set out in Note 30 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

## 13 FIXED ASSETS

During the reporting period, changes to the fixed assets of the Company are set out in Note 17 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

## 14 RESERVES

During the reporting period, the changes to the reserves of the Company are set out in the consolidated statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

## 15 DONATIONS

During the reporting period, the amount of charity donations made by the Company amounted to approximately RMB293 million.

## 16 PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the shareholders of Sinopec Corp. are not entitled to any pre-emptive rights. Therefore, the existing shareholders cannot request Sinopec Corp. to issue shares to them on a preferential basis in proportion to their shareholdings.

## 17 REPURCHASE, SALES AND REDEMPTION OF SHARES

### (1) Progress in the share repurchase

On 28 June 2024 and 28 May 2025, the annual general meetings and shareholders class meetings of Sinopec Corp. considered and approved the Resolution to Grant to the Board a Mandate to Buy Back Domestic Shares and/or Overseas-listed Foreign Shares of Sinopec Corp., authorizing the Board (or the director authorised by the Board) to repurchase A shares or H shares not exceeding 10% of the issued number of A shares or H shares of Sinopec Corp. in issue.

The Board considered and approved the Plan on Repurchasing the Company's Shares by Centralized Bidding Transactions. For details, please refer to the announcements published by Sinopec Corp. on the website of the SSE on 26 August 2024 and 22 August 2025, respectively.

During the reporting period, Sinopec Corp. has repurchased 89,349,476 A shares, accounting for 0.07% of the total issued shares of Sinopec Corp. on 31 December 2025, the highest and lowest repurchase prices were RMB6.10 and RMB5.27 per share respectively, and the total amount paid was RMB500,000,213.01 (exclusive of transaction fees). For details, please refer to the Announcement on the Results of the Implementation of Share Repurchase published by Sinopec Corp. on the website of the SSE on 24 November 2025. The Company completed A shares repurchase on 20 November 2025, and cancelled all repurchased A shares on 24 November 2025. For details, please refer to the announcements published by Sinopec Corp. on the website of the SSE on 24 November 2025.

During the reporting period, Sinopec Corp. has repurchased 266,554,000 H Shares, accounting for approximately 0.22% of the total issued shares of Sinopec Corp. on 31 December 2025, and the total amount paid was HK\$1,152,829,082.00 (exclusive of transaction fees), among which 36,180,000 H shares were repurchased in March 2025, and were cancelled on 3 June 2025. For details, please refer to the announcement published by Sinopec Corp. on the website of the Hong Kong Stock Exchange on 3 June 2025. 67,624,000 H shares were repurchased in August 2025, and were cancelled on 4 September 2025. For details, please refer to the announcement published by Sinopec Corp. on the website of the Hong Kong Stock Exchange on 4 September 2025. 162,750,000 H shares were repurchased from September to December 2025, and were cancelled on 30 December 2025. For details, please refer to the announcement published by Sinopec Corp. on the website of the Hong Kong Stock Exchange on 30 December 2025.

### A Share Repurchase

Month	Repurchase Amount	Price per share		Total Amount (RMB)
		Highest (RMB/share)	Lowest (RMB/share)	
8	17,200,000	5.86	5.77	99,806,035.67
9	14,963,200	5.40	5.28	79,562,980.00
10	16,658,070	5.50	5.27	90,232,835.10
11	40,528,206	6.10	5.53	230,398,362.24

### H Share Repurchase

Month	Repurchase Amount	Price per share		Total Amount (HK\$)
		Highest (HK\$/share)	Lowest (HK\$/share)	
3	36,180,000	4.17	4.09	149,221,546.00
8	67,624,000	4.43	4.34	297,721,422.40
9	29,346,000	4.12	4.05	119,603,870.00
10	8,428,000	4.22	4.10	34,847,727.60
11	105,382,000	4.64	4.15	464,928,086.60
12	19,594,000	4.59	4.28	86,506,429.40

**(2) Progress in the share repurchase of controlled subsidiaries**

During the reporting period, Sinopec Shanghai Petrochemical Company Limited and Sinopec Shandong Taishan Petroleum Company Limited, the Company's controlled subsidiaries, implemented the repurchase of H shares and A shares respectively. For details, please refer to the interim report disclosed by Sinopec Shanghai Petrochemical Company Limited on the website of the Shanghai Stock Exchange on 21 August 2025, the interim results announcement disclosed on the website of the Hong Kong Stock Exchange on 20 August 2025, as well as the announcement on the initial repurchase of the Company's shares disclosed by Sinopec Shandong Taishan Petroleum Company Limited on the website of the Shenzhen Stock Exchange and CNINFO on 17 December 2025.

Save as disclosed above, during the reporting period, neither Sinopec Corp. nor any of its subsidiaries repurchased, sold or redeemed any listed shares of Sinopec Corp. or its subsidiaries.

**18 DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the end of the reporting period, the Company has resolved its competition with Sinopec Group in the chemical business. For details for the positions held by the Directors (excluding Independent Non-executive Directors) of Sinopec Corp. in the Sinopec Group during the reporting period, please refer to the Chapter "Corporate Governance, Environment and Society" in this annual report.

**19 DIRECTORS' INTERESTS IN CONTRACTS**

No Directors or entities connected with Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which Sinopec Corp. or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the reporting period.

**20 MANAGEMENT CONTRACTS**

No contracts concerning management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period.

**21 PERMITTED INDEMNITY PROVISIONS**

During the reporting period, Sinopec Corp. has purchased liability insurance for all Directors to minimise their risks arising from the performance of their duties. The permitted indemnity provisions are stipulated in such Directors' liability insurance in respect of the liabilities and costs associated with the potential legal proceedings that may be brought against such Directors.

**22 EQUITY-LINKED AGREEMENTS**

As of 31 December 2025, the Company has not entered into any equity-linked agreement.

**23 OIL & GAS RESERVE APPRAISAL PRINCIPLES**

The Company managed the estimation of crude oil and natural gas reserves through a two-tier management system. The RMC, at the corporate level, is responsible for organizing, coordinating and monitoring the reserves estimation and management work, and making decisions on major matters related to reserves estimation and approving the reserves estimation results of the Company. Each of our oilfield branches has a reserves management committee that manages and coordinates the reserves estimation, organises the estimation process and reviews the reserve estimation report and results at the branch level, being responsible to the RMC of the Company.

The RMC consists of the members of the President's team of the Company, senior management of the related departments of corporate, Sinopec International Petroleum Exploration and Production Corporation and Sinopec Petroleum Exploration and Production Research Institute. Mr. Niu Shuanwen, Senior Vice President of Sinopec Corp., is the Chairman of RMC. A majority of our RMC members hold master's or Ph.D. degrees, and have an average of more than 20 years of technical experience in relevant professional fields, such as geology, engineering and economics.

The reserves estimation of the Company was conducted in reference to the rules of the U.S. Securities and Exchange Commission, and is guided by procedural manuals and technical guidance formulated by ourselves. A number of working divisions at the production bureau level, including the exploration, development and financial divisions, are responsible for initial collection and compilation of information about reserves. Experts from exploration, development and economic

divisions prepare the initial report on the reserves estimate which is then reviewed by the reserves management committee at the oilfield branch level to ensure the qualitative and quantitative compliance with technical guidance as well as its accuracy and reasonableness. Professional supporting agency for reserves estimation of the Company has reviewed the estimates rules and parameter selection of our oilfield branches, and the final results have been approved by the RMC. The reserves estimation process is further facilitated by a specialised reserves database, which is improved and updated periodically.

**24 CORE COMPETITIVENESS ANALYSIS**

The Company is a large-scale integrated energy and petrochemical company with upstream, mid-stream and downstream operations, and has strong overall scale strength. The Company is the largest supplier of refined oil and chemical products, and a major oil and gas producer in China. The Company is the world's largest refining company and second-largest chemical company, and ranks second globally in terms of the number of service stations.

The integrated business structure of the Company carries strong advantages in synergy among its various business segments, contributing to the Company by tapping onto potentials in attaining an efficient and comprehensive utilisation of its resources, and endows the Company with relatively strong capabilities in risk resistance and sustaining profitability.

The Company enjoys a favourable positioning with its operations located close to the consumer markets. The steady growth in the Chinese economy is helpful to the development of both refined oil business and chemical business of the Company; through continuously promoting specialized marketing, the Company's capability in international operations and market expansion has been further enhanced.

The Company owns a team of professionals with expertise in the production of oil and gas, operation of refineries and chemical facilities, as well as marketing activities. The Company applies outstanding lean management measures in production and operation with its remarkable capabilities in management of operations and enjoys an operational cost advantage in its downstream businesses.

The Company has formulated a well-established technology system and mechanism, and owns competent teams specialised in R&D covering a wide range of subjects. The Company establishes technological systems for exploration and development of oil and gas, refining, petrochemicals and utility. With its overall technologies reaching at the world's advanced level, and certain technologies taking the lead globally, the Company enjoys a strong technical strength.

The Company always attaches great importance to the fulfilment of corporate social responsibilities and carries out the green and clean development strategy to pursue a sustainable development. Moreover, the Company enjoys an outstanding "Sinopec" brand name, plays an important role in the national economy and is a renowned and reputable company in China.

The Company formulated a strategy for future green transition and development, accelerating the development of new energy and high-end chemical materials, and focusing on building a world-leading modern energy and chemical company.

## 25 RISK FACTORS

In the course of its production and operations, Sinopec Corp. will actively take various measures to circumvent operational risks. However, in practice, it may not be possible to prevent the occurrence of all risks and uncertainties described below.

**Risks with regard to the variations from macroeconomic situation:** The business results of the Company are closely related to macroeconomic situation. The global economy experienced insufficient driving force and more uncertainty. The development of economy is increasingly constrained by climate change and environmental issues. In addition, the Company's business may be adversely affected by other factors such as carbon tariffs and trade protectionism from certain countries influencing the export, and impact on the investment return of domestic and overseas upstream projects as well as refining and storage projects which results from the uncertainty of geopolitics, international crude oil price, etc.

**Risks with regard to the cyclical effects from the industry:** The majority of the Company's operating income comes from the sales of refined oil products and petroleum and petrochemical products. Part of those businesses and their related products are cyclic and are sensitive to macro-economy, cyclic changes of regional and global economy, industry policies, the changes of the production capacity and output, consumer demand, prices and supply of the raw materials, as well as prices and supply of the alternative products etc. Although the Company is an integrated company with upstream, midstream and downstream operations, it can only counteract the adverse influences of industry cycle to a certain extent.

**Risks from the macro policies and government regulation:** Although the Chinese government is gradually liberalizing the market entry to petroleum and petrochemicals sector and strengthening regulatory supervision, the petroleum and petrochemical industries in China are still subject to entry regulations to a certain degree, which include: issuing exploration and mining permits in relation to crude oil and natural gas, issuing business licenses for retail of refined oil products, issuing business licenses for trading hazardous chemicals, setting caps for retail prices of gasoline, diesel and other refined oil products, the imposition of the special oil income levy, the determination of refined oil, the formulation of export quotas and procedures, the formulation of safety, environmental protection and quality standards, the formulation of energy conservation policies, and restrictions on high energy consumption and high pollution projects, etc. In addition, the changes which have occurred or might occur in macro and industry policies such as further opening up of import operating and usage licenses for crude oil and the tightening control of refined oil products export quota; deepening the reform and improvement in pricing mechanism of natural gas, accelerating the exploration of upstream and downstream price linkage mechanisms, cost supervision of gas pipeline and equal access to third party and accelerating the establishment of a uniform gas energy metering and

pricing system; the development of the new energy industry actively supported by the government; national pilot program for levying environmental protection tax on volatile organic compounds (VOCs); the introduction of measures for energy conservation and carbon reduction in key areas to improve energy efficiency strictly constrained by the government; and the transforming policy from dual control over the amount and intensity of energy consumption to dual control over the amount and intensity of carbon emissions, etc. Such factors might further impact the industry development and market environment, as well as the operations and profitability of the Company.

### **Risks with regard to the changes from environmental legislation requirements:**

The Company's production activities generate waste water, gases, solids and noise. The Company has built up the ancillary pollution prevention and risk control facilities to prevent and reduce the pollution. However, the relevant government authorities may issue and implement much stricter environmental protection laws and regulations, and adopt much stricter environment protection standards. Under such circumstance, the Company may increase expenses in relation to the environment protection accordingly.

**Risks from the uncertainties of obtaining additional oil and gas resources:** The future sustainable development of the Company is dependent on our abilities in continuously discovering or acquiring additional oil and natural gas resources to a certain extent. To obtain oil and natural gas resources, the Company faces some inherent risks associated with exploration and development and/or with acquisition activities of oil and gas resources, and the Company has to invest a large amount of money with no guarantee of certainty. If the Company fails to increase the reserves of crude oil and natural gas through further exploration, development and acquisition, the oil and natural gas reserves and production of the Company may decline over time which may adversely affect the Company's financial situation and operation performance.

**Risks with regard to the external purchase of crude oil:**

A significant amount of crude oil as needed by the Company is satisfied through external purchases. In recent years, especially influenced by mismatch between supply and demand of crude oil, volatile geopolitics, slow global economic recovery and other factors, the prices of crude oil fluctuate sharply. Additionally, the supply of crude oil may even be interrupted due to some extreme major incidents in certain regions. Although the Company has taken flexible countermeasures, it may not fully avoid risks associated with any significant fluctuation of international crude oil prices and sudden disruption of supply of crude oil from certain regions.

**Risks with regard to the production operation and natural disasters:**

The petroleum and petrochemical industry is exposed to the high risks of inflammation, explosion, toxicity, harm and environmental pollution and is vulnerable to natural disasters such as extreme weather. Such emergencies may cause impacts to the society, economic losses to the Company and grievous injuries to personal safety and health. The Company has always been laying great emphasis on the safety production, and has implemented a strict HSE management system. The Company has continuously carried out special safety risk control and HSE supervision and endeavour every effort to avoid such risks. Meanwhile, the main assets and inventories of the Company as well as the possibility of damage to a third party have been insured. However, such measures may not shield the Company from economic losses or adverse impacts resulting from such emergencies.

**Investment risks:** Petroleum and petrochemical sector is a capital-intensive industry. Although the Company has adopted a prudent investment strategy, executed the investment management rules and negative investment lists effectively, conducted rigorous feasibility study and risk evaluation on each investment project, and organized multi-dimensional specialized rectification in raw material market, technical scheme, profitability, safety and environmental protection, legal compliance,

etc. on major structural adjustment and layout projects to ensure making decision rigorously and scientifically. Nevertheless, certain investment risks will still exist due to major changes in factors such as market environment, industrial policies, prices of commodities during the implementation of the projects.

**Risks with regard to overseas business development and management:**

The Company engages in oil and gas exploration, refining and chemical, warehouse logistics and international trading businesses in some regions and countries overseas. The Company's overseas operations and assets are subject to the jurisdiction of the host country's laws and regulations. In light of the complicated factors such as changes in international geopolitics, uncertainty of economic recovery, uneven economic development across countries and regions, competitiveness of industry and trade structure, exclusivity of regional trading blocs, polarization of benefits distribution in trade, and politicisation of economic and trade issues, together with political society, economic finance, macro market, business environment, legal compliance, HSE and other risks in the country where overseas business and assets are located, including sanctions, barriers to entry, instability in the financial and taxation policies, contract defaults, tax dispute, the above factors will impose challenges to overseas business development and management of the Company.

**Currency risks:** At present, China implements an administered floating exchange rate regime based on market supply and demand which is regulated with reference to a basket of currencies in terms of the exchange rate of Renminbi. As the Company purchases a significant portion of crude oil in foreign currency which is based on US dollar-denominated prices, the realized price of crude oil is based on international crude oil price. Despite the fact that the price of the domestic refined oil products will change as the exchange rate of the Renminbi changes according to the pricing mechanism for the domestic refined oil products, and the price of other

domestic petrochemical products will also be influenced by the price of the imported products, which to a large extent, smooths the impact of the Renminbi exchange rate on the processing and sales of the Company's crude oil refined products, the fluctuation of the Renminbi exchange rate will still have an effect on the income of the upstream sector and the profitability of refining segment.

**Cyber-security risks:** The Company has a well-established network safety system. The Company establishes an emergency response mechanism in relation to network security operation and information system, builds an information platform of network security risk management and control, operated by professional network security team, and devotes significant resources to protecting the digital infrastructure and data of the Company against cyber-attacks. However, continuous attention should be paid to the coverage and efficiency of these protection measures. If our systems against cyber-security risk are proved to be insufficient or ineffective, the Company could be adversely affected by, among other things, disruptions to our business operations, and loss of key information, thus causing harm to our personnel, property, environment and reputation. As cyber-security attacks continue to evolve, the Company may be required to expend additional resources in particular to increase investment in new solutions and technologies such as data security solution, business security solution, artificial intelligence, cloud computing, and Internet of Things devices to improve the cyber-security protection level.

By Order of the Board  
**Hou Qijun**  
Chairman

Beijing, China, 20 March 2026

# CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

## 1 CHANGES IN THE SHARE CAPITAL

Unit: share

	Before change		Change (+, -)		After change	
	Amount	Percentage (%)	Amount	Subtotal	Amount	Percentage (%)
I. Shares subject to lock-up restriction	2,390,438,247	1.97	-	-	2,390,438,247	1.98
1. State-owned shares	-	-	-	-	-	-
2. Shares held by state-owned legal persons	2,390,438,247	1.97	-	-	2,390,438,247	1.98
3. Shares held by other domestic investors	-	-	-	-	-	-
Among which: domestic non-state-owned legal persons	-	-	-	-	-	-
domestic natural persons	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-
Among which:						
foreign legal persons	-	-	-	-	-	-
foreign natural persons	-	-	-	-	-	-
II. Shares not subject to lock-up restriction	118,891,117,451	98.03	(356,041,476)	(356,041,476)	118,535,075,975	98.02
1. RMB-denominated ordinary shares	94,841,824,851	78.20	(89,349,476)	(89,349,476)	94,752,475,375	78.36
2. Domestically listed foreign shares	-	-	-	-	-	-
3. Overseas listed foreign shares	24,049,292,600	19.83	(266,692,000)	(266,692,000)	23,782,600,600	19.67
4. Others	-	-	-	-	-	-
III. Total	121,281,555,698	100	(356,041,476)	(356,041,476)	120,925,514,222	100

Note 1: During the reporting period, Sinopec Corp. cancelled 89,349,476 A shares and 266,692,000 H shares.

Note 2: During the reporting period, Sinopec Corp. repurchased a total of 89,349,476 A shares and 266,554,000 H shares. The share repurchases led to increases in basic earnings per share and net assets per share attributable to ordinary shareholders of the company in the most recent year and period. During the reporting period, there was no stock dividends or conversion of capital reserve into shares.

## 2 THERE WERE NO IMPACT OF SHARE CHANGES OCCURRING AFTER THE REPORTING PERIOD AND UP TO THE ANNUAL REPORT DISCLOSURE DATE ON FINANCIAL INDICATORS SUCH AS EARNINGS PER SHARE (EPS) AND NET ASSETS PER SHARE (NAPS).

**3 NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS**

As of 31 December 2025, the total number of shareholders of Sinopec Corp. was 372,737 including 367,651 holders of A shares and 5,086 holders of H shares. As of 28 February 2026, the total number of shareholders of Sinopec Corp. was 379,263. Sinopec Corp. has complied with requirement for public float under the Hong Kong Listing Rules.

**(1) The shareholdings of top ten shareholders, top ten shareholders with tradable shares (or shareholders with non-restricted shares) and shareholders with restricted shares as of 31 December 2025:**

Unit: share

Name of shareholder	The shareholdings of top ten shareholders <sup>2</sup>		Percentage (%)	Number of restricted shares held	Shares subject to pledges, marked or freezing		Nature of shareholders
	Change of shareholding <sup>1</sup>	Total number of shares held at the end of reporting period			Status	Amount	
China Petrochemical Corporation <sup>3</sup>	54,378,979	83,116,438,075	68.73	2,390,438,247	None	-	State-owned share
HKSCC Nominees Limited <sup>4</sup>	(263,584,861)	23,648,004,723	19.56	-	Unknown	Unknown	H share
中國證券金融股份有限公司	-	2,325,374,407	1.92	-	None	-	A share
中國石油天然氣集團有限公司	-	2,165,749,530	1.79	-	None	-	A share
香港中央結算有限公司	(526,759,185)	569,079,343	0.47	-	None	-	A share
中國人壽保險股份有限公司－傳統－普通保險產品－005L－CT001 滙	(186,334,835)	369,033,614	0.31	-	None	-	A share
中央匯金資產管理有限責任公司	-	315,223,600	0.26	-	None	-	A share
國豐興華(北京)私募基金管理有限公司－國豐興華鴻鵠志遠三期私募證券投資基金 1 號	304,958,594	304,958,594	0.25	-	None	-	A share
中國工商銀行－上證 50 交易型開放式指數證券投資基金	(4,447,317)	269,565,538	0.22	-	None	-	A share
國新宏盛投資(北京)有限公司	257,053,425	257,053,425	0.21	-	None	-	A share
Description of the special repurchase account among the top ten shareholders	None						
Description of the voting rights entrusted by or to, or waived by the above-mentioned shareholders	None						
Statement on related parties or parties acting in concert among the above-mentioned shareholders	Sinopec Corp. is not aware of any connected relationship or acting in concert among or between the above-mentioned top ten shareholders.						
Description of the shareholders holding preference shares with restored voting rights and their shareholdings	None						

Note 1: As compared with the number of shares as of 31 December 2024.

Note 2: Compared to shareholders' holdings at the end of 2024, 國豐興華(北京)私募基金管理有限公司－國豐興華鴻鵠志遠三期私募證券投資基金 1 號、國新宏盛投資(北京)有限公司 were newly added to the list of the top ten shareholders, while 國新投資有限公司、中國工商銀行股份有限公司－華泰柏瑞滬深 300 交易型開放式指數證券投資基金 withdrew from top ten shareholders.

Note 3: Due to confidence in Sinopec Corp.'s development prospects, the controlling shareholder, China Petrochemical Corporation, planned to increase its shareholdings of A shares and H shares of Sinopec Corp. by itself and its wholly-owned subsidiary, by an amount of not less than RMB2.0 billion (inclusive) and not more than RMB3.0 billion (inclusive) within 12 months since 8 April 2025 (Shareholding Increase Plan). As of 31 December 2025, China Petrochemical Corporation and its wholly-owned subsidiary increased their shareholdings by 54,378,979 A shares and 337,100,000 H shares of Sinopec Corp., the Shareholding Increase Plan was not completed, China Petrochemical Corporation would continue increasing its shareholdings when appropriate according to the Shareholding Increase Plan. For details, please refer to the announcements published by Sinopec Corp. on China Securities Journal, Shanghai Securities News, Securities Times, the website of SSE on 8 April 2025, 9 April 2025, 15 May 2025 and 22 November 2025, on the website of Hong Kong Stock Exchange on 8 April 2025 and 14 May 2025.

Note 4: Century Bright, an overseas wholly-owned subsidiary of China Petrochemical Corporation, held 1,379,764,000 H shares, accounting for 1.14% of the total issued share capital of Sinopec Corp. Those shareholdings were included in the total number of the shares held by HKSCC Nominees Limited.

Unit: share

The shareholdings of top ten shareholders with non-restricted shares <sup>1</sup>			
Name of shareholder	Number of non-restricted shares held	Class	Class and number of shares
			Amount
China Petrochemical Corporation	80,725,999,828	RMB ordinary share	80,725,999,828
HKSCC Nominees Limited	23,648,004,723	Overseas listed foreign share	23,648,004,723
中國證券金融股份有限公司	2,325,374,407	RMB ordinary share	2,325,374,407
中國石油天然氣集團有限公司	2,165,749,530	RMB ordinary share	2,165,749,530
香港中央結算有限公司	569,079,343	RMB ordinary share	569,079,343
中國人壽保險股份有限公司－傳統－普通保險產品－005L－CT001滙	369,033,614	RMB ordinary share	369,033,614
中央匯金資產管理有限責任公司	315,223,600	RMB ordinary share	315,223,600
國豐興華(北京)私募基金管理有限公司－國豐興華鴻鵠志遠三期私募證券投資基金1號	304,958,594	RMB ordinary share	304,958,594
中國工商銀行－上證 50 交易型開放式指數證券投資基金	269,565,538	RMB ordinary share	269,565,538
國新宏盛投資(北京)有限公司	257,053,425	RMB ordinary share	257,053,425

Note 1: Compared to shareholders' holdings at the end of 2024, 國豐興華(北京)私募基金管理有限公司－國豐興華鴻鵠志遠三期私募證券投資基金 1 號、國新宏盛投資(北京)有限公司 were newly added to the list of the top ten shareholders, while 國新投資有限公司、中國工商銀行股份有限公司－華泰柏瑞滬深 300 交易型開放式指數證券投資基金 withdrew from top ten shareholders.

Shareholders holding more than 5% of the shares, top ten shareholders and top ten non-restricted shareholders have not participated in lending of shares through refinancing.

Unit: share

The shareholdings of shareholders with restricted shares					
No.	Name of shareholders with restricted shares	Number of restricted shares held	Trading of restricted shares		Lock-up
			Trading day	Amount	
1	China Petrochemical Corporation	2,390,438,247	18 March 2027	2,390,438,247	Not to transfer within 36 months from the completion of the issuance

Statement on related parties or parties acting in concert among the above-mentioned shareholders None

(2) Information disclosed by the shareholders of H shares in accordance with the SFO as of 31 December 2025

Name of shareholders	Status of shareholders	Number of shares interested	% of Sinopec Corp.'s interests (H Share)
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	1,487,012,514(L)	6.25(L)
		66,314,000(S)	0.28(S)
Century Bright*	Beneficial owner	1,344,668,000(L)	5.65(L)

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

\* Given that Century Bright is an overseas wholly-owned subsidiary of China Petrochemical Corporation, China Petrochemical Corporation is deemed to be interested in 1,344,668,000 H shares.

4 ISSUANCE AND LISTING OF SECURITIES

(1) Issuance of securities during the reporting period

There were no issuance of share of Sinopec Corp. during the reporting period.

(2) Existing employee shares

There were no existing employee shares of Sinopec Corp. during the reporting period.

5 CHANGES IN THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER

There was no change in the controlling shareholder or the de facto controller of Sinopec Corp. during the reporting period.

(1) Controlling shareholder

The controlling shareholder of Sinopec Corp. is China Petrochemical Corporation. Established in July 1998, China Petrochemical Corporation is a state-authorised investment organisation and a state-owned enterprise. The legal representative is Mr. Hou Qijun. Through re-organization in 2000, China Petrochemical Corporation injected its principal petroleum and petrochemical businesses into Sinopec Corp. and retained certain petrochemical facilities. It provides well-drilling services, well-logging services, downhole operation services, services in connection with manufacturing and maintenance of production equipment, engineering

construction service, and utility services including water and power and social services.

Shares of other listed companies directly held by China Petrochemical Corporation as of the end of the reporting period

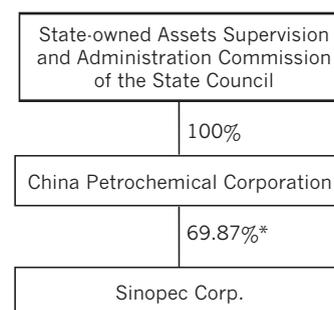
Name of Company	Number of Shares Held	Shareholding Percentage
SINOPEC Engineering (Group) Co., Ltd.	2,687,876,000	61.17%
Sinopec Oilfield Service Corporation	9,968,726,364	52.59%
Sinopec Oilfield Equipment Corporation	456,756,300	47.78%
China Merchants Energy Shipping Co., Ltd.	1,095,463,711	13.57%
PetroChina Company Limited	1,830,210,000	1.00%

(2) Other than HKSCC Nominees Limited, there was no other legal person shareholder holding 10% or more of the total issued share capital of Sinopec Corp.

(3) Basic information of the de facto controller

China Petrochemical Corporation is the de facto controller of Sinopec Corp.

(4) Diagram of the equity and controlling relationship between Sinopec Corp. and its de facto controller



\*: Inclusive of 1,379,764,000 H shares held by Century Bright (overseas wholly-owned subsidiary of China Petrochemical Corporation) through HKSCC Nominees Limited.

## 1. INTERBANK BOND MARKET DEBT FINANCING INSTRUMENT OF NON-FINANCIAL ENTERPRISES

Bond name	The first medium-term notes in 2021	The first medium-term notes in 2024	The second medium-term notes in 2024	The third medium-term notes in 2024	The fourth medium-term notes in 2024	The first medium-term notes in 2025	The second medium-term notes in 2025	The third medium-term notes in 2025	The fourth sci-tech innovation bonds in 2025
Abbreviation	21中石化 MTN001	24中石化 MTN001	24中石化 MTN002	24中石化 MTN003	24中石化 MTN004	25中石化 MTN001	25中石化 MTN002	25中石化 MTN003	25中石化 MTN004 (科创债)
Code	102101386	102483276	102483277	102485444	102485443	102580205	102580206	102580639	102582100
Issuance date	2021/7/23	2024/7/30	2024/7/30	2024/12/16	2024/12/16	2025/1/13	2025/1/13	2025/2/18	2025/5/20
Interest commencement date	2021/7/27	2024/7/31	2024/7/31	2024/12/17	2024/12/17	2025/1/14	2025/1/14	2025/2/19	2025/5/21
Maturity date	2026/7/27	2034/7/31	2034/7/31	2026/12/17	2027/12/17	2030/1/14	2035/1/14	2045/2/19	2028/5/21
Amount issued (RMB billion)	5	3.5	3.5	6	4	12	10	5	5
Outstanding balance (RMB billion)	5	3.5	3.5	6	4	12	10	5	5
Interest rate (%)	3.2	2.24	2.24	1.7	1.75	1.75	1.96	2	1.62
Principal and interest repayment	Interest is paid once a year. The principal will be paid at maturity with last instalment of interest.								
Investor Qualification Arrangement	Nationwide inter-bank bond market institutional investors								
Applicable trading mechanism	Circulated and transferred in nationwide inter-bank bond market								
Risk of suspension for listed trading (if any), and countermeasures	Not applicable								
Trading market	Nationwide inter-bank bond market								
Use of proceeds	Proceeds from the above-mentioned corporate bonds have been used for their designated purpose as disclosed in the corporate bond prospectus. All the proceeds have been completely used till now.								
Credit rating	Entity rating AAA, 20-year bond rating AAA								
Special terms for Issuer or investor option or investor protection, whether triggered or executed	Not applicable								
Guarantee, repayment scheme and other related events during the reporting period	No guarantee. No change on the repayment scheme								
Convening of corporate bond holders' meeting	During the reporting period, there was no bondholders' meeting								
Performance of corporate bonds trustee	Corporate bonds trustee has performed its duties in accordance with regulatory requirements								

Bond name	The first green medium-term notes in 2025	The second green medium-term notes in 2025	The fifth sci-tech innovation bonds in 2025	The sixth sci-tech innovation bonds in 2025	The first sci-tech innovation bonds in 2026	The second sci-tech innovation bonds in 2026	The third sci-tech innovation bonds in 2026	The fourth sci-tech innovation bonds in 2026
Abbreviation	25中石化 GN001	25中石化 GN002	25中石化 MTN005 (科创债)	25中石化 MTN006 (科创债)	26中石化 MTN001 (科创债)	26中石化 MTN002 (科创债)	26中石化 MTN003 (科创债)	26中石化 MTN004 (科创债)
Code	132580133	132580132	102585031	102585032	102680304	102680301	102680589	102680586
Issuance date	2025/11/27	2025/11/27	2025/11/27	2025/11/27	2026/1/22	2026/1/22	2026/2/11	2026/2/11
Interest commencement date	2025/11/28	2025/11/28	2025/11/28	2025/11/28	2026/1/23	2026/1/23	2026/2/12	2026/2/12
Maturity date	2030/11/28	2030/11/28	2030/11/28	2030/11/28	2029/1/23	2031/1/23	2031/2/12	2031/2/12
Amount issued (RMB billion)	0.4	0.4	2.5	2.5	10	10	3	3
Outstanding balance (RMB billion)	0.4	0.4	2.5	2.5	10	10	3	3
Interest rate (%)	1.8	1.8	1.8	1.8	1.71	1.81	1.76	1.76
Principal and interest repayment	Interest is paid once a year. The principal will be paid at maturity with last instalment of interest.							
Investor Qualification Arrangement	Nationwide inter-bank bond market institutional investors							
Applicable trading mechanism	Circulated and transferred in nationwide inter-bank bond market							
Risk of suspension for listed trading (if any), and countermeasures	Not applicable							
Trading market	Nationwide inter-bank bond market							
Use of proceeds	Proceeds from the above-mentioned corporate bonds have been used for their designated purpose as disclosed in the corporate bond prospectus. All the proceeds have been completely used till now.							
Credit rating	Entity rating AAA, 20-year bond rating AAA							
Special terms for Issuer or investor option or investor protection, whether triggered or executed	Not applicable							
Guarantee, repayment scheme and other related events during the reporting period	No guarantee. No change on the repayment scheme							
Convening of corporate bond holders' meeting	During the reporting period, there was no bondholders' meeting							
Performance of corporate bonds trustee	Corporate bonds trustee has performed its duties in accordance with regulatory requirements							

Note: Please refer to offering circular published on the website of SSE (<http://www.sse.com.cn>), China Money Network (<http://www.chinamoney.com.cn>) and other websites for the name, office address, signing auditor, contact person and telephone number of the intermediary institutions providing services for the issuance and during the terms of the above-mentioned in interbank market debt financial instrument of non-financial enterprises and other disclosed information in the offering circular.

**Principal accounting data and financial indicators for the two years ended 31 December 2025 (in accordance with CASs)**

Principal data	31 December 2025	31 December 2024	Change	Reasons for change
Current ratio	0.75	0.78	(0.03)	Increase in current liabilities resulted from the rise in non-current liabilities due within one year
Quick ratio	0.42	0.40	0.02	Increase in cash at bank and on hand and accounts receivable
Liability-to-asset ratio	54.08%	53.17%	0.91 percentage points	The impact of the issuance of low-cost financing bonds such as medium-term notes and sci-tech innovation bonds during reporting period
Loan repayment rate	100%	100%	-	
	2025	2024	Change	Reasons for change
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses (RMB million)	29,529	48,057	(18,528)	The year-on-year decline in the profit due to the downward fluctuation in crude oil prices, the acceleration of new energy substitution, and continuous release of new chemical capacity
Net profit of the Company excluding extraordinary gains and losses (RMB million)	32,541	54,511	(21,970)	The year-on-year decline in the profit due to the downward fluctuation in crude oil prices, the acceleration of new energy substitution, and continuous release of new chemical capacity
EBITDA to total debt ratio	0.39	0.52	(0.13)	Decrease in profit before taxation and increase in total debt
EBITDA to interest coverage ratio	8.75	9.89	(1.14)	Decrease in profit before taxation and increase in interest expense
Interest coverage ratio	3.20	4.61	(1.41)	Decrease in profit before taxation and increase in interest expense
Cash interest coverage ratio	25.05	21.90	3.15	Net cash flow from operating activities increased year-on-year.
Interest payment rate	100%	100%	-	

Note: Liability-to-asset ratio = total liabilities/total assets

During the reporting period, the Company paid in full and on time the interest accrued for the other bonds and debt financing instruments. As at 31 December 2025, the standby credit line provided by several domestic financial institutions to the Company was RMB704.8 billion in total, facilitating the Company to get such amount of unsecured loans. The Company has fulfilled all the relevant undertakings in the bond offering prospectus and had no significant matters which could influence the Company's operation and debt repayment ability.

On 18 April 2013, Sinopec Capital (2013) Limited, a wholly-owned overseas subsidiary of Sinopec Corp., issued senior notes guaranteed by the Company with four different maturities, 3 years, 5 years, 10 years and 30 years. The 3-year notes principal totalled USD750 million, with an annual interest rate of 1.250% and had been repaid and delisted; the 5-year notes principal totalled USD1 billion, with an annual interest rate of 1.875% and had been repaid and delisted; the 10-year notes principal totalled USD1.25 billion, with an annual interest rate of 3.125% and had been repaid and delisted; and the 30-year notes principal totalled USD500 million, with an annual interest rate of 4.250%. These notes were listed on the Hong Kong Stock Exchange on 25 April 2013, with interest payable semi-annually. The first payment of interest was made on 24 October 2013. During the reporting period, the Company has paid in full the current-period interests of notes with 30 years.

## PRINCIPAL WHOLLY-OWNED AND CONTROLLED SUBSIDIARIES

On 31 December 2025, details of the principal wholly-owned and controlled subsidiaries of the Company were as follows:

Name of Company	Type of Company	Registered Capital RMB million	Percentage of Shares Held by Sinopec Corp. (%)	Total Assets RMB million	Net Assets RMB million	Operating Income RMB million	Principal Business
Sinopec International Petroleum Exploration and Production Limited	Wholly-owned subsidiary	8,250	100	32,103	17,680	2,505	Investment in exploration, development, production and sale of petroleum and natural gas
Sinopec Great Wall Energy & Chemical Company Limited	Wholly-owned subsidiary	22,761	100	29,636	17,616	3,683	Coal chemical industry investment management, production and sale of coal chemical products
Sinopec Yangzi Petrochemical Company Limited	Wholly-owned subsidiary	15,651	100	25,231	10,180	66,864	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Yizheng Chemical Fibre Limited Liability Company	Wholly-owned subsidiary	4,000	100	14,453	1,624	22,389	Production and sale of polyester chips and polyester fibres
Sinopec Lubricant Company Limited	Wholly-owned subsidiary	3,374	100	9,949	5,731	17,158	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials
Sinopec Qingdao Petrochemical Company Limited	Wholly-owned subsidiary	1,595	100	3,480	1,685	20,421	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Chemical Sales Company Limited	Wholly-owned subsidiary	1,000	100	23,552	6,465	377,731	Marketing of petrochemical products
China International United Petroleum and Chemical Company Limited	Wholly-owned subsidiary	5,000	100	211,304	75,439	1,305,677	Trading of crude oil and petrochemical products
Sinopec Overseas Investment Holding Limited	Wholly-owned subsidiary	4,942 Million USD	100	40,798	34,253	355	Overseas investment and equity holding management
Sinopec Catalyst Company Limited	Wholly-owned subsidiary	1,500	100	14,806	8,053	10,902	Production and sale of catalyst products
China Petrochemical International Company Limited	Wholly-owned subsidiary	1,400	100	21,497	5,902	30,169	Trading of petrochemical products
Sinopec Beihai Refining and Chemical Limited Liability Company	Controlled subsidiary	5,294	98.98	16,770	13,913	30,096	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products
Sinopec Qingdao Refining and Chemical Company Limited	Controlled subsidiary	5,153	85	21,730	14,780	60,054	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Hainan Refining and Chemical Company Limited	Wholly-owned subsidiary	9,606	100	47,906	20,925	75,610	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Marketing Co., Limited	Controlled subsidiary	28,403	70.43	533,496	256,701	1,501,994	Marketing of refined oil products
Sinopec-SK (Wuhan) Petrochemical Company Limited	Controlled subsidiary	7,193	59	20,778	6,336	48,791	Production, sale, research and development of petroleum, petrochemical and ethylene products and downstream by-products
Sinopec Kantons Holdings Limited	Controlled subsidiary	248 Million HKD	60.33	15,261	14,948	603	Provision of crude oil jetty and natural gas pipeline transportation services
Sinopec Shanghai Gaoqiao Petroleum and Chemical Limited	Controlled subsidiary	10,000	55	30,379	21,598	47,182	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Shanghai Petrochemical Company Limited	Controlled subsidiary	10,543	51.81	39,882	23,234	75,563	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products
Fujian Petrochemical Company Limited	Controlled subsidiary	10,492	50	8,992	7,966	4,865	Manufacturing of plastics, intermediate petrochemical products and petroleum products
Sinopec Hunan Petrochemical Co., Ltd.	Controlled subsidiary	7,333	74.69	35,482	14,697	49,096	Crude oil processing and petroleum products manufacturing

Note 1: In 2025, all above subsidiaries are audited by KPMG Huazhen LLP or KPMG.

Note 2: The above total assets and net profit have been prepared in accordance with CASs. Except for Sinopec Kantons Holdings Limited and Sinopec Overseas Investment Holdings Ltd., which are incorporated in Bermuda and Hong Kong SAR, respectively, all of the above wholly-owned and controlled subsidiaries are incorporated in the PRC. All of the above wholly-owned and controlling subsidiaries are limited liability companies except for Sinopec Shanghai Petrochemical Company Limited, Sinopec Marketing Co., Limited and Sinopec Kantons Holdings Limited. The Board of Directors is of the view that it would be redundant to disclose the particulars of all subsidiaries of Sinopec Corp. and, therefore, only those which have material impact on the results or assets of Sinopec Corp. are set out above.



KPMG Huazhen LLP  
8th Floor, KPMG Tower  
Oriental Plaza  
1 East Chang An Avenue  
Beijing 100738  
China  
Telephone +86 (10) 8508 5000  
Fax +86 (10) 8518 5111  
Internet kpmg.com/cn

畢馬威華振會計師事務所  
(特殊普通合伙)  
中國北京  
東長安街1號  
東方廣場畢馬威大樓8層  
郵政編碼：100738  
電話 +86 (10) 8508 5000  
傳真 +86 (10) 8518 5111  
網址 kpmg.com/cn

**AUDITOR'S REPORT**

畢馬威華振審字第2603847號

**The Shareholders of China Petroleum & Chemical Corporation:**

**OPINION**

We have audited the accompanying financial statements of China Petroleum & Chemical Corporation (“the Company”), which comprise the consolidated and company balance sheets as at 31 December 2025, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2025, and the consolidated and company financial performance and cash flows of the Company for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

**BASIS FOR OPINION**

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independence Standards for Chinese Certified Public Accountants No. 1 – Independence Requirements for Audit and Review Engagements, as applicable to audits of financial statements of public interest entities and the China Code of Ethics for Certified Public Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**KEY AUDIT MATTERS**

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

**Assessment of impairment of fixed assets relating to oil and gas producing activities**

*Refer to Note 3 (8) Oil and gas properties, (12) Impairment of other non-financial long-term assets, Note 14 Fixed assets, and Note 60 Principal accounting estimates and judgements to the financial statements*

**The Key Audit Matter**

The Company reported fixed assets of Renminbi (“RMB”) 770,264 million as at 31 December 2025, a portion of which related to oil and gas producing activities. The Company reported impairment losses of RMB1,206 million for the fixed assets relating to oil and gas producing activities for the year ended 31 December 2025.

The Company groups fixed assets relating to oil and gas producing activities into cash-generating units (“CGUs”) for impairment assessment. The Company compares the carrying amount of individual CGU with its value in use, using a discounted cash flow forecast, which was prepared based on the future production profiles included in the oil and gas reserves reports, to determine the impairment loss to be recognised.

We identified assessment of impairment of fixed assets relating to oil and gas producing activities as a key audit matter. The value in use amounts of these CGUs are sensitive to the changes to future selling prices and production costs for crude oil and natural gas, future production profiles, and discount rates. Therefore a higher degree of subjective management judgment was required to evaluate the Company’s impairment assessment of fixed assets relating to oil and gas producing activities.

**How the matter was addressed in our audit**

The following are the primary procedures we performed to address this key audit matter:

- we evaluated the design and tested the operating effectiveness of certain internal controls related to the process for impairment assessment of fixed assets relating to oil and gas producing activities;
- we assessed the competence, capabilities and objectivity of the Company’s reserves specialists and evaluated the methodology adopted by them in estimating the oil and gas reserves against the recognised industry standards;
- we compared future selling prices for crude oil and natural gas used in the discounted cash flow forecasts with the Company’s business plans and forecasts by external analysts;
- we compared future production costs and future production profiles used in the discounted cash flow forecasts with oil and gas reserves reports issued by the reserves specialists; and
- we involved valuation professionals with specialised skills and knowledge, who assisted in assessing the discount rates applied in the discounted cash flow forecasts against a discount rate range that was independently developed using publicly available market data for comparable companies in the same industry.



## OTHER INFORMATION

The Company's management is responsible for the other information. The other information comprises all the information included in 2025 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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



**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS** *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

**KPMG Huazhen LLP**  
Beijing, China

Certified Public Accountants  
Registered in the People's  
Republic of China

Yang Jie (Engagement Partner)

He Shu

20 March 2026

# (A) FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES CONSOLIDATED BALANCE SHEET

As at 31 December 2025

	Notes	At 31 December 2025 RMB million	At 31 December 2024 RMB million
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand	5	152,318	146,799
Financial assets held for trading		4	4
Derivative financial assets	6	1,362	2,554
Accounts receivable	7	51,172	44,333
Receivables financing	8	5,340	2,613
Prepayments	9	5,057	6,429
Other receivables	10	38,011	32,123
Inventories	11	230,811	256,595
Other current assets		38,666	33,065
<b>Total current assets</b>		<b>522,741</b>	<b>524,515</b>
<b>Non-current assets</b>			
Long-term equity investments	12	252,114	246,819
Other equity instrument investments	13	7,156	416
Fixed assets	14	770,264	717,105
Construction in progress	15	195,196	208,747
Right-of-use assets	16	164,188	164,342
Intangible assets	17	148,260	137,983
Goodwill	18	5,476	6,493
Long-term deferred expenses	19	12,539	12,131
Deferred tax assets	20	20,082	18,777
Other non-current assets	21	57,601	47,443
<b>Total non-current assets</b>		<b>1,632,876</b>	<b>1,560,256</b>
<b>Total assets</b>		<b>2,155,617</b>	<b>2,084,771</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term loans	23	29,455	48,231
Derivative financial liabilities	6	5,676	3,412
Bills payable	24	66,457	47,740
Accounts payable	25	197,002	208,857
Contract liabilities	26	126,395	127,697
Employee benefits payable	27	11,509	14,167
Taxes payable	28	35,296	38,497
Other payables	29	99,619	98,467
Non-current liabilities due within one year	30	110,557	64,602
Other current liabilities	31	16,587	21,567
<b>Total current liabilities</b>		<b>698,553</b>	<b>673,237</b>
<b>Non-current liabilities</b>			
Long-term loans	32	182,968	184,934
Debentures payable	33	52,296	25,562
Lease liabilities	34	157,407	154,904
Provisions	35	51,086	49,668
Deferred tax liabilities	20	6,401	7,324
Other non-current liabilities	36	17,134	12,849
<b>Total non-current liabilities</b>		<b>467,292</b>	<b>435,241</b>
<b>Total liabilities</b>		<b>1,165,845</b>	<b>1,108,478</b>
<b>Shareholders' equity</b>			
Share capital	37	120,926	121,282
Capital reserve	38	124,818	125,368
Less: treasury shares		-	1
Other comprehensive income	39	6,726	(987)
Specific reserve	40	2,073	2,549
Surplus reserves	41	231,226	227,663
Retained earnings		344,555	344,048
<b>Total equity attributable to shareholders of the Company</b>		<b>830,324</b>	<b>819,922</b>
<b>Non-controlling interests</b>		<b>159,448</b>	<b>156,371</b>
<b>Total shareholders' equity</b>		<b>989,772</b>	<b>976,293</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,155,617</b>	<b>2,084,771</b>

These financial statements have been approved for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# BALANCE SHEET

As at 31 December 2025

	Notes	At 31 December 2025 RMB million	At 31 December 2024 RMB million
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand		24,271	30,024
Financial assets held for trading		4	4
Derivative financial assets		2	72
Accounts receivable	7	25,584	22,239
Receivables financing		3,807	1,074
Prepayments	9	1,333	2,423
Other receivables	10	66,067	49,654
Inventories		46,055	67,751
Other current assets		25,503	40,075
<b>Total current assets</b>		<b>192,626</b>	<b>213,316</b>
<b>Non-current assets</b>			
Long-term equity investments	12	480,867	440,565
Other equity instrument investments		16	15
Fixed assets	14	299,396	310,814
Construction in progress	15	83,466	85,166
Right-of-use assets	16	83,621	77,896
Intangible assets		7,769	8,265
Long-term deferred expenses		2,537	4,259
Deferred tax assets		3,397	5,601
Other non-current assets		70,700	54,867
<b>Total non-current assets</b>		<b>1,031,769</b>	<b>987,448</b>
<b>Total assets</b>		<b>1,224,395</b>	<b>1,200,764</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term loans		4,330	38,966
Derivative financial liabilities		1	148
Bills payable		7,848	5,081
Accounts payable		54,107	72,883
Contract liabilities		7,381	9,832
Employee benefits payable		5,764	8,152
Taxes payable		15,061	19,161
Other payables		253,367	236,548
Non-current liabilities due within one year		77,718	32,710
Other current liabilities		717	964
<b>Total current liabilities</b>		<b>426,294</b>	<b>424,445</b>
<b>Non-current liabilities</b>			
Long-term loans		88,855	104,050
Debentures payable		48,768	21,989
Lease liabilities		87,086	80,887
Provisions		41,946	41,102
Other non-current liabilities		1,380	1,660
<b>Total non-current liabilities</b>		<b>268,035</b>	<b>249,688</b>
<b>Total liabilities</b>		<b>694,329</b>	<b>674,133</b>
<b>Shareholders' equity</b>			
Share capital		120,926	121,282
Capital reserve		65,801	69,181
Less: treasury shares		-	1
Other comprehensive income		244	365
Specific reserve		1,386	1,624
Surplus reserves		231,226	227,663
Retained earnings		110,483	106,517
<b>Total shareholders' equity</b>		<b>530,066</b>	<b>526,631</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,224,395</b>	<b>1,200,764</b>

These financial statements have been approved for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

	Notes	2025 RMB million	2024 RMB million
<b>Operating income</b>	42	<b>2,783,583</b>	<b>3,074,562</b>
Less: Operating costs	42	2,341,383	2,598,935
Taxes and surcharges	43	252,435	267,315
Selling and distribution expenses	46	59,347	61,422
General and administrative expenses	47	55,434	58,021
Research and development expenses	48	15,863	15,215
Financial expenses	44	14,654	11,174
Including: Interest expenses		19,247	18,601
Interest income		5,802	5,935
Exploration expenses, including dry holes	49	11,353	9,375
Add: Other income	50	8,277	12,253
Investment income	51	10,671	15,889
Including: Income from investment in associates and joint ventures		8,376	10,314
Gains/(losses) from changes in fair value	52	63	(4,147)
Credit impairment reversals/(losses)		258	(108)
Impairment losses	53	(12,953)	(6,702)
Asset disposal gains		1,040	1,967
<b>Operating profit</b>		<b>40,470</b>	<b>72,257</b>
Add: Non-operating income	54	6,697	2,226
Less: Non-operating expenses	55	3,983	3,970
<b>Profit before taxation</b>		<b>43,184</b>	<b>70,513</b>
Less: Income tax expense	56	7,934	12,966
<b>Net profit</b>		<b>35,250</b>	<b>57,547</b>
<b>Classification by going concern:</b>			
Net profit from continuing operations		35,250	57,547
Net profit from discontinued operations		–	–
<b>Classification by ownership:</b>			
Shareholders of the Company		31,809	50,313
Non-controlling interests		3,441	7,234
<b>Basic earnings per share (RMB/share)</b>	66	<b>0.262</b>	<b>0.415</b>
<b>Diluted earnings per share (RMB/share)</b>	66	<b>0.262</b>	<b>0.415</b>
<b>Other comprehensive income</b>	39		
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		<b>7,892</b>	<b>(3,003)</b>
Items that will not be reclassified to profit or loss			
Other comprehensive income not reclassifiable to profit or loss		2,291	(6)
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income that can be reclassified to profit or loss under the equity method		7,355	(3,058)
Cash flow hedges		1,077	(1,374)
Foreign currency translation differences		(2,831)	1,435
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		<b>1,595</b>	<b>17</b>
<b>Total other comprehensive income net of tax</b>		<b>9,487</b>	<b>(2,986)</b>
<b>Total comprehensive income</b>		<b>44,737</b>	<b>54,561</b>
<b>Attributable to:</b>			
Shareholders of the Company		39,701	47,310
Non-controlling interests		5,036	7,251

These financial statements have been approved for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# INCOME STATEMENT

For the year ended 31 December 2025

	Notes	2025 RMB million	2024 RMB million
<b>Operating income</b>	42	<b>883,368</b>	<b>1,061,965</b>
Less: Operating costs	42	693,152	850,450
Taxes and surcharges		125,661	146,116
Selling and distribution expenses		1,556	1,718
General and administrative expenses		19,859	22,434
Research and development expenses		13,527	13,457
Financial expenses		12,727	12,531
Including: Interest expenses		15,150	20,545
Interest income		2,450	8,074
Exploration expenses, including dry holes		9,509	8,003
Add: Other income		5,366	6,542
Investment income	51	28,354	37,228
Including: Income from investment in associates and joint ventures		2,425	3,641
Gains/(losses) from changes in fair value		18	(17)
Credit impairment reversals/(losses)		23	(6)
Impairment losses		(8,460)	(4,304)
Asset disposal gains		263	812
<b>Operating profit</b>		<b>32,941</b>	<b>47,511</b>
Add: Non-operating income		4,869	856
Less: Non-operating expenses		2,156	2,262
<b>Profit before taxation</b>		<b>35,654</b>	<b>46,105</b>
Less: Income tax expense		21	810
<b>Net profit</b>		<b>35,633</b>	<b>45,295</b>
<b>Classification by continuity of operations:</b>			
Net profit from continuing operations		35,633	45,295
Net profit from discontinued operations		–	–
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in fair value of other equity instrument investments		1	1
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other comprehensive income that can be reclassified into profit or loss under the equity method		(61)	227
Cash flow hedges		(10)	33
<b>Total other comprehensive income net of tax</b>		<b>(70)</b>	<b>261</b>
<b>Total comprehensive income</b>		<b>35,563</b>	<b>45,556</b>

These financial statements have been approved for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025

	Notes	2025 RMB million	2024 RMB million
<b>Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		3,322,049	3,504,042
Refund of taxes and levies		7,289	7,934
Other cash received relating to operating activities		113,371	127,105
<b>Sub-total of cash inflows</b>		<b>3,442,709</b>	<b>3,639,081</b>
Cash paid for goods and services		(2,691,243)	(2,852,274)
Cash paid to and for employees		(108,609)	(109,030)
Payments of taxes and levies		(318,952)	(339,210)
Other cash paid relating to operating activities		(161,409)	(189,207)
<b>Sub-total of cash outflows</b>		<b>(3,280,213)</b>	<b>(3,489,721)</b>
<b>Net cash flow from operating activities</b>	58(a)	<b>162,496</b>	<b>149,360</b>
<b>Cash flows from investing activities:</b>			
Cash received from disposal of investments		91	475
Cash received from returns on investments		9,503	11,543
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,241	1,864
Net cash received from disposal of subsidiaries and other business units		62	3
Other cash received relating to investing activities	58(d)	78,778	90,760
<b>Sub-total of cash inflows</b>		<b>89,675</b>	<b>104,645</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(133,625)	(139,206)
Cash paid for acquisition of investments		(10,755)	(10,604)
Net cash paid for the acquisition of subsidiaries and other business entities		(17)	-
Other cash paid relating to investing activities	58(e)	(91,750)	(116,075)
<b>Sub-total of cash outflows</b>		<b>(236,147)</b>	<b>(265,885)</b>
<b>Net cash flow used in investing activities</b>		<b>(146,472)</b>	<b>(161,240)</b>
<b>Cash flows from financing activities:</b>			
Cash received from capital contributions		7,702	15,458
Including: Cash received from non-controlling shareholders' capital contributions to subsidiaries		7,702	3,463
Cash received from borrowings	58(g)	417,594	672,450
Other cash received relating to financing activities		112	1,290
<b>Sub-total of cash inflows</b>		<b>425,408</b>	<b>689,198</b>
Cash repayments of borrowings		(386,252)	(628,052)
Cash paid for dividends, profits distribution or interest		(43,299)	(56,164)
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling shareholders		(8,288)	(6,144)
Other cash paid relating to financing activities	58(f)	(21,931)	(24,219)
<b>Sub-total of cash outflows</b>		<b>(451,482)</b>	<b>(708,435)</b>
<b>Net cash flow used in financing activities</b>		<b>(26,074)</b>	<b>(19,237)</b>
<b>Effects of changes in foreign exchange rate</b>		<b>(192)</b>	<b>653</b>
<b>Net decrease in cash and cash equivalents</b>	58(b)	<b>(10,242)</b>	<b>(30,464)</b>
Add: Cash and cash equivalents at the beginning of the year		91,295	121,759
<b>Cash and cash equivalents at the end of the year</b>	58(c)	<b>81,053</b>	<b>91,295</b>

These financial statements have been approved for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# CASH FLOW STATEMENT

For the year ended 31 December 2025

	Notes	2025 RMB million	2024 RMB million
<b>Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		987,712	1,188,366
Refund of taxes and levies		4,728	6,153
Other cash received relating to operating activities		62,533	61,516
<b>Sub-total of cash inflows</b>		<b>1,054,973</b>	<b>1,256,035</b>
Cash paid for goods and services		(672,902)	(852,765)
Cash paid to and for employees		(50,245)	(51,877)
Payments of taxes and levies		(154,744)	(175,336)
Other cash paid relating to operating activities		(127,071)	(120,986)
<b>Sub-total of cash outflows</b>		<b>(1,004,962)</b>	<b>(1,200,964)</b>
<b>Net cash flow from operating activities</b>		<b>50,011</b>	<b>55,071</b>
<b>Cash flows from investing activities:</b>			
Cash received from disposal of investments		22,408	24,062
Cash received from returns on investments		19,208	32,054
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		316	369
Other cash received relating to investing activities		7,614	10,709
<b>Sub-total of cash inflows</b>		<b>49,546</b>	<b>67,194</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(68,130)	(66,072)
Cash paid for acquisition of investments		(24,330)	(31,154)
Other cash paid relating to investing activities		(25,435)	(51,332)
<b>Sub-total of cash outflows</b>		<b>(117,895)</b>	<b>(148,558)</b>
<b>Net cash flow used in investing activities</b>		<b>(68,349)</b>	<b>(81,364)</b>
<b>Cash flows from financing activities:</b>			
Cash received from capital contributions		–	11,995
Cash received from borrowings		140,163	166,580
Other cash received relating to financing activities		315,686	279,937
<b>Sub-total of cash inflows</b>		<b>455,849</b>	<b>458,512</b>
Cash repayments of borrowings		(118,372)	(137,205)
Cash paid for dividends or interest		(35,228)	(50,046)
Other cash paid relating to financing activities		(301,454)	(281,905)
<b>Sub-total of cash outflows</b>		<b>(455,054)</b>	<b>(469,156)</b>
<b>Net cash flow generated from/(used in) financing activities</b>		<b>795</b>	<b>(10,644)</b>
<b>Effects of changes in foreign exchange rate</b>		<b>(13)</b>	<b>(14)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(17,556)</b>	<b>(36,951)</b>
Add: Cash and cash equivalents at the beginning of the year		27,520	64,471
<b>Cash and cash equivalents at the end of the year</b>		<b>9,964</b>	<b>27,520</b>

These financial statements have been approved for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total shareholders' equity of the Company	Non-controlling interests	Total shareholders' equity
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2024	119,349	117,273	-	3,060	2,597	223,134	340,381	805,794	152,861	958,655
Change for the year										
1. Net profit	-	-	-	-	-	-	50,313	50,313	7,234	57,547
2. Other comprehensive income (Note 39)	-	-	-	(3,003)	-	-	-	(3,003)	17	(2,986)
Total comprehensive income	-	-	-	(3,003)	-	-	50,313	47,310	7,251	54,561
Amounts transferred to initial carrying amount of hedged items	-	-	-	(1,029)	-	-	-	(1,029)	91	(938)
Transactions with owners, recorded directly in shareholders' equity:										
3. Shareholders' increase and decrease of capital:										
-Common shares invested by shareholders (Note 37)	2,391	9,597	-	-	-	-	-	11,988	-	11,988
-Purchase of own shares (Note 37)	-	-	(2,131)	-	-	-	-	(2,131)	-	(2,131)
-Cancellation of repurchased own shares (Note 37)	(458)	(1,672)	2,130	-	-	-	-	-	-	-
4. Appropriations of profits:										
-Appropriations for surplus reserves (Note 41)	-	-	-	-	-	4,529	(4,529)	-	-	-
-Distributions to shareholders (Note 57)	-	-	-	-	-	-	(42,108)	(42,108)	-	(42,108)
5. Contributions to subsidiaries from non-controlling interests	-	970	-	-	-	-	-	970	1,266	2,236
6. Transaction with non-controlling interests	-	(1,078)	-	-	-	-	-	(1,078)	1,180	102
7. Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(6,024)	(6,024)
Total transactions with owners, recorded directly in shareholders' equity	1,933	7,817	(1)	-	-	4,529	(46,637)	(32,359)	(3,578)	(35,937)
8. Net increase in specific reserve for the year	-	-	-	-	(48)	-	-	(48)	1	(47)
9. Transfer of other comprehensive income to retained earnings	-	-	-	(15)	-	-	15	-	-	-
10. Other equity movements under the equity method	-	(68)	-	-	-	-	-	(68)	(10)	(78)
11. Others	-	346	-	-	-	-	(24)	322	(245)	77
<b>Balance at 31 December 2024</b>	<b>121,282</b>	<b>125,368</b>	<b>(1)</b>	<b>(987)</b>	<b>2,549</b>	<b>227,663</b>	<b>344,048</b>	<b>819,922</b>	<b>156,371</b>	<b>976,293</b>
Balance at 1 January 2025	121,282	125,368	(1)	(987)	2,549	227,663	344,048	819,922	156,371	976,293
Change for the year										
1. Net profit	-	-	-	-	-	-	31,809	31,809	3,441	35,250
2. Other comprehensive income (Note 39)	-	-	-	7,892	-	-	-	7,892	1,595	9,487
Total comprehensive income	-	-	-	7,892	-	-	31,809	39,701	5,036	44,737
Amounts transferred to initial carrying amount of hedged items	-	-	-	(179)	-	-	-	(179)	(28)	(207)
Transactions with owners, recorded directly in shareholders' equity:										
3. Shareholders' increase and decrease of capital:										
-Purchase of own shares (Note 37)	-	-	(1,554)	-	-	-	-	(1,554)	-	(1,554)
-Cancellation of repurchased own shares (Note 37)	(356)	(1,199)	1,555	-	-	-	-	-	-	-
4. Appropriations of profits:										
-Appropriation of surplus reserve (Note 41)	-	-	-	-	-	3,563	(3,563)	-	-	-
-Distributions to shareholders (Note 57)	-	-	-	-	-	-	(27,636)	(27,636)	-	(27,636)
5. Contributions and reduction to subsidiaries from non-controlling interests	-	877	-	-	-	-	-	877	7,109	7,986
6. Transaction with non-controlling interests	-	(25)	-	-	-	-	-	(25)	(62)	(87)
7. Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(8,661)	(8,661)
Total transactions with owners, recorded directly in shareholders' equity	(356)	(347)	1	-	-	3,563	(31,199)	(28,338)	(1,614)	(29,952)
8. Net increase in specific reserve for the year	-	-	-	-	(476)	-	-	(476)	(111)	(587)
9. Other equity movements under the equity method	-	(329)	-	-	-	-	-	(329)	4	(325)
10. Others	-	126	-	-	-	-	(103)	23	(210)	(187)
<b>Balance at 31 December 2025</b>	<b>120,926</b>	<b>124,818</b>	<b>-</b>	<b>6,726</b>	<b>2,073</b>	<b>231,226</b>	<b>344,555</b>	<b>830,324</b>	<b>159,448</b>	<b>989,772</b>

These financial statements have been approved for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital RMB million	Capital reserve RMB million	Less: Treasury shares RMB million	Other comprehensive income RMB million	Specific reserve RMB million	Surplus reserves RMB million	Retained earnings RMB million	Total shareholders' equity RMB million
Balance at 1 January 2024	119,349	61,814	-	700	1,673	223,134	107,879	514,549
Change for the year								
1. Net profit	-	-	-	-	-	-	45,295	45,295
2. Other comprehensive income	-	-	-	261	-	-	-	261
Total comprehensive income	-	-	-	261	-	-	45,295	45,556
Amounts transferred to initial carrying amount of hedged items	-	-	-	(596)	-	-	-	(596)
Transactions with owners, recorded directly in shareholders' equity:								
3. Shareholders' increase and decrease of capital:								
— Common shares invested by shareholders (Note 37)	2,391	9,597	-	-	-	-	-	11,988
— Purchase of own shares (Note 37)	-	-	(2,131)	-	-	-	-	(2,131)
— Cancellation of repurchased own shares (Note 37)	(458)	(1,672)	2,130	-	-	-	-	-
4. Appropriations of profits:								
— Appropriations for surplus reserves (Note 41)	-	-	-	-	-	4,529	(4,529)	-
— Distributions to shareholders (Note 57)	-	-	-	-	-	-	(42,108)	(42,108)
Total transactions with owners, recorded directly in shareholders' equity	1,933	7,925	(1)	-	-	4,529	(46,637)	(32,251)
5. Net increase in specific reserve for the year	-	-	-	-	(49)	-	-	(49)
6. Other equity movements under the equity method	-	43	-	-	-	-	-	43
7. Others	-	(601)	-	-	-	-	(20)	(621)
<b>Balance at 31 December 2024</b>	<b>121,282</b>	<b>69,181</b>	<b>(1)</b>	<b>365</b>	<b>1,624</b>	<b>227,663</b>	<b>106,517</b>	<b>526,631</b>
Balance at 1 January 2025	121,282	69,181	(1)	365	1,624	227,663	106,517	526,631
Change for the year								
1. Net profit	-	-	-	-	-	-	35,633	35,633
2. Other comprehensive income	-	-	-	(70)	-	-	-	(70)
Total comprehensive income	-	-	-	(70)	-	-	35,633	35,563
Amounts transferred to initial carrying amount of hedged items	-	-	-	(51)	-	-	-	(51)
Transactions with owners, recorded directly in shareholders' equity:								
3. Shareholders' increase and decrease of capital:								
— Purchase of own shares (Note 37)	-	-	(1,554)	-	-	-	-	(1,554)
— Cancellation of repurchased own shares (Note 37)	(356)	(1,199)	1,555	-	-	-	-	-
4. Appropriations of profits:								
— Appropriation of surplus reserve (Note 41)	-	-	-	-	-	3,563	(3,563)	-
— Distributions to shareholders (Note 57)	-	-	-	-	-	-	(27,636)	(27,636)
Total transactions with owners, recorded directly in shareholders' equity	(356)	(1,199)	1	-	-	3,563	(31,199)	(29,190)
5. Net increase in specific reserve for the year	-	-	-	-	(238)	-	-	(238)
6. Other equity movements under the equity method	-	(149)	-	-	-	-	-	(149)
7. Others	-	(2,032)	-	-	-	-	(468)	(2,500)
<b>Balance at 31 December 2025</b>	<b>120,926</b>	<b>65,801</b>	<b>-</b>	<b>244</b>	<b>1,386</b>	<b>231,226</b>	<b>110,483</b>	<b>530,066</b>

These financial statements have been approved for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The accompanying notes form part of these financial statements.

**1 STATUS OF THE COMPANY**

China Petroleum & Chemical Corporation (the “Company”) was established on 25 February 2000 as a joint stock limited company. The company is registered in Beijing, the People’s Republic of China, and the headquarter is located in Beijing, the People’s Republic of China. The approval date of the financial report is 20 March 2026.

According to the State Council’s approval to the “Preliminary Plan for the Reorganisation of China Petrochemical Corporation” (the “Reorganisation”), the Company was established by China Petrochemical Corporation, which transferred its core businesses together with the related assets and liabilities at 30 September 1999 to the Company. Such assets and liabilities had been valued jointly by China United Assets Appraisal Corporation, Beijing Zhong Zheng Appraisal Company, CIECC Assets Appraisal Corporation and Zhong Fa International Properties Valuation Corporation. The net asset value was determined at RMB98,249,084,000. The valuation was reviewed and approved by the Ministry of Finance (the “MOF”) (Cai Ping Zi [2000] No. 20 “Comments on the Review of the Valuation Regarding the Formation of a Joint Stock Limited Company by China Petrochemical Corporation”).

In addition, pursuant to the notice Cai Guan Zi [2000] No. 34 “Reply to the Issue Regarding Management of State-Owned Equity by China Petroleum and Chemical Corporation” issued by the MOF, 68.8 billion domestic state-owned shares with a par value of RMB1.00 each were issued to Sinopec Group Company, the amount of which is equivalent to 70% of the above net asset value transferred from Sinopec Group Company to the Company in connection with the reorganisation.

Pursuant to the notice Guo Jing Mao Qi Gai [2000] No. 154 “Reply on the Formation of China Petroleum and Chemical Corporation”, the Company obtained the approval from the State Economic and Trade Commission on 21 February 2000 for the formation of a joint stock limited company.

The Company took over the exploration, development and production of crude oil and natural gas, refining, chemicals and related sales and marketing business of Sinopec Group Company after the establishment of the Company.

The Company and its subsidiaries (the “Group”) engage in the oil and gas and chemical operations and businesses, including:

- (1) the exploration, development and production of crude oil and natural gas;
- (2) the refining, transportation, storage and marketing of crude oil and petroleum product; and
- (3) the production and sale of chemical.

Details of the Company’s principal subsidiaries are set out in Note 61.

**2 BASIS OF PREPARATION****(1) Statement of compliance of China Accounting Standards for Business Enterprises (“CASs”)**

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standards, specific standards and relevant regulations (hereafter referred as CASs collectively) issued by the MOF on or after 15 February 2006. These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports” revised in 2023 by the China Securities Regulatory Commission (“CSRC”). These financial statements present truly and completely the consolidated and company financial position as at 31 December 2025, and the consolidated and company financial performance and the consolidated and company cash flows for the year ended 31 December 2025.

These financial statements are prepared on a basis of going concern.

**(2) Accounting period**

The accounting year of the Group is from 1 January to 31 December.

**(3) Measurement basis**

The financial statements of the Group have been prepared under the historical cost convention, except for the assets and liabilities set out below:

- Financial assets held for trading (see Note 3(11))
- Other equity instrument investments (see Note 3(11))
- Derivative financial instruments (see Note 3(11))
- Receivables financing (see Note 3(11))

**(4) Functional currency and presentation currency**

The functional currency of the Company’s and most of its subsidiaries are Renminbi. The Company and its subsidiaries determine their functional currency according to the main economic environment in where they operate. The Group’s consolidated financial statements are presented in Renminbi. Some of subsidiaries use other currency as the functional currency. The Company translates the financial statements of subsidiaries from their respective functional currencies into Renminbi (see Note 3(2)) if the subsidiaries’ functional currencies are not Renminbi.

2 BASIS OF PREPARATION (Continued)

(5) Materiality criteria: Determination method and selection basis

Item	Materiality criteria
Principal joint ventures and associates	The carrying amount of long-term equity investments $\geq$ RMB4,000 million
Principal construction in progress	The carrying amount of construction in progress $\geq$ RMB4,000 million
Goodwill	The carrying amount of goodwill $\geq$ RMB4,000 million
Principal non-wholly-owned subsidiary	The amount of non-controlling interests $\geq$ RMB4,000 million

3 MATERIAL ACCOUNTING POLICIES

The Group determines specific accounting policies and accounting estimates based on the characteristics of production and operational activities, mainly reflected in the accounting for allowance for financial assets (Note 3(11)), valuation of inventories (Note 3(4)), depreciation of fixed assets and depletion of oil and gas properties (Notes 3(7), (8)), measurement of provisions (Note 3(16)), etc.

Principal accounting estimates and judgements of the Group are set out in Note 60.

(1) Accounting treatment of business combination involving entities under common control and not under common control

(a) Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities that the acquirer receives in the acquisition are accounted for at the acquiree's carrying amount on the acquisition date. The difference between the carrying amount of the acquired net assets and the carrying amount of the consideration paid for the acquisition (or the total nominal value of shares issued) is recognised in the share premium of capital reserve, or the retained earnings in case of any shortfall in the share premium of capital reserve. Any costs directly attributable to the combination shall be recognised in profit or loss for the current period when occurred. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

(b) Business combination involving entities not under common control

A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. Difference between the consideration paid by the Group as the acquirer, comprises of the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree, and the Group's interest in the fair value of the identifiable net assets of the acquiree, is recognised as goodwill (Note 3(10)) if it is an excess, otherwise in the profit or loss. The expense incurred for equity securities and debt securities issued as the consideration of the combination is recognised in the initial cost of the securities. Any other expense directly attributable to the business combination is recognised in the profit or loss for the year. The difference between the fair value and the book value of the assets given is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

(c) Criteria for determining control and method for the preparation of consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control means an entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where the Company combines a subsidiary during the reporting period through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts in the subsidiary's financial statements, from the date that common control was established.

Where the Company acquires a subsidiary during the reporting year through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Company acquired a non-controlling interest from a subsidiary's non-controlling shareholders, the difference between the investment cost and the newly acquired interest into the subsidiary's identifiable net assets at the acquisition date is adjusted to the capital reserve (capital surplus) in the consolidated balance sheet. Where the Company partially disposed an investment of a subsidiary that do not result in a loss of control, the difference between the proceeds and the corresponding share of the interest into the subsidiary is adjusted to the capital reserve (capital surplus) in the consolidated balance sheet. If the credit balance of capital reserve (capital surplus) is insufficient, any excess is adjusted to the share premium of capital reserve, or the retained earnings.

**3 MATERIAL ACCOUNTING POLICIES** (Continued)**(1) Accounting treatment of business combination involving entities under common control and not under common control** (Continued)**(c) Criteria for determining control and method for the preparation of consolidated financial statements** (Continued)

In a business combination involving entities not under common control achieved in stages, the Group remeasures its previously held equity interest in the acquiree on the acquisition date. The difference between the fair value and the net book value is recognised as investment income for the year. If other comprehensive income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

Where control of a subsidiary is lost due to partial disposal of the equity investment held in a subsidiary, or any other reasons, the Group derecognises assets, liabilities, non-controlling interests and other equity items related to the subsidiary. The remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the fair value of the Group's previous share of the subsidiary's identifiable net assets recorded from the acquisition date, is recognised in investment income in the period in which control is lost. Other comprehensive income related to the previous equity investment in the subsidiary, is transferred to investment income when control is lost. Other comprehensive income related to the equity investment of the original subsidiary shall be converted into the current investment income in the event of loss of control.

Non-controlling interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item.

The excess of the loss attributable to the non-controlling interests during the period over the non-controlling interests' share of the equity at the beginning of the reporting period is deducted from non-controlling interests.

Where the accounting policies and accounting period adopted by the subsidiaries are different from those adopted by the Company, adjustments are made to the subsidiaries' financial statements according to the Company's accounting policies and accounting period. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The unrealised profit or loss arising from the sale of assets by the Company to its subsidiaries is eliminated in full against the net profit attributed to shareholders; the unrealised profit or loss from the sale of assets by subsidiaries to the Company is eliminated according to the distribution ratio between shareholders of the parent company and non-controlling interests. For sale of assets that occurred between subsidiaries, the unrealised gains and losses is eliminated according to the distribution ratio for its subsidiaries seller between net profit attributable to shareholders of the parent company and non-controlling interests.

**(2) Transactions in foreign currencies and translation of financial statements in foreign currencies**

Foreign currency transactions are, on initial recognition, translated into Renminbi at the spot exchange rates quoted by the People's Bank of China ("PBOC rates") at the transaction dates.

Foreign currency monetary items are translated at the PBOC rates at the balance sheet date. Exchange differences, except for those directly related to the acquisition, construction or production of qualified assets, are recognised as income or expenses in the income statement. Non-monetary items denominated in foreign currency measured at historical cost are not translated. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. The difference between the translated amount and the original currency amount is recognised as other comprehensive income, if it is classified as other equity instrument investments; or charged to the income statement if it is measured at fair value through profit or loss.

The assets and liabilities of foreign operation are translated into Renminbi at the spot exchange rates at the balance sheet date. The equity items, excluding "Retained earnings", are translated into Renminbi at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated into Renminbi at the spot exchange rates or an exchange rate that approximates the spot exchange rates on the transaction dates. The resulting exchange differences are separately presented as other comprehensive income in the balance sheet within equity. Upon disposal of a foreign operation, the cumulative amount of the exchange differences recognised in which relate to that foreign operation is transferred to profit or loss in the year in which the disposal occurs.

**3 MATERIAL ACCOUNTING POLICIES** *(Continued)***(3) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, short-term and highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

**(4) Inventories****(a) Inventories categories**

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets. Reusable materials are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

Inventories are initially measured at cost. Cost includes the cost of purchase and processing, and other expenditures incurred in bringing the inventories to their present location and condition. The cost of inventories is mainly calculated using the weighted average method. In addition to the cost of purchase of raw material, work in progress and finished goods include direct labour and an appropriate allocation of manufacturing overhead costs.

**(b) Criteria for recognition and method of provision for diminution in value of inventories**

At the balance sheet date, inventories are stated at the lower of cost and net realisable value.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories and included in the current period profit and loss. Net realisable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities held by the Group are more than the quantities of inventories specified in sales contracts, the net realisable value of the excess portion of inventories is measured based on general selling prices.

**(c) Inventory system**

Inventories are recorded by perpetual method.

**(5) Long-term equity investments****(a) Investment in subsidiaries**

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profits distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. Investments in subsidiaries are stated at cost less impairment losses (see Note 3(12)) in the balance sheet. At initial recognition, such investments are measured as follows:

The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to the share premium of capital reserve, or the retained earnings.

For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair values of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control, if it is achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual purchase cost if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by investors.

**3 MATERIAL ACCOUNTING POLICIES** (Continued)**(5) Long-term equity investments** (Continued)**(b) Investment in joint ventures and associates**

A joint venture is an incorporated entity over which the Group, based on legal form, contractual terms and other facts and circumstances, has joint control with the other parties to the joint venture and rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and the parties sharing control.

An associate is the investee that the Group has significant influence on their financial and operating policies. Significant influence represents the right to participate in the financial and operating policy decisions of the investee but is not control or joint control over the establishment of these policies. The Group generally considers the following circumstances in determining whether it can exercise significant influence over the investee: whether there is representative appointed to the board of directors or equivalent governing body of the investee; whether to participate in the investee's policy-making process; whether there are significant transactions with the investees; whether there is management personnel sent to the investee; whether to provide critical technical information to the investee.

An investment in a joint ventures or an associate is accounted for using the equity method, unless the investment is classified as held for sale.

The initial cost of investment in joint ventures and associates is stated at the consideration paid except for cash dividends or profits distributions declared but unpaid at the time of acquisition and therefore included in the consideration paid should be deducted if the investment is made in cash. Under the circumstances that the long-term investment is obtained through non-monetary asset exchange, the initial cost of the investment is stated at the fair value of the assets exchanged if the transaction has commercial substance, the difference between the fair value of the assets exchanged and its carrying amount is charged to profit or loss; or stated at the carrying amount of the assets exchanged if the transaction lacks commercial substance.

The Group's accounting treatments when adopting the equity method include:

Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

After the acquisition of the investment, the Group recognises its share of the investee's net profits or losses and other comprehensive income as investment income or losses and other comprehensive income, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profits distributions, the carrying amount of the investment is reduced by that attributable to the Group.

The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's net identifiable assets at the time of acquisition. Under the equity accounting method, unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are fully recognised in the event that there is an evidence of impairment.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Group's net investment in the associate or the joint venture is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. However, if the Group has incurred obligations for additional losses and the conditions on recognition of provision are satisfied in accordance with the accounting standard on contingencies, the Group continues recognising the investment losses and the provision. Where net profits are subsequently made by the associate or joint venture, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses and other comprehensive income, and recognises the corresponding adjustment in capital reserve.

**(c) The impairment assessment method and provision accrual on investment**

The impairment assessment and provision accrual on investments in subsidiaries, associates and joint ventures are stated in Note 3(12).

3 MATERIAL ACCOUNTING POLICIES (Continued)

(6) Leases

A lease is a contract that a lessor transfers the right to use an identified asset for a period of time to a lessee in exchange for consideration.

(a) As Lessee

The Group recognises a right-of-use asset at the commencement date, and recognises the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the Group exercising that option, etc. Variable payments that are based on a percentage of sales are not included in the lease payments, and should be recognised in profit or loss when incurred. Lease liabilities to be paid within one year (including one year) from balance sheet date is presented in non-current liabilities due within one year.

Right-of-use assets of the Group mainly comprise land. Right-of-use assets are measured at cost which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, less any lease incentives received. The Group depreciates the right-of-use assets over the shorter of the asset's useful life and the lease term on a straight-line basis. When the recoverable amount of a right-of-use asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Payments associated with short-term leases with lease terms within 12 months and leases for which the underlying assets are individually of low value when it is new (the individual lease asset has a relatively low value when brand new) are recognised on a straight-line basis over the lease term as an expense in profit or loss or as cost of relevant assets, instead of recognising right-of-use assets and lease liabilities.

(b) As Lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

When the Group leases self-owned plants and buildings, equipment and machinery, lease income from an operating lease is recognised on a straight-line basis over the period of the lease. The Group recognises variable lease income which is based on a certain percentage of sales as rental income when occurred.

(7) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group using in the production of goods, rendering of services and for operation and administrative purposes with useful life over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(12)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(12)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note 3(20)), and any other costs directly attributable to bringing the asset to working condition for its intended use. According to legal or contractual obligations, costs of dismantling and removing the items and restoring the site on which the related assets located are included in the initial cost.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use. No depreciation is provided against construction in progress.

The criteria and timing for each type of construction in progress to be transferred to fixed assets are as follows:

Category	Criteria and time point for transfer to fixed assets
Plants and buildings	Asset management relevant departments complete on-site inspection and acceptance with conditions for use.
Equipment, machinery and others	(1) A single set of equipment can be put into operation separately and produce qualified products independently of other equipment or processes, and the relevant departments have issued a commissioning report; (2) Combined devices can be successfully commissioned jointly and produce qualified products normally, and the relevant departments will issue a commissioning report; (3) The supporting facilities are completed with the joint device as a whole and reach the point of the intended usable state; (4) The petrol station has completed on-site acceptance by the relevant management department; (5) The petrol filling station has completed on-site acceptance by the relevant departments and passed the relevant special acceptance by the local law enforcement authorities; (6) Fixed assets not required to be installed have passed acceptance by relevant departments; (7) The long-distance pipeline reaches the conditions for oil injection or section oil injection operation, and the relevant management departments of the enterprise complete the on-site acceptance and pass the relevant special acceptance by the local law enforcement departments.

When an enterprise sells products or by-products produced before a fixed asset is available for its intended use, the proceeds and related cost are accounted for in accordance with CAS 14 – Revenue and CAS 1 – Inventories respectively, and recognised in profit or loss for the current period.

**3 MATERIAL ACCOUNTING POLICIES** (Continued)

**(7) Fixed assets and construction in progress** (Continued)

Where the individual component parts of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

The Group terminates the recognition of an item of fixed asset when it is in a state of disposal or it is estimated that it is unable to generate any economic benefits through use or disposal. Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Other than oil and gas properties, the cost of fixed assets less residual value and accumulated impairment losses is depreciated using the straight-line method over their estimated useful lives, unless the fixed asset is classified as held for sale. The estimated useful lives and the estimated rate of residual values adopted for respective classes of fixed assets are as follows:

	Estimated useful life	Estimated rate of residual value
Plants and buildings	12-50 years	3%
Equipment, machinery and others	4-30 years	3%

Useful lives, residual values and depreciation methods are reviewed at least each year end.

**(8) Oil and gas properties**

Oil and gas assets refer to the ownership or control of mining interests and the formation of oil and gas wells and related auxiliary equipment through oil and gas exploration and development activities.

For mining rights and interests, if proven economically recoverable reserves are discovered in the mining area within the year, the expenses incurred in the current period should be capitalized. If no proven economically recoverable reserves are found in the mining area within the year, the expenses incurred in the current period should be temporarily capitalized; When reserves are subsequently discovered, they should be transferred within the oil and gas assets.

For completed exploration wells that have completed exploration tasks, obtained industrial oil and gas flow, and can be economically and effectively included in oil and gas production management, the actual expenses for drilling the well, production costs, and disposal fees determined according to the disposal plan will be converted into oil and gas assets when it is put into production (reaching a usable state), and an estimated liability for oil and gas asset disposal fees will be calculated; Exploration tasks have been completed, and exploration wells that have not obtained industrial oil and gas flow have been identified. If they are economically and effectively utilized for other purposes (co associated resources, injection wells, etc.), the actual expenses and production costs of drilling the well will be converted into corresponding assets when it is put into production (reaching a usable state); Exploration tasks have been completed, and exploration wells that have not obtained industrial oil and gas flow, or exploration wells that have obtained industrial oil and gas flow but do not have the conditions for oil and gas production and cannot be economically and effectively included in oil and gas production management (including other economically and effectively utilized methods), shall be written off. The actual drilling and exploration expenses of the well shall be included in the current period's profit and loss. For unfinished exploration wells, the drilling support of the well shall be listed as under construction within one year after completion; After one year of completion, it is still uncertain whether the well has obtained industrial oil and gas flow. If further exploration activities of the well are already in progress or have clear plans and are about to be implemented, the expenditure of the well will continue to be included in the construction project. Otherwise, the actual expenditure of the well will be recognized in the current profit and loss.

For the development well, if it is determined to obtain industrial oil and gas flow and can be economically and effectively included in oil and gas production management, the actual expenses, production costs, and disposal fees determined according to the disposal plan of the well will be converted into oil and gas assets when it is put into production (reaching a usable state), and an estimated liability for oil and gas asset disposal fees will be calculated.

For auxiliary equipment related to oil and gas assets, they will be converted into oil and gas assets when the project is completed and reaches the predetermined usable state.

The estimation of the future demolition costs of oil and gas assets by our group is based on current industry practices, taking into account expected demolition methods and referring to the estimates of engineers. The relevant demolition costs are discounted to present value based on the pre tax risk-free rate of return and capitalized as part of the value of oil and gas assets, which are subsequently amortized.

The capitalization cost of proven oil and gas assets is amortized based on production and oil and gas reserves using the production method.

3 MATERIAL ACCOUNTING POLICIES (Continued)

(9) Intangible assets

Intangible assets, where the estimated useful life is finite, are stated in the balance sheet at cost less accumulated amortisation and provision for impairment losses (see Note 3(12)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the expected useful lives, unless the intangible assets are classified as held for sale.

The useful life, basis of determination and amortization method of each intangible asset are as follows:

Item	Useful life Basis of determination	Amortization method
Land use rights	Title registration period	Straight-line method
Patents	Expected years of economic benefits	Straight-line method
Non-patented technology	Expected years of economic benefits	Straight-line method
Operating rights	Contractual period	Straight-line method
Others	Expected years of economic benefits	Straight-line method

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the year over which the asset is expected to generate economic benefits for the Group.

Useful lives and amortisation methods are reviewed at least each year end.

For the sales of products or by-products produced during the research and development process, the group shall conduct accounting treatment for the relevant income and costs in accordance with the *Accounting Standards for Business Enterprises No. 14 – Revenue*, *Accounting Standards for Business Enterprises No. 1 – Inventory*, and include in the current profit and loss.

(10) Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer’s interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note 3(12)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

(11) Financial Instruments

Financial instruments, refer to the contracts that form one party’s financial assets and form the financial liabilities or equity instruments of the other party. The Group recognises a financial asset or a financial liability when the Group enters into and becomes a party to the underlining contract of the financial instrument.

(a) Financial assets

(i) Classification and measurement

The Group classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets: (1) financial assets measured at amortised cost, (2) financial assets measured at fair value through other comprehensive income, (3) financial assets measured at fair value through profit or loss. A contractual cash flow characteristic which could have only a de minimis effect, or could have an effect that is more than de minimis but is not genuine, does not affect the classification of the financial asset.

Financial assets are initially recognised at fair value. For financial assets measured at fair value through profit or loss, the relevant transaction costs are recognised in profit or loss. The transaction costs for other financial assets are included in the initially recognised amount. However, accounts receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Group.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following ways:

- Measured at amortised cost:

The business model for managing such financial assets by the Group are held for collection of contractual cash flows. The contractual cash flow characteristics are to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognised using the effective interest rate method. The financial assets include cash at bank and on hand and receivables.

- Measured at fair value through other comprehensive income:

The business model for managing such financial assets by the Group are held for collection of contractual cash flows and for selling the financial assets, the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income calculated using the effective interest rate method, which are recognised in profit or loss. The financial assets include receivables financing.

3 MATERIAL ACCOUNTING POLICIES (Continued)

(11) Financial Instruments (Continued)

(a) Financial assets (Continued)

(i) Classification and measurement (Continued)

Equity instruments

Equity instruments that the Group has no power to control, jointly control or exercise significant influence over, are measured at fair value through profit or loss and presented as financial assets held for trading.

In addition, the Group designates some equity instruments that are not held for trading as financial assets at fair value through other comprehensive income, and presented in other equity instrument investments. The relevant dividends of these financial assets are recognised in profit or loss. When derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred to retained earnings.

(ii) Impairment

• Expected credit losses measurement

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost and receivables financing measured at fair value through other comprehensive income.

The Group measures and recognises expected credit losses, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

The Group measures the expected credit losses of financial instruments on different stages at each balance sheet date. For financial instruments that have no significant increase in credit risk since the initial recognition, on first stage, the Group measures the loss allowance at an amount equal to 12-month expected credit losses. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses.

For financial instruments that have low credit risk at the balance sheet date, the Group assumes that there is no significant increase in credit risk since the initial recognition, and measures the loss allowance at an amount equal to 12-month expected credit losses.

For financial instruments on the first stage and the second stage, and that have low credit risk, the Group calculates interest income according to carrying amount without deducting the impairment allowance and effective interest rate. For financial instruments on the third stage, interest income is calculated according to the carrying amount minus amortised cost after the provision of impairment allowance and effective interest rate.

For accounts receivable and receivables financing arising from ordinary business activities such as sales of goods and rendering of services, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

The Group recognises the loss allowance accrued or written back in profit or loss.

• Allowance for doubtful accounts on receivables

(a) The type of portfolio for which provision for bad debts is made according to the credit risk characteristics and the basis for its determination

Receivables items	Basis of determination
Accounts receivable	Based on the historical experience of the Group, there are significant differences in losses across different operating segments. Therefore the Group estimates the allowance for doubtful accounts of the accounts receivable of each operating segment as a separate portfolio respectively.
Other receivables	The Group's other receivables mainly include security deposits and deposits receivable, receivables from related parties, dividends receivable, etc. Based on their credit risk, the Group estimates the allowance for doubtful accounts of the other receivables for different ages as a separate portfolio respectively.
Receivables financing	The Group's receivables financing consists of bank acceptance bills held for dual purposes. Due to the high credit ratings of the accepting banks, the Group treats all receivables financing as a single portfolio.

(b) According to the criteria for judging the individual provision for bad debts

For accounts receivable, other receivables and receivables financing, the Group usually measures its loss allowance according to the combination of credit risk characteristics. If the credit risk characteristics of a counterparty are significantly different from those of other counterparties in the portfolio, or if the credit risk characteristics of the counterparty change significantly, the amount receivable from the counterparty shall be exposed to provision measurement and/or recognition on a separate basis.

**3 MATERIAL ACCOUNTING POLICIES** (Continued)**(11) Financial Instruments** (Continued)**(a) Financial assets** (Continued)**(iii) Derecognition**

The Group derecognises a financial asset when a) the contractual right to receive cash flows from the financial asset expires; b) the Group transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset; c) the financial assets have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the Group has not retained control.

On derecognition of other equity instrument investments, the difference between the carrying amounts and the sum of the consideration received and any cumulative gain or loss previously recognised in other comprehensive income, is recognised in retained earnings. While on derecognition of other financial assets, this difference is recognised in profit or loss.

**(b) Financial liabilities**

The Group, at initial recognition, classifies financial liabilities as either financial liabilities subsequently measured at amortised cost or financial liabilities at fair value through profit or loss.

The Group's financial liabilities are mainly financial liabilities measured at amortised cost, including bills payable, accounts payable, other payables, loans and debentures payable, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement.

Where the present obligations of financial liabilities are completely or partially discharged, the Group derecognises these financial liabilities or discharged parts of obligations. The differences between the carrying amounts and the consideration received are recognised in profit or loss.

**Financial guarantee liabilities**

Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

**(c) Determination of fair value**

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure fair values. In valuation, the Group adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

**(d) Derivative financial instruments and hedge accounting**

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedge accounting.

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period, to represent the effect of risk management activities.

Hedged items are the items that expose the Group to risks of changes in future cash flows and that are designated as being hedged and that must be reliably measurable. The Group's hedged items include a forecast transaction that is settled with an undetermined future market price and exposes the Group to risk of variability in cash flows, etc.

A hedging instrument is a designated derivative whose changes in cash flows are expected to offset changes in the cash flows of the hedged item.

**3 MATERIAL ACCOUNTING POLICIES** (Continued)**(11) Financial Instruments** (Continued)**(d) Derivative financial instruments and hedge accounting** (Continued)

The hedging relationship meets all of the following hedge effectiveness requirements:

- (1) There is an economic relationship between the hedged item and the hedging instrument, which share a risk and that gives rise to opposite changes in fair value that tend to offset each other.
- (2) The effect of credit risk does not dominate the value changes that result from that economic relationship.
- (3) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

– Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss. As long as a cash flow hedge meets the qualifying criteria for hedge accounting, the hedging relationship shall be accounted for as follows. The cash flow hedge reserve is adjusted to the lower of the following in absolute amounts:

- The cumulative gain or loss on the hedging instrument from inception of the hedge;
- The cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence it does not affect other comprehensive income.

For cash flow hedges, other than those covered by the preceding two policy statements, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the amount that has been accumulated in the cash flow hedge reserve is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the Group immediately reclassify the amount that is not expected to be recovered into profit or loss.

When the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting (ie the entity no longer pursues that risk management objective), or when a hedging instrument expires or is sold, terminated, exercised, or there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and shall be accounted for as cash flow hedges. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur, if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and shall be accounted for as cash flow hedges.

– Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or a portion of such an asset, liability or firm commitment.

The gain or loss from remeasuring the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins.

**3 MATERIAL ACCOUNTING POLICIES** (Continued)**(12) Impairment of other non-financial long-term assets**

Internal and external sources of information are reviewed at each balance sheet date for indications that the following assets, including fixed assets, construction in progress, right-of-use assets, goodwill, intangible assets, long-term deferred expenses and investments in subsidiaries, associates and joint ventures may be impaired.

Assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The recoverable amounts of goodwill and intangible assets with uncertain useful lives are estimated annually no matter there are any indications of impairment. Goodwill is tested for impairment together with related asset units or groups of asset units.

An asset unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets. An asset unit comprises related assets that generate associated cash inflows. In identifying an asset unit, the Group primarily considers whether the asset unit is able to generate cash inflows independently as well as the management style of production and operational activities, and the decision for the use or disposal of asset.

The recoverable amount is the greater of the fair value less costs to sell and the present value of expected future cash flows generated by the asset (or asset unit, set of asset units).

Fair value less costs to sell of an asset is based on its selling price in an arm's length transaction less any direct costs attributable to the disposal. Present value of expected future cash flows is the estimation of future cash flows to be generated from the use of and upon disposal of the asset, discounted at an appropriate pre-tax discount rate over the asset's remaining useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is recognised as an impairment loss in profit or loss. A provision for impairment loss of the asset is recognised accordingly. Impairment losses related to an asset unit or a set of asset units first reduce the carrying amount of any goodwill allocated to the asset unit or set of asset units, and then reduce the carrying amount of the other assets in the asset unit or set of asset units on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

**(13) Long-term deferred expenses**

Long-term deferred expenses are amortised on a straight-line basis over their beneficial periods

**(14) Employee benefits**

Employee benefits are all forms of considerations and compensation given in exchange for services rendered by employees, including short-term compensation, post-employment benefits, termination benefits and other long term employee benefits.

**(a) Short-term compensation**

Short term compensation includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance premiums, work-related injury insurance premium, maternity insurance premium, contributions to housing fund, unions and education fund and short-term absence with payment etc. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the short-term compensation actually incurred as a liability and charge to the cost of an asset or to profit or loss in the same period, and non-monetary benefits are valued with the fair value.

**(b) Post-employment benefits**

The Group classifies post-employment benefits into either Defined Contribution Plan (DC plan) or Defined Benefit Plan (DB plan). DC plan means the Group only contributes a fixed amount to an independent fund and no longer bears other payment obligation; DB plan is post-employment benefits other than DC plan. In this reporting period, the post-employment benefits of the Group primarily comprise basic pension insurance and unemployment insurance and both of them are DC plans.

**Basic pension insurance**

Employees of the Group participate in the social insurance system established and managed by local labor and social security department. The Group makes basic pension insurance to the local social insurance agencies every month, at the applicable benchmarks and rates stipulated by the government for the benefits of its employees. After the employees retire, the local labor and social security department has obligations to pay them the basic pension. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the accrued amount according to the above social security provisions as a liability and charge to the cost of an asset or to profit or loss in the same period.

**(c) Termination benefits**

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognised in profit or loss under the conditions of both the Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly; and the Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

**3 MATERIAL ACCOUNTING POLICIES** (Continued)**(15) Income tax**

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to business combinations and items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reductions are reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the same taxable entity; or
- different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

**(16) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a contingent event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas exploration and development activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest costs, is reflected as an adjustment to the provision of oil and gas properties.

Loss-making contracts exist when the costs of performing contractual obligations inevitably exceed the expected economic benefits in the contracts entered into by the Group. The projected liability for loss-making contracts is calculated at the present value of the lesser of the expected cost of termination and the net cost of continuing to perform the contract. The cost of performing a contract includes the allocation of incremental costs for the performance of the contract and other costs directly related to the performance of the contract.

**(17) Specific reserve**

The Group recognises a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the costs of the related products or expenses.

When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. When the safety fund is subsequently used for the construction or acquisition of fixed assets, the Group recognises the capitalised expenditure incurred as the cost of the fixed assets when the related assets are ready for their intended use. In such cases, the specific reserve is reduced by the amount that corresponds to the cost of the fixed assets and the credit side is recognised in the accumulated depreciation with respect to the related fixed assets. Consequently, such fixed assets are not depreciated in subsequent periods.

**3 MATERIAL ACCOUNTING POLICIES** *(Continued)***(18) Revenue recognition**

Revenue arises in the course of the Group's ordinary activities, and increases in economic benefits in the form of inflows that result in an increase in equity, other than those relating to contributions from equity participants.

The Group sells crude oil, natural gas, petroleum and chemical products, etc. Revenue is recognised according to the expected consideration amount, when a customer obtains control over the relevant goods or services. To determine whether a customer obtains control of a promised asset, the Group shall consider indicators of the transfer of control, which include, but are not limited to:

- the Group has a present right to payment for the asset;
- the Group has transferred physical possession of the asset to the customer;
- the customer has the significant risks and rewards of ownership of the asset;
- the customer has accepted the asset.

The Group determines whether it is a principal or an agent, based on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration which it has received (or which is receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is determined according to the established amount or proportion.

The circumstances in which the Group is able to control the goods before transferring them to customers include:

- The Group acquires control of the goods or other assets from a third party and then transfers them to the customer;
- The Group is able to lead third parties to provide services to customers on behalf of the Group;
- After the Group acquires control of a product from a third party, it transfers the product to a customer by integrating the product with other products into a combination of products through the provision of significant services;

In determining whether the Group has control over the Goods before the transfer of the Goods to the Customer, the Group takes into account all relevant facts and circumstances, including:

- The Group bears the primary responsibility for the transfer of goods to customers;
- The Group assumes the inventory risk of the goods before or after the transfer of the goods;
- The Group reserves the right to determine the price of the products it trades at its own discretion.

**(19) Government grants**

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

Government grants are recognised when there is reasonable assurance that the grants will be received and the Group is able to comply with the conditions attaching to them. Government grants in the form of monetary assets are recorded based on the amount received or receivable, whereas non-monetary assets are measured at fair value.

Government grants received in relation to assets are recorded as deferred income, and recognised evenly in profit or loss over the assets' useful lives. Government grants received in relation to revenue are recorded as deferred income, and recognised as income in future periods as compensation when the associated future expenses or losses arise; or directly recognised as income in the current period as compensation for past expenses or losses.

**(20) Borrowing costs**

Borrowing costs incurred on borrowings for the acquisition, construction or production of qualified assets are capitalised into the cost of the related assets in the capitalisable period.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

**(21) Repairs and maintenance expenses**

Repairs and maintenance (including overhauling expenses) expenses are recognised in profit or loss when incurred.

**3 MATERIAL ACCOUNTING POLICIES** (Continued)**(22) Environmental expenditures**

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations is expensed as incurred. Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable and the costs can be reliably estimated. As facts concerning environmental contingencies become known to the Group, the Group reassesses its position both with respect to accrued liabilities and other potential exposures.

**(23) Research and development costs**

Research costs and development costs that cannot meet the capitalisation criteria are recognised in profit or loss when incurred.

**(24) Dividends**

Dividends and distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date and are separately disclosed in the notes to the financial statements. Dividends are recognised as a liability in the period in which they are declared.

**(25) Related parties**

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control, joint control from another party, they are considered to be related parties, except for the two parties significantly influenced by a party. Related parties may be individuals or enterprises. Where enterprises are subject to state control but are otherwise unrelated, they are not related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

**(26) Segment reporting**

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

- engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance; and
- for which financial information regarding financial position, results of operations and cash flows are available.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

### 4 TAXATION

Major types of tax applicable to the Group are value-added tax, resources tax, consumption tax, income tax, crude oil special gain levy, Levy for mineral rights concessions, city construction tax, education surcharge and local education surcharge etc.

Tax rate of products is presented as below:

Type of taxes	Tax rate	Tax basis and method
Value Added Tax (the "VAT")	13%, 9%, 6%	Based on taxable value added amount. Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less current period's deductible VAT input.
Resource Tax	6%	Based on the revenue from sales of crude oil and natural gas.
Consumption Tax	RMB 2,109.76 per tonnage for Gasoline, RMB1,411.20 per tonnage for Diesel, RMB2,105.20 per tonnage for Naphtha, RMB1,948.64 per tonnage for Solvent oil, RMB1,711.52 per tonnage for Lubricant oil, RMB1,218.00 per tonnage for Fuel oil, and RMB1,495.20 per tonnage for Jet fuel oil.	Based on quantities
Corporate Income Tax	5% to 50%	Based on taxable income.
Crude Oil Special Gain Levy	20% to 40%	Based on the sales of domestic crude oil at prices higher than a specific level.
Levy for mineral rights concessions	Oil, gas, shale gas, Natural gas hydrates 0.8% onshore, 0.6% offshore, coal bed methane 0.3%, mineral salts (rock salt) 2.8%	Based on revenue from sales of mineral products
City Maintenance and Construction Tax	1%, 5% or 7%	Based on the actual paid VAT and consumption tax.
Education surcharges	3%	Based on the actual paid VAT and consumption tax.
Local Education surcharges	2%	Based on the actual paid VAT and consumption tax.

### 5 CASH AT BANK AND ON HAND

#### The Group

	At 31 December 2025			At 31 December 2024		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
Cash on hand						
RMB			1			1
Cash at bank						
RMB			46,771			50,313
US Dollar	4,121	7.0288	28,967	3,490	7.1884	25,087
Hong Kong Dollar	1,777	0.9032	1,605	4,343	0.9260	4,021
EUR	8	8.2355	67	1	7.5257	4
Others			336			940
			<b>77,747</b>			<b>80,366</b>
Deposits at related parities						
RMB			7,524			8,390
US Dollar	9,415	7.0288	66,174	7,987	7.1884	57,416
EUR	51	8.2355	418	29	7.5257	222
Others			455			405
			<b>74,571</b>			<b>66,433</b>
<b>Total</b>			<b>152,318</b>			<b>146,799</b>

Deposits at related parties represent deposits placed at Sinopec Finance Company Limited and Sinopec Century Bright Capital Investment Limited. Deposits interest is calculated based on market rate.

At 31 December 2025, time deposits with financial institutions of the Group amounted to RMB69,820 million (31 December 2024: RMB54,285 million), security deposit and other restricted deposits totally amounted to RMB1,445 million (31 December 2024: RMB1,219 million), which were not reported as cash and cash equivalents.

**6 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES**

Derivative financial assets and derivative financial liabilities of the Group are primarily commodity futures and hedge accounting. See Note 65(c).

	31 December 2025		31 December 2024	
	RMB Million		RMB Million	
	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Commodity derivatives	1,313	5,641	2,538	3,381
Financial derivatives	49	35	16	31
<b>Total</b>	<b>1,362</b>	<b>5,676</b>	<b>2,554</b>	<b>3,412</b>

**7 ACCOUNTS RECEIVABLE**

	The Group		The Company	
	At 31 December 2025	At 31 December 2024	At 31 December 2025	At 31 December 2024
	RMB million	RMB million	RMB million	RMB million
Accounts receivable	55,093	48,515	25,669	22,337
Less: Allowance for doubtful accounts	3,921	4,182	85	98
<b>Total</b>	<b>51,172</b>	<b>44,333</b>	<b>25,584</b>	<b>22,239</b>

Ageing analysis on accounts receivable is as follows:

	The Group							
	At 31 December 2025				At 31 December 2024			
	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	50,824	92.3	46	0.1	43,813	90.3	114	0.3
Between one and two years	113	0.2	33	29.2	466	1.0	62	13.3
Between two and three years	221	0.4	71	32.1	154	0.3	57	37.0
Over three years	3,935	7.1	3,771	95.8	4,082	8.4	3,949	96.7
<b>Total</b>	<b>55,093</b>	<b>100.0</b>	<b>3,921</b>		<b>48,515</b>	<b>100.0</b>	<b>4,182</b>	

	The Company							
	At 31 December 2025				At 31 December 2024			
	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %	Amount RMB million	Percentage to total accounts receivable %	Allowance RMB million	Percentage of allowance to accounts receivable balance %
Within one year	24,713	96.2	3	0.1	21,389	95.8	11	0.1
Between one and two years	195	0.8	–	–	691	3.1	2	0.3
Between two and three years	509	2.0	1	0.2	33	0.1	6	18.2
Over three years	252	1.0	81	32.1	224	1.0	79	35.3
<b>Total</b>	<b>25,669</b>	<b>100.0</b>	<b>85</b>		<b>22,337</b>	<b>100.0</b>	<b>98</b>	

As at 31 December 2025 and 31 December 2024, the total amounts of the top five accounts receivable of the Group are set out below:

	At 31 December 2025	At 31 December 2024
Total amount (RMB million)	15,532	8,304
Percentage to the total balance of accounts receivable	28.2%	17.1%
Allowance for doubtful accounts	–	2,238

As at 31 December 2025, the carrying amount of accounts receivable under factoring arrangement that are derecognised is RMB16,367 million (31 December 2024: RMB13,527 million).

**7 ACCOUNTS RECEIVABLE (Continued)**

Sales are generally on a cash term. Credit is generally only available for major customers with well-established trading records. Amounts due from China Petrochemical Corporation (“Sinopec Group Company”) and fellow subsidiaries are repayable under the same terms.

Accounts receivables relate to a wide range of customers for whom there is no recent history of default. Information about the impairment of accounts receivable and the Group exposure to credit risk can be found in Note 65.

During 2025 and 2024, the Group and the Company had no individually significant accounts receivable been fully or substantially provided allowance for doubtful accounts.

During 2025 and 2024, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

Ageing started from the overdue date of accounts receivable. The Group always measured the provision for impairment of accounts receivable based on the amount equivalent to the expected credit loss during the entire duration. The ECLs were calculated based on historical actual credit loss experience. The rates were considered the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables. The Group performed the calculation of ECL rates by the operating segment and geographical location.

31 December 2025	Gross carrying amount RMB million	Impairment provision on individual basis		Weighted – average loss rate	Impairment provision on provision matrix basis	
		Carrying amount RMB million	Impairment provision on individual basis RMB million		Impairment provision RMB million	Loss allowance RMB million
Current and within 1 year past due	50,824	12,101	4	0.1%	42	46
1 to 2 years past due	113	20	3	32.3%	30	33
2 to 3 years past due	221	120	6	64.4%	65	71
Over 3 years past due	3,935	3,494	3,330	100.0%	441	3,771
<b>Total</b>	<b>55,093</b>	<b>15,735</b>	<b>3,343</b>		<b>578</b>	<b>3,921</b>

31 December 2024	Gross carrying amount RMB million	Impairment provision on individual basis		Weighted – average loss rate	Impairment provision on provision matrix basis	
		Carrying amount RMB million	Impairment provision on individual basis RMB million		Impairment provision RMB million	Loss allowance RMB million
Current and within 1 year past due	43,813	6,048	4	0.3%	110	114
1 to 2 years past due	466	366	32	30.0%	30	62
2 to 3 years past due	154	53	1	55.4%	56	57
Over 3 years past due	4,082	3,670	3,537	100.0%	412	3,949
<b>Total</b>	<b>48,515</b>	<b>10,137</b>	<b>3,574</b>		<b>608</b>	<b>4,182</b>

**8 RECEIVABLES FINANCING**

Receivables financing represents mainly the bills of acceptance issued by banks for sales of goods and products and certain trade accounts receivable. The business model of financial assets is achieved both by collecting contractual cash flows and selling of these assets.

At 31 December 2025, the Group considers that its bills of acceptance issued by banks do not pose a significant credit risk and will not cause any significant loss due to the default of drawers.

At 31 December 2025, the Group’s derecognised but outstanding bills due to endorsement or discount amounted to RMB64,722 million (At 31 December 2024: RMB71,762 million).

## 9 PREPAYMENTS

	The Group		The Company	
	At 31 December 2025	At 31 December 2024	At 31 December 2025	At 31 December 2024
	RMB million	RMB million	RMB million	RMB million
Prepayments	5,132	6,497	1,341	2,431
Less: Allowance for doubtful accounts	75	68	8	8
<b>Total</b>	<b>5,057</b>	<b>6,429</b>	<b>1,333</b>	<b>2,423</b>

Ageing analysis of prepayments is as follows:

	The Group							
	At 31 December 2025				At 31 December 2024			
	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %
Within one year	4,725	92.1	–	–	6,032	92.8	–	–
Between one and two years	157	3.0	7	4.5	170	2.6	6	3.5
Between two and three years	50	1.0	6	12.0	174	2.7	3	1.7
Over three years	200	3.9	62	31.0	121	1.9	59	48.8
<b>Total</b>	<b>5,132</b>	<b>100.0</b>	<b>75</b>		<b>6,497</b>	<b>100.0</b>	<b>68</b>	

	The Company							
	At 31 December 2025				At 31 December 2024			
	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %	Amount RMB million	Percentage to total prepayments %	Allowance RMB million	Percentage of allowance to prepayments balance %
Within one year	1,263	94.2	–	–	2,300	94.6	–	–
Between one and two years	71	5.3	1	1.4	122	5.0	1	0.8
Between two and three years	–	–	–	–	1	0.1	–	–
Over three years	7	0.5	7	100	8	0.3	7	87.5
<b>Total</b>	<b>1,341</b>	<b>100.0</b>	<b>8</b>		<b>2,431</b>	<b>100.0</b>	<b>8</b>	

At 31 December 2025 and 31 December 2024, the total amounts of the top five prepayments of the Group are set out below:

	At 31 December 2025	At 31 December 2024
Total amount (RMB million)	1,208	1,715
Percentage to the total balance of prepayments	23.5%	26.4%

10 OTHER RECEIVABLES

	The Group		The Company	
	At 31 December 2025	At 31 December 2024	At 31 December 2025	At 31 December 2024
	RMB million	RMB million	RMB million	RMB million
Other receivables	39,590	33,712	66,927	50,533
Less: Allowance for doubtful accounts	1,579	1,589	860	879
<b>Total</b>	<b>38,011</b>	<b>32,123</b>	<b>66,067</b>	<b>49,654</b>

Other receivables mainly include security deposits and deposits.

Ageing analysis of other receivables is as follows:

	The Group							
	At 31 December 2025				At 31 December 2024			
	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %
Within one year	24,206	61.1	7	0.1	21,101	62.7	6	-
Between one and two years	3,176	8.0	24	0.8	2,409	7.1	30	1.2
Between two and three years	2,125	5.4	54	2.5	106	0.3	22	20.8
Over three years	10,083	25.5	1,494	14.8	10,096	29.9	1,531	15.2
<b>Total</b>	<b>39,590</b>	<b>100.0</b>	<b>1,579</b>		<b>33,712</b>	<b>100.0</b>	<b>1,589</b>	

	The Company							
	At 31 December 2025				At 31 December 2024			
	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %	Amount RMB million	Percentage to total other receivables %	Allowance RMB million	Percentage of allowance to other receivables balance %
Within one year	57,711	86.3	-	-	43,241	85.6	-	-
Between one and two years	2,654	4.0	10	0.4	2,215	4.4	2	0.1
Between two and three years	2,075	3.0	1	0.1	1,560	3.0	5	0.3
Over three years	4,487	6.7	849	18.9	3,517	7.0	872	24.8
<b>Total</b>	<b>66,927</b>	<b>100.0</b>	<b>860</b>		<b>50,533</b>	<b>100.0</b>	<b>879</b>	

At 31 December 2025 and at 31 December 2024, the total amounts of the top five other receivables of the Group are set out below:

	At 31 December 2025	At 31 December 2024
Total amount (RMB million)	26,224	22,121
Ageing	Within one year, one to two years, two to three years and over three years	Within one year, one to two years, two to three years and over three years
Percentage to the total balance of other receivables	66.2%	65.6%
Allowance for doubtful accounts	72	72

During the year ended 31 December 2025 and 2024, the Group and the Company had no individually significant other receivables been fully or substantially provided allowance for doubtful accounts.

During the year ended 31 December 2025 and 2024, the Group and the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.

## 11 INVENTORIES

## The Group

	At 31 December 2025 RMB million	At 31 December 2024 RMB million
Raw materials	118,156	134,970
Work in progress	21,927	20,282
Finished goods	92,682	103,249
Spare parts and consumables	3,307	3,359
	<b>236,072</b>	<b>261,860</b>
Less: Provision for diminution in value of inventories	5,261	5,265
<b>Total</b>	<b>230,811</b>	<b>256,595</b>

At 31 December 2025, the provision for diminution in value of inventories of the Group was primarily due to the costs of finished goods and raw materials were higher than net realisable value.

## 12 LONG-TERM EQUITY INVESTMENTS

## The Group

	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2025	82,747	168,016	(3,944)	246,819
Additions for the year	5,785	1,828	–	7,613
Share of profits less losses under the equity method	(2,626)	11,890	–	9,264
Change of other comprehensive income under the equity method	5,894	2,460	–	8,354
Other equity movements under the equity method	6	(331)	–	(325)
Dividends declared	(1,906)	(7,928)	–	(9,834)
Disposals for the year	(76)	(283)	–	(359)
Foreign currency translation differences	(771)	(518)	73	(1,216)
Movement of provision for impairment	–	–	(1,670)	(1,670)
Equity method investment transferred to subsidiary	(6,639)	–	107	(6,532)
<b>Balance at 31 December 2025</b>	<b>82,414</b>	<b>175,134</b>	<b>(5,434)</b>	<b>252,114</b>

## The Company

	Investments in subsidiaries RMB million	Investments in joint ventures RMB million	Investments in associates RMB million	Provision for impairment losses RMB million	Total RMB million
Balance at 1 January 2025	344,615	23,832	80,046	(7,928)	440,565
Additions for the year	45,907	2,326	1,049	–	49,282
Share of profits less losses under the equity method	–	(2,017)	4,480	–	2,463
Change of other comprehensive income under the equity method	–	1	(62)	–	(61)
Other equity movements under the equity method	–	1	(150)	–	(149)
Dividends declared	–	(583)	(2,598)	–	(3,181)
Disposals for the year	(799)	–	(36)	–	(835)
Movement of provision for impairment	–	–	–	(994)	(994)
Equity method investment transferred to subsidiary	–	(6,223)	–	–	(6,223)
<b>Balance at 31 December 2025</b>	<b>389,723</b>	<b>17,337</b>	<b>82,729</b>	<b>(8,922)</b>	<b>480,867</b>

Details of the Company's principal subsidiaries are set out in Note 61.

12 LONG-TERM EQUITY INVESTMENTS (Continued)

Principal joint ventures and associates of the Group are as follows:

(a) Principal joint ventures and associates

Name of investees	Principal place of business	Register location	Legal representative	Principal activities	Registered Capital RMB million	Percentage of equity/voting right directly or indirectly held by the Company
<b>1. Joint ventures</b>						
Fujian Refining & Petrochemical Company Limited ("FREP")	PRC	PRC	Zhang Xiguo	Manufacturing refining oil products	14,758	50.00%
BASF-YPC Company Limited ("BASF-YPC")	PRC	PRC	Gu Yuefeng	Manufacturing and distribution of petrochemical products	13,141	40.00%
INEOS Styrolution Advanced Materials (Ningbo) Pte. Ltd. ("INEOS (Ningbo)")	PRC	PRC	STEPHEN MARK HARRINGTON	Manufacturing of primary form plastics and synthetic resins	USD320	50.00%
Sinopec SABIC Tianjin Petrochemical Company Limited ("Sinopec SABIC Tianjin")	PRC	PRC	ALSHAIKH, AHMED TRAIS S	Manufacturing and distribution of petrochemical products	10,520	50.00%
Shanghai SECCO Petrochemical Company Limited. ("Shanghai SECCO")	PRC	PRC	Wang Jingyi	Manufacturing and distribution of petrochemical products	3,115	50.00%
<b>2. Associates</b>						
China Oil & Gas Pipeline Network Corporation ("PipeChina") (Note)	PRC	PRC	Zhang Wei	Operation of oil and natural gas pipelines and auxiliary facilities	500,000	14.00%
Sinopec Finance Company Limited ("Sinopec Finance")	PRC	PRC	Cheng Zhong	Provision of non-banking financial services	18,000	49.00%
Sinopec Capital Co.,Ltd. ("Sinopec Capital")	PRC	PRC	Zhou Meiyun	Project management, equity investment management, investment consulting, self-owned equity management	10,000	49.00%
Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic Energy")	PRC	PRC	Meng Wei	Mining coal and manufacturing of coal-chemical products	17,516	38.75%
China National Aviation Fuel Supply Co.,Ltd. ("Aviation Fuel")	PRC	PRC	Bian Hui	Wholesale of gasoline, kerosene, and diesel within the civil aviation system	3,800	29.00%

Joint ventures and associates above are limited companies.

Note: Sinopec is able to exercise significant influence in PipeChina since Sinopec has a member in PipeChina's Board of Directors and has a member in PipeChina's Management Board.

## 12 LONG-TERM EQUITY INVESTMENTS (Continued)

## (b) Major financial information of principal joint ventures

Summarised balance sheet and reconciliation to their carrying amounts in respect of the Group's principal joint ventures:

	FREP		BASF-YPC		INEOS (Ningbo)		Sinopec SABIC Tianjin		Shanghai SECCO	
	31	31	31	31	31	31	31	31	31	31
	December 2025	December 2024	December 2025	December 2024	December 2025	December 2024	December 2025	December 2024	December 2025	December 2024
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Current assets										
Cash and cash equivalents	2,287	3,704	2,593	1,553	818	201	1,000	538	1,375	1,025
Other current assets	9,320	10,676	3,416	5,648	406	576	2,083	4,462	3,427	2,253
<b>Total current assets</b>	<b>11,607</b>	<b>14,380</b>	<b>6,009</b>	<b>7,201</b>	<b>1,224</b>	<b>777</b>	<b>3,083</b>	<b>5,000</b>	<b>4,802</b>	<b>3,278</b>
<b>Total non-current assets</b>	<b>11,129</b>	<b>11,873</b>	<b>8,050</b>	<b>8,206</b>	<b>13,392</b>	<b>13,618</b>	<b>14,471</b>	<b>16,087</b>	<b>25,807</b>	<b>26,928</b>
Current liabilities										
Current financial liabilities	(2,597)	(907)	(6)	(6)	-	-	(1,626)	(5,088)	-	(1,681)
Other current liabilities	(8,416)	(12,064)	(1,547)	(1,743)	(205)	(420)	(3,490)	(2,168)	(10,133)	(2,298)
<b>Total current liabilities</b>	<b>(11,013)</b>	<b>(12,971)</b>	<b>(1,553)</b>	<b>(1,749)</b>	<b>(205)</b>	<b>(420)</b>	<b>(5,116)</b>	<b>(7,256)</b>	<b>(10,133)</b>	<b>(3,979)</b>
Non-current liabilities										
Non-current financial liabilities	(3,410)	(4,781)	-	-	(4,588)	(4,631)	(5,259)	(4,060)	(2,764)	(6,424)
Other non-current liabilities	(203)	(239)	(59)	(137)	(1,074)	(1,086)	(545)	(568)	(859)	(896)
<b>Total non-current liabilities</b>	<b>(3,613)</b>	<b>(5,020)</b>	<b>(59)</b>	<b>(137)</b>	<b>(5,662)</b>	<b>(5,717)</b>	<b>(5,804)</b>	<b>(4,628)</b>	<b>(3,623)</b>	<b>(7,320)</b>
<b>Net assets</b>	<b>8,110</b>	<b>8,262</b>	<b>12,447</b>	<b>13,521</b>	<b>8,749</b>	<b>8,258</b>	<b>6,634</b>	<b>9,203</b>	<b>16,853</b>	<b>18,907</b>
Net assets attributable to owners of the company	8,110	8,262	12,447	13,521	8,749	8,258	6,634	9,203	16,853	18,907
Share of net assets from joint ventures	4,055	4,131	4,979	5,408	4,375	4,129	3,317	4,602	8,427	9,454
<b>Carrying Amounts</b>	<b>4,055</b>	<b>4,131</b>	<b>4,979</b>	<b>5,408</b>	<b>4,375</b>	<b>4,129</b>	<b>3,317</b>	<b>4,602</b>	<b>8,427</b>	<b>9,454</b>

## Summarised income statement

	FREP		BASF-YPC		INEOS (Ningbo)		Sinopec SABIC Tianjin		Shanghai SECCO	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Turnover	52,661	46,674	16,293	20,433	2,928	2,411	18,511	24,407	19,385	21,776
Interest income	135	167	35	37	14	5	26	54	28	23
Interest expense	(287)	(320)	(1)	(2)	(188)	(142)	(151)	(157)	(227)	(208)
Profit/(loss) before taxation	26	(3,691)	(1,085)	384	(610)	(719)	(2,212)	(1,647)	(1,879)	(1,212)
Income tax expense	(178)	(171)	271	(98)	169	178	(357)	(7)	(175)	302
(Loss)/profit for the year	(152)	(3,862)	(814)	286	(441)	(541)	(2,569)	(1,654)	(2,054)	(910)
<b>Total comprehensive income</b>	<b>(152)</b>	<b>(3,862)</b>	<b>(814)</b>	<b>286</b>	<b>(441)</b>	<b>(541)</b>	<b>(2,569)</b>	<b>(1,654)</b>	<b>(2,054)</b>	<b>(910)</b>
Dividends declared by joint ventures										
	-	-	104	128	-	-	-	-	-	-
Share of net (loss)/profit from joint ventures	(76)	(1,931)	(325)	114	(221)	(271)	(1,285)	(827)	(1,027)	(455)

The share of profit and other comprehensive income of the Group in the year 2025 in all individually immaterial joint ventures accounted for using equity method in aggregate was RMB308 million (2024: loss RMB1,118 million) and RMB5,894 million (2024: loss RMB2,034 million) respectively. As at 31 December 2025, the carrying amount of all individually immaterial joint ventures accounted for using equity method in aggregate was RMB52,644 million (2024: RMB51,922 million).

## 12 LONG-TERM EQUITY INVESTMENTS (Continued)

## (c) Major financial information of principal associates

Summarised balance sheet and reconciliation to their carrying amounts in respect of the Group's principal associates:

	PipeChina		Sinopec Finance		Sinopec Capital		Zhongtian Synergetic Energy		Aviation Fuel	
	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31
	December	December	December	December	December	December	December	December	December	December
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Current assets	71,938	70,803	111,027	132,724	20,582	17,592	3,047	2,713	21,931	21,747
Non-current assets	875,293	857,411	78,374	71,744	1,304	513	44,959	46,377	16,728	15,847
Current liabilities	(123,106)	(111,879)	(152,773)	(168,058)	(124)	(172)	(8,124)	(6,499)	(12,913)	(14,213)
Non-current liabilities	(212,969)	(218,629)	(449)	(1,004)	(3,732)	(2,659)	(9,198)	(14,086)	(1,609)	(1,543)
<b>Net assets</b>	<b>611,156</b>	<b>597,706</b>	<b>36,179</b>	<b>35,406</b>	<b>18,030</b>	<b>15,274</b>	<b>30,684</b>	<b>28,505</b>	<b>24,137</b>	<b>21,838</b>
Net assets attributable to shareholders of the Company	560,497	548,484	36,179	35,406	18,030	15,274	30,684	28,505	21,196	19,290
Net assets attributable to non-controlling interests	50,659	49,222	-	-	-	-	-	-	2,941	2,548
Share of net assets from associates	78,470	76,788	17,728	17,349	8,835	7,484	11,890	11,045	6,147	5,594
<b>Carrying Amounts</b>	<b>78,470</b>	<b>76,788</b>	<b>17,728</b>	<b>17,349</b>	<b>8,835</b>	<b>7,484</b>	<b>11,890</b>	<b>11,045</b>	<b>6,147</b>	<b>5,594</b>

## Summarised income statement

	PipeChina		Sinopec Finance		Sinopec Capital		Zhongtian Synergetic Energy		Aviation Fuel	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Turnover	120,363	119,800	4,869	5,903	6	4	15,309	16,691	178,702	189,250
Profit for the year	35,063	34,010	2,171	2,204	694	490	2,691	2,569	3,427	2,271
Other comprehensive income	-	-	(198)	448	72	21	-	-	-	-
<b>Total comprehensive income</b>	<b>35,063</b>	<b>34,010</b>	<b>1,973</b>	<b>2,652</b>	<b>766</b>	<b>511</b>	<b>2,691</b>	<b>2,569</b>	<b>3,427</b>	<b>2,271</b>
Dividends declared by associates	2,635	2,553	588	490	-	174	-	513	377	363
Share of profit from associates	4,351	4,174	1,064	1,080	340	240	1,043	995	881	595
Share of other Comprehensive income from associates	-	-	(97)	220	35	10	-	-	-	-

The share of profit and other comprehensive income of the Group in the year 2025 in all individually immaterial associates accounted for using equity method in aggregate was RMB4,211 million (2024: RMB5,482 million) and RMB2,522 million (2024: loss RMB1,703 million) respectively. As at 31 December 2025, the carrying amount of all individually immaterial associates accounted for using equity method in aggregate was RMB51,247 million (2024: RMB48,913 million).

## (d) Long-term equity investment impairment assessment

As at 31 December 2025, there are indicators of impairment in the long-term equity investment in Shanghai SECCO. The recoverable amount of this long-term equity investment is estimated based on a value-in-use calculation. The projected future cash flows primarily take into account the five-year profit forecast for Shanghai SECCO approved by the management, which is adjusted based on the historical performance of Shanghai SECCO and relevant industry trends, with cash flows remaining stable after five years. The pre-tax discount rate of 10.36% (2024: 11.08%) is calculated based on the weighted average cost of capital. The result of value-in-use calculation indicates that there is no impairment loss in this long-term equity investment as at 31 December 2025. According to the impairment assessment results, the Group has accrued impairment losses of RMB1,643 million for this long-term equity investments in 2025.

## 13 OTHER EQUITY INSTRUMENT INVESTMENTS

As at 31 December 2025, the other equity instrument investments held by the Group primarily consisted of an equity investment in Contemporary Amperex Technology Co., Ltd. (CATL), with a carrying amount of RMB6,710 million.

## 14 FIXED ASSETS

## The Group

	At 31 December 2025	At 31 December 2024
	RMB million	RMB million
Fixed assets (a)	770,198	717,083
Fixed assets pending for disposal	66	22
<b>Total</b>	<b>770,264</b>	<b>717,105</b>

## (a) Fixed assets

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
<b>Cost:</b>				
Balance at 1 January 2025	167,795	947,575	1,217,090	2,332,460
Additions for the year	2,924	2,983	18,064	23,971
Transferred from construction in progress	5,375	54,527	78,390	138,292
Reclassifications	4,687	(44)	(4,643)	-
Decreases for the year	(1,280)	(85)	(21,759)	(23,124)
Exchange adjustments	(67)	(1,035)	(77)	(1,179)
<b>Balance at 31 December 2025</b>	<b>179,434</b>	<b>1,003,921</b>	<b>1,287,065</b>	<b>2,470,420</b>
<b>Less: Accumulated depreciation:</b>				
Balance at 1 January 2025	77,380	709,816	728,293	1,515,489
Additions for the year	5,597	37,665	57,183	100,445
Reclassifications	1,135	(21)	(1,114)	-
Decreases for the year	(883)	(65)	(17,165)	(18,113)
Exchange adjustments	(36)	(944)	(50)	(1,030)
<b>Balance at 31 December 2025</b>	<b>83,193</b>	<b>746,451</b>	<b>767,147</b>	<b>1,596,791</b>
<b>Less: Provision for impairment losses:</b>				
Balance at 1 January 2025	4,794	53,568	41,526	99,888
Additions for the year	182	1,206	4,488	5,876
Decreases for the year	(88)	(1)	(2,179)	(2,268)
Exchange adjustments	-	(65)	-	(65)
<b>Balance at 31 December 2025</b>	<b>4,888</b>	<b>54,708</b>	<b>43,835</b>	<b>103,431</b>
<b>Net book value:</b>				
<b>Balance at 31 December 2025</b>	<b>91,353</b>	<b>202,762</b>	<b>476,083</b>	<b>770,198</b>
<b>Balance at 31 December 2024</b>	<b>85,621</b>	<b>184,191</b>	<b>447,271</b>	<b>717,083</b>

Note: In 2025, the depreciation amount of fixed assets of the Group affecting profit or loss was RMB99,462 million (2024: RMB94,311 million).

## The Company

	At 31 December 2025	At 31 December 2024
	RMB million	RMB million
Fixed assets (b)	299,345	310,796
Fixed assets pending for disposal	51	18
<b>Total</b>	<b>299,396</b>	<b>310,814</b>

## 14 FIXED ASSETS (Continued)

## (b) Fixed assets

	Plants and buildings RMB million	Oil and gas properties RMB million	Equipment, machinery and others RMB million	Total RMB million
<b>Cost:</b>				
Balance at 1 January 2025	50,799	757,370	502,855	1,311,024
Additions for the year	12	2,300	515	2,827
Transferred from construction in progress	347	40,620	25,225	66,192
Reclassifications	(66)	(49)	115	–
Transferred from subsidiaries	103	–	1,791	1,894
Transferred to subsidiaries	(6,824)	(3,861)	(69,775)	(80,460)
Decreases for the year	(463)	(81)	(10,192)	(10,736)
<b>Balance at 31 December 2025</b>	<b>43,908</b>	<b>796,299</b>	<b>450,534</b>	<b>1,290,741</b>
<b>Accumulated depreciation:</b>				
Balance at 1 January 2025	28,862	569,372	333,444	931,678
Additions for the year	1,398	28,603	19,445	49,446
Reclassifications	25	(24)	(1)	–
Transferred from subsidiaries	34	–	1,438	1,472
Transferred to subsidiaries	(3,913)	(1,566)	(45,123)	(50,602)
Decreases for the year	(391)	(76)	(8,825)	(9,292)
<b>Balance at 31 December 2025</b>	<b>26,015</b>	<b>596,309</b>	<b>300,378</b>	<b>922,702</b>
<b>Provision for impairment losses:</b>				
Balance at 1 January 2025	2,252	45,844	20,454	68,550
Additions for the year	132	1,206	3,519	4,857
Transferred from subsidiaries	15	–	181	196
Transferred to subsidiaries	(124)	(1,308)	(2,757)	(4,189)
Decreases for the year	(30)	(1)	(689)	(720)
<b>Balance at 31 December 2025</b>	<b>2,245</b>	<b>45,741</b>	<b>20,708</b>	<b>68,694</b>
<b>Net book value:</b>				
<b>Balance at 31 December 2025</b>	<b>15,648</b>	<b>154,249</b>	<b>129,448</b>	<b>299,345</b>
<b>Balance at 31 December 2024</b>	<b>19,685</b>	<b>142,154</b>	<b>148,957</b>	<b>310,796</b>

The additions to oil and gas properties of the Group and the Company for the year ended 31 December 2025 included RMB2,968 million (2024: RMB1,989 million) and RMB2,300 million (2024: RMB1,548 million), respectively of the estimated dismantlement costs for site restoration.

In 2025, the impairment loss on fixed assets was mainly due to the impairment loss of the exploration and development segment of RMB1,225 million (2024: RMB211 million), the impairment loss of the chemical segment of RMB4,004 million (2024: RMB1,547 million), the impairment loss of the refining segment of RMB522 million (2024: RMB230 million), and the impairment loss of marketing and distribution segment of RMB125 million (2024: RMB218 million).

Among them, oil and gas properties and other fixed assets provided impairment losses of RMB1,206 million and RMB19 million respectively, which were mainly related to the decline in oil and gas reserves of individual oilfields and the high extraction costs. The recoverable amount used for impairment assessment of fixed assets in the E&P segment is determined based on the present value of the expected future cash flows of the relevant asset group. The duration of the prediction period and the production of crude oil and natural gas during the prediction period are determined based on the results of proven reserves; The sales prices of crude oil and natural gas during the forecast period are determined based on a comprehensive analysis of the energy supply and demand relationship, China's low-carbon transformation development requirements, and the domestic and international economic situation. The recoverable amounts were determined based on the present values of the expected future cash flows of the assets using a pre-tax discount rate 7.07%-15.88% (2024: 7.06%-15.82%). Further future downward revisions to the Group's oil or nature gas price outlook would lead to further impairments which, in aggregate, are likely to be material. It is estimated that a general decrease of 5% in oil price, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and nature gas producing activities by approximately RMB4,472 million (2024: RMB1,552 million). It is estimated that a general increase of 5% in operating cost, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and gas producing activities by approximately RMB2,544 million (2024: RMB782 million). It is estimated that a general increase of 5% in discount rate, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and gas producing activities by approximately RMB133 million (2024: RMB1 million).

The impairment provisions for the chemical and refining divisions are related to the refining and chemical production equipment, mainly due to individual production units being shut down due to sustained lower than expected economic performance or having a clear shutdown plan in place, resulting in their book value being written down to their recoverable amount. The impairment provisions for the marketing and distribution segment is mainly due to the sustained lower than expected economic performance of individual production units or the clear development of shutdown plans, resulting in their book value being written down to their recoverable amount. The recoverable amount mainly considers the profit forecast approved by the management for a five-year period, which refers to the historical operating performance of relevant refining and chemical production facilities and is adjusted according to the development trends of the refining and chemical industry. The predicted cash flow after five years will remain stable, and the pre tax discount rate is calculated based on the weighted average cost of capital, which is 8.34% to 14.29% (2024: 8.00%-16.76%).

At 31 December 2025 and 31 December 2024, the Group and the Company had no individually significant fixed assets which were temporarily idle or pending for disposal, or individually significant fully depreciated fixed assets which were still in use.

Details of the determination method for impairment of fixed assets are set out in Note 60.

## 15 CONSTRUCTION IN PROGRESS

	The Group RMB million	The Company RMB million
<b>Cost:</b>		
Balance at 1 January 2025	211,605	85,561
Additions for the year	148,723	74,381
Disposals for the year	(1,229)	(1,229)
Dry hole costs written off	(7,911)	(6,782)
Transferred to fixed assets	(138,292)	(66,192)
Reclassification to other assets	(14,851)	(1,875)
Exchange adjustments	(43)	–
<b>Balance at 31 December 2025</b>	<b>198,002</b>	<b>83,864</b>
<b>Provision for impairment losses:</b>		
Balance at 1 January 2025	2,858	395
Additions for the year	12	3
Decreases for the year	(29)	–
Exchange adjustments	(35)	–
<b>Balance at 31 December 2025</b>	<b>2,806</b>	<b>398</b>
<b>Net book value:</b>		
<b>Balance at 31 December 2025</b>	<b>195,196</b>	<b>83,466</b>
<b>Balance at 31 December 2024</b>	<b>208,747</b>	<b>85,166</b>

At 31 December 2025, material construction in progress projects of the Group are as follows:

Project name	Budgeted amount RMB million	Balance at 1 January 2025 RMB million	Net change for the year RMB million	Balance at 31 December 2025 RMB million	Percentage of project investment to budgeted amount	Source of funding	Accumulated interest capitalised at 31 December 2025 RMB million
Maoming Refinery Transformation and Upgrading and Ethylene Upgrading Project	30,074	5,960	6,325	12,285	44.76%	Bank loans & self-financing	51
Zhenhai Refining and Chemical Refining and High-end Synthetic New Material Project	41,639	30,228	(20,712)	9,516	87.31%	Bank loans & self-financing	688
Expand the 1.5 million tons/year ethylene and downstream high-end new material industry agglomeration project	24,939	4,400	200	4,600	18.45%	Bank loans & self-financing	5
Jiujiang Branch 1.5 million tons/year aromatics and refining supporting renovation project	10,570	667	3,350	4,017	39.05%	Bank loans & self-financing	26

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

### 16 RIGHT-OF-USE ASSETS

#### The Group

	Land RMB million	Others RMB million	Total RMB million
<b>Cost:</b>			
Balance at 1 January 2025	165,909	60,862	226,771
Additions for the year	26,205	8,643	34,848
Decreases for the year	(17,480)	(8,465)	(25,945)
<b>Balance at 31 December 2025</b>	<b>174,634</b>	<b>61,040</b>	<b>235,674</b>
<b>Accumulated depreciation:</b>			
Balance at 1 January 2025	32,221	30,208	62,429
Additions for the year	7,024	9,877	16,901
Decreases for the year	(1,199)	(6,645)	(7,844)
<b>Balance at 31 December 2025</b>	<b>38,046</b>	<b>33,440</b>	<b>71,486</b>
<b>Net book value:</b>			
<b>Balance at 31 December 2025</b>	<b>136,588</b>	<b>27,600</b>	<b>164,188</b>
<b>Balance at 31 December 2024</b>	<b>133,688</b>	<b>30,654</b>	<b>164,342</b>

#### The Company

	Land RMB million	Others RMB million	Total RMB million
<b>Cost:</b>			
Balance at 1 January 2025	92,282	5,138	97,420
Additions for the year	13,835	2,211	16,046
Decreases for the year	(5,141)	(1,181)	(6,322)
<b>Balance at 31 December 2025</b>	<b>100,976</b>	<b>6,168</b>	<b>107,144</b>
<b>Accumulated depreciation:</b>			
Balance at 1 January 2025	16,170	3,354	19,524
Additions for the year	3,484	1,854	5,338
Decreases for the year	(560)	(779)	(1,339)
<b>Balance at 31 December 2025</b>	<b>19,094</b>	<b>4,429</b>	<b>23,523</b>
<b>Net book value:</b>			
<b>Balance at 31 December 2025</b>	<b>81,882</b>	<b>1,739</b>	<b>83,621</b>
<b>Balance at 31 December 2024</b>	<b>76,112</b>	<b>1,784</b>	<b>77,896</b>

Depreciation of the right-of-use assets of the Group and Company charged for the year ended 31 December 2025 are RMB16,901 million (2024: RMB15,932 million) and RMB5,338 million (2024: RMB4,774 million) respectively.

## 17 INTANGIBLE ASSETS

## The Group

	Land use rights RMB million	Patents RMB million	Non-patent technology RMB million	Operation rights RMB million	Others RMB million	Total RMB million
<b>Cost:</b>						
Balance at 1 January 2025	129,819	5,098	5,897	53,871	26,009	220,694
Additions for the year	13,425	808	456	2,456	1,096	18,241
Decreases for the year	(486)	(117)	(115)	(471)	(18)	(1,207)
<b>Balance at 31 December 2025</b>	<b>142,758</b>	<b>5,789</b>	<b>6,238</b>	<b>55,856</b>	<b>27,087</b>	<b>237,728</b>
<b>Accumulated amortisation:</b>						
Balance at 1 January 2025	38,087	4,006	4,121	29,384	5,980	81,578
Additions for the year	3,742	241	269	2,210	932	7,394
Decreases for the year	(121)	(60)	(108)	(325)	(15)	(629)
<b>Balance at 31 December 2025</b>	<b>41,708</b>	<b>4,187</b>	<b>4,282</b>	<b>31,269</b>	<b>6,897</b>	<b>88,343</b>
<b>Provision for impairment losses:</b>						
Balance at 1 January 2025	258	326	123	409	17	1,133
Additions for the year	12	1	–	8	3	24
Decreases for the year	(4)	–	(6)	(22)	–	(32)
<b>Balance at 31 December 2025</b>	<b>266</b>	<b>327</b>	<b>117</b>	<b>395</b>	<b>20</b>	<b>1,125</b>
<b>Net book value:</b>						
<b>Balance at 31 December 2025</b>	<b>100,784</b>	<b>1,275</b>	<b>1,839</b>	<b>24,192</b>	<b>20,170</b>	<b>148,260</b>
<b>Balance at 31 December 2024</b>	<b>91,474</b>	<b>766</b>	<b>1,653</b>	<b>24,078</b>	<b>20,012</b>	<b>137,983</b>

Amortisation of the intangible assets of the Group charged for the year ended 31 December 2025 is RMB7,118 million (2024: RMB6,730 million).

## 18 GOODWILL

Goodwill is allocated to the following Group's cash-generating units:

Name of investees	Principal activities	At 31 December 2025	At 31 December 2024
		RMB million	RMB million
Sinopec Zhenhai Refining and Chemical Branch	Manufacturing of intermediate petrochemical products and petroleum products	4,043	4,043
Other units allocated		1,433	2,450
<b>Total</b>		<b>5,476</b>	<b>6,493</b>

The Group's goodwill impairment assessment is carried out in conjunction with its related asset group or combination of asset groups, and the recoverable amounts of goodwill are estimated annually based on value in use calculations, which is consistent with prior years. These calculations use cash flow projections based on five-year financial budgets approved by management for a goodwill-related asset group or a combination of asset groups, with cash flow remaining stable after five years. The cash flow forecasts use sales volumes, selling price and discount rates as key assumptions, with sales volumes based on production capacity and/or actual sales volumes for periods prior to the budget period, selling prices based on management's expectations of future international crude oil and petrochemical price trends, and pre-tax discount rates based on weighted average cost of capital, which ranged from 10.8% to 12.6% (2024: 10.7% to 11.8%). According to the impairment assessment results of goodwill, the Group has made a total impairment loss of RMB1,006 million for some of the goodwill, mainly due to the unsatisfactory future performance expectation of this asset group of Beijing Yanshan Branch of China Petroleum and Chemical Corporation in the impairment test.

## 19 LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses primarily represent catalysts expenditures and improvement expenditures of leased fixed assets.

20 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities before the consolidated elimination adjustments are as follows:

	Deferred tax assets		Deferred tax liabilities	
	At 31 December 2025	At 31 December 2024	At 31 December 2025	At 31 December 2024
	RMB million	RMB million	RMB million	RMB million
Receivables and inventories	3,592	4,294	(9)	(49)
Payables	2,294	2,649	–	–
Cash flow hedges	40	41	(1,055)	(667)
Fixed assets	19,484	17,529	(29,326)	(31,560)
Tax value of losses carried forward	10,494	12,256	–	–
Other equity instrument investments	133	139	(4)	(4)
Intangible assets	2,419	1,296	(140)	(93)
Lease liabilities and Right-of-use assets	41,978	40,876	(36,160)	(36,594)
Others	2,641	2,457	(2,700)	(1,117)
<b>Deferred tax assets/(liabilities)</b>	<b>83,075</b>	<b>81,537</b>	<b>(69,394)</b>	<b>(70,084)</b>

The consolidated elimination amount between deferred tax assets and liabilities are as follows:

	At 31 December 2025	At 31 December 2024
	RMB million	RMB million
Deferred tax assets	62,993	62,760
Deferred tax liabilities	62,993	62,760

Deferred tax assets and liabilities after the offsetting adjustments are as follows:

	At 31 December 2025	At 31 December 2024
	RMB million	RMB million
Deferred tax assets	20,082	18,777
Deferred tax liabilities	6,401	7,324

At 31 December 2025, certain subsidiaries of the Company did not recognise deferred tax of deductible loss carried forward of RMB31,327 million (2024: RMB28,197 million), of which RMB6,479 million (2024: RMB5,070 million) was incurred for the year ended 31 December 2025, because it was not probable that the related tax benefit will be realised. These deductible losses carried forward of RMB5,310 million, RMB8,972 million, RMB5,496 million, RMB5,070 million and RMB6,479 million will expire in 2026, 2027, 2028, 2029, 2030 and after, respectively.

Periodically, management performed assessment on the probability that future taxable profit will be available over the period which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidence was considered, including whether it is probable that the operations will have sufficient future taxable profits over the periods which the deferred tax assets are deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur.

21 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent long-term receivables, prepayments for construction projects, prepayments for purchases of equipment and time deposits with maturities over one year.

## 22 DETAILS OF IMPAIRMENT LOSSES

At 31 December 2025, impairment losses of the Group are analysed as follows:

	Note	Balance at 1 January 2025 RMB million	Provision for the year RMB million	Written back for the year RMB million	Written off for the year RMB million	Other increase/ (decrease) RMB million	Balance at 31 December 2025 RMB million
Allowance for doubtful accounts							
Included: Accounts receivable	7	4,182	86	(259)	(16)	(72)	3,921
Prepayments	9	68	5	(13)	–	15	75
Other receivables	10	1,589	65	(50)	(24)	(1)	1,579
Other non-current assets		904	5	(105)	–	(25)	779
<b>Total</b>		<b>6,743</b>	<b>161</b>	<b>(427)</b>	<b>(40)</b>	<b>(83)</b>	<b>6,354</b>
Inventories	11	5,265	4,430	(46)	(4,405)	17	5,261
Long-term equity investments	12	3,944	1,680	–	(10)	(180)	5,434
Fixed assets	14	99,888	5,876	–	(2,261)	(72)	103,431
Construction in progress	15	2,858	12	–	(22)	(42)	2,806
Intangible assets	17	1,133	10	–	(32)	14	1,125
Goodwill	18	7,861	1,006	–	–	–	8,867
Others		55	3	(10)	–	–	48
<b>Total</b>		<b>127,747</b>	<b>13,178</b>	<b>(483)</b>	<b>(6,770)</b>	<b>(346)</b>	<b>133,326</b>

The reasons for recognising impairment losses are set out in the respective notes of respective assets.

## 23 SHORT-TERM LOANS

The Group's short-term loans represent:

	At 31 December 2025			At 31 December 2024		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
<b>Short-term bank loans</b>			<b>23,155</b>			<b>44,369</b>
– RMB loans			23,155			44,369
<b>Short-term loans from Sinopec Group Company and fellow subsidiaries</b>			<b>6,300</b>			<b>3,862</b>
– RMB loans			4,552			1,459
– US Dollar loans	249	7.0288	1,748	334	7.1884	2,403
<b>Total</b>			<b>29,455</b>			<b>48,231</b>

At 31 December 2025, the Group's interest rates on short-term loans were from interest 1.00% to 4.89%(2024: 1.45% to 5.42%) per annum. The majority of the above loans are by credit.

At 31 December 2025 and 31 December 2024, the Group had no significant overdue short-term loans.

## 24 BILLS PAYABLE

Bills payable primarily represented bank accepted bills for the purchase of material, goods and products. Bills payable were due within one year.

At 31 December 2025 and 31 December 2024, the Group had no overdue unpaid bills.

## 25 ACCOUNTS PAYABLE

Accounts payable primarily represent goods payable or material payable.

## 26 CONTRACT LIABILITIES

As at 31 December 2025 and 31 December 2024, the Group's contract liabilities primarily represent advances from customers. Related performance obligations are expected to be satisfied and revenue is recognised within one year.

**27 EMPLOYEE BENEFITS PAYABLE**
**(1) Employee benefits payable:**

	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Short-term employee benefits	14,113	97,995	(100,645)	11,463
Post-employment benefits – defined contribution plans	47	15,199	(15,204)	42
Termination benefits	7	207	(210)	4
<b>Total</b>	<b>14,167</b>	<b>113,401</b>	<b>(116,059)</b>	<b>11,509</b>

**(2) Short-term employee benefits**

	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Salaries, bonuses, allowances	11,874	69,963	(72,569)	9,268
Staff welfare	1,621	8,172	(8,171)	1,622
Social insurance	328	7,205	(7,194)	339
Included: Medical insurance	325	6,491	(6,480)	336
Work-related injury insurance	2	582	(582)	2
Maternity insurance	1	132	(132)	1
Housing fund	36	7,779	(7,778)	37
Labour union fee, staff and workers' education fee	225	2,509	(2,548)	186
Other short-term employee benefits	29	2,367	(2,385)	11
<b>Total</b>	<b>14,113</b>	<b>97,995</b>	<b>(100,645)</b>	<b>11,463</b>

**(3) Post-employment benefits – defined contribution plans**

	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Basic pension insurance	39	10,175	(10,179)	35
Unemployment insurance	1	390	(390)	1
Annuity	7	4,634	(4,635)	6
<b>Total</b>	<b>47</b>	<b>15,199</b>	<b>(15,204)</b>	<b>42</b>

**28 TAXES PAYABLE**
**The Group**

	At 31 December 2025 RMB million	At 31 December 2024 RMB million
Value-added tax payable	2,515	2,535
Consumption tax payable	17,806	18,860
Income tax payable	1,607	1,706
Levy for mineral rights concessions	5,842	7,114
Other taxes	7,526	8,282
<b>Total</b>	<b>35,296</b>	<b>38,497</b>

**29 OTHER PAYABLES**

At 31 December 2025 and 31 December 2024, other payables of the Group over one year primarily represented payables for constructions.

**30 NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR**

The Group's non-current liabilities due within one year represent:

	At 31 December 2025			At 31 December 2024		
	Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
<b>Long-term bank loans</b>						
– RMB loans			73,528			43,246
– USD loans	–	7.0288	1	–	7.1884	–
<b>Long-term loans from Sinopec Group Company and fellow subsidiaries</b>						
– RMB loans			5,621			822
<b>Long-term loans due within one year</b>			<b>79,150</b>			<b>44,068</b>
<b>Debentures payable due within one year</b>						
– RMB debentures			11,651			165
<b>Lease liabilities due within one year</b>			<b>18,079</b>			<b>17,831</b>
<b>Others</b>			<b>1,677</b>			<b>2,538</b>
<b>Non-current liabilities due within one year</b>			<b>110,557</b>			<b>64,602</b>

At 31 December 2025 and 31 December 2024, the Group had no significant overdue long-term loans.

**31 OTHER CURRENT LIABILITIES**

As at 31 December 2025, other current liabilities mainly represent RMB12,049 million (31 December 2024: RMB13,351 million) output VAT to be transferred.

**32 LONG-TERM LOANS**

The Group's long-term loans represent:

	Interest rate and final maturity	At 31 December 2025			At 31 December 2024		
		Original currency million	Exchange rates	RMB million	Original currency million	Exchange rates	RMB million
<b>Long-term bank loans</b>							
– RMB loans	Interest rates ranging from interest 1.08% to 3.90% per annum at 31 December 2025 (2024: 1.08% to 3.90%) with maturities through 2040			236,339			204,840
– USD loans	Interest rates at 0.00% per annum at 31 December 2025(2024:0.00%) with maturities through 2031	6	7.0288	42	6	7.1884	46
Less: Portion with one year (note 30)				(73,529)			(43,246)
<b>Long-term bank loans</b>				<b>162,852</b>			<b>161,640</b>
<b>Long-term loans from Sinopec Group Company and fellow subsidiaries</b>							
– RMB loans	Interest rates ranging from interest 2.10% to 4.20% per annum at 31 December 2025 (2024: 2.20% to 4.50%) with maturities through 2040			25,737			24,116
Less: Portion with one year (note 30)				(5,621)			(822)
<b>Long-term loans from Sinopec Group Company and fellow subsidiaries</b>				<b>20,116</b>			<b>23,294</b>
<b>Total</b>				<b>182,968</b>			<b>184,934</b>

The maturity analysis of the Group's long-term loans is as follows:

	At 31 December 2025 RMB million	At 31 December 2024 RMB million
Between one and two years	56,709	81,436
Between two and five years	80,125	67,514
After five years	46,134	35,984
<b>Total</b>	<b>182,968</b>	<b>184,934</b>

Long-term loans are carried at amortised costs.

**33 DEBENTURES PAYABLE**

The Group

	At 31 December 2025	At 31 December 2024
	RMB million	RMB million
Debentures payable:		
– Corporate Bonds	63,947	25,727
Less: Portion within one year (Note 30)	11,651	165
<b>Total</b>	<b>52,296</b>	<b>25,562</b>

These corporate bonds are carried at amortised cost. At 31 December 2025, USD denominated corporate bonds were equivalent to RMB3,529 million, and RMB denominated corporate bonds were RMB60,418 million (31 December 2024: USD denominated corporate bonds of RMB3,607 million, and RMB denominated corporate bonds of RMB22,120 million).

**34 LEASE LIABILITY**

The Group

	At 31 December 2025	At 31 December 2024
	RMB million	RMB million
Lease liabilities	175,486	172,735
Deduct: Portion of lease liabilities within one year (Note 30)	18,079	17,831
<b>Total</b>	<b>157,407</b>	<b>154,904</b>

**35 PROVISIONS**

Provisions primarily represent provision for future dismantlement costs of oil and gas properties. The Group has established certain standardised measures for the dismantlement of its retired oil and gas properties by making reference to the industry practices and is thereafter constructively obligated to take dismantlement measures of its retired oil and gas properties. Movement of provision of the Group's obligations for the dismantlement of its retired oil and gas properties is as follows:

	The Group RMB million
Balance at 1 January 2025	46,528
Provision for the year	2,968
Accretion expenses	833
Decrease for the year	(2,274)
Foreign currency translation differences	(51)
<b>Balance at 31 December 2025</b>	<b>48,004</b>

**36 OTHER NON-CURRENT LIABILITIES**

Other non-current liabilities primarily represent long-term payables, special payables and deferred income.

37 SHARE CAPITAL

The Group

	At 31 December 2025	At 31 December 2024
	RMB million	RMB million
<b>Registered, issued and fully paid:</b>		
97,142,913,622 listed A shares (2024: 97,232,263,098) of RMB1.00 each	97,143	97,233
23,782,600,600 listed H shares (2024: 24,049,292,600) of RMB1.00 each	23,783	24,049
<b>Total</b>	<b>120,926</b>	<b>121,282</b>

The Company was established on 25 February 2000 with a registered capital of 68.8 billion domestic state-owned shares with a par value of RMB1.00 each. Such shares were issued to Sinopec Group Company in consideration for the assets and liabilities transferred to the Company (Note 1).

Pursuant to the resolutions passed at an Extraordinary General Meeting held on 25 July 2000 and approvals from relevant government authorities, the Company is authorised to increase its share capital to a maximum of 88.3 billion shares with a par value of RMB1.00 each and offer not more than 19.5 billion shares with a par value of RMB1.00 each to investors outside the PRC. Sinopec Group Company is authorised to offer not more than 3.5 billion shares of its shareholdings in the Company to investors outside the PRC. The shares sold by Sinopec Group Company to investors outside the PRC would be converted into H shares.

In October 2000, the Company issued 15,102,439,000 H shares with a par value of RMB1.00 each, representing 12,521,864,000 H shares and 25,805,750 American Depositary Shares (“ADSs”, each representing 100 H shares), at prices of HKD1.59 per H share and USD20.645 per ADS, respectively, by way of a global initial public offering to Hong Kong SAR and overseas investors. As part of the global initial public offering, 1,678,049,000 state-owned ordinary shares of RMB1.00 each owned by Sinopec Group Company were converted into H shares and sold to Hong Kong SAR and overseas investors.

In July 2001, the Company issued 2.8 billion listed A shares with a par value of RMB1.00 each at RMB4.22 by way of a public offering to natural persons and institutional investors in the PRC.

During the year ended 31 December 2010, the Company issued 88,774 listed A shares with a par value of RMB1.00 each, as a result of exercise of 188,292 warrants entitled to the Bonds with Warrants.

During the year ended 31 December 2011, the Company issued 34,662 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2012, the Company issued 117,724,450 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

On 14 February 2013, the Company issued 2,845,234,000 listed H shares (“the Placing”) with a par value of RMB1.00 each at the Placing Price of HKD8.45 per share. The aggregate gross proceeds from the Placing amounted to approximately HKD24,042,227,300.00 and the aggregate net proceeds (after deduction of the commissions and estimated expenses) amounted to approximately HKD23,970,100,618.00.

In June 2013, the Company issued 21,011,962,225 listed A shares and 5,887,716,600 listed H shares as a result of bonus issues of 2 shares converted from the retained earnings, and 1 share transferred from capital reserve for every 10 existing shares.

During the year ended 31 December 2013, the Company issued 114,076 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2014, the Company issued 1,715,081,853 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2015, the Company issued 2,790,814,006 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2022, the Company repurchased 442,300,000 listed A shares and 732,502,000 listed H shares respectively at a price of RMB4.06 per share to RMB4.50 per share for the repurchase of listed A shares, with a total amount of RMB1,888,163,981.61, and a price of HKD3.06 per share to HKD3.75 per share for the repurchase of listed H shares, with a total amount of HKD2,499,261,860.00, which had been cancelled in the year ended 31 December 2022.

During the year ended 31 December 2023, the Company repurchased 143,500,000 listed A shares and 403,656,000 listed H shares respectively at a price of RMB5.29 per share to RMB6.17 per share for the repurchase of listed A shares, with a total amount of RMB816,009,269.44, and a price of HKD3.78 per share to HKD4.56 per share for the repurchase of listed H shares, with a total amount of HKD1,646,392,242.20, which had been cancelled in the year ended 31 December 2023.

37 SHARE CAPITAL (Continued)

The Group (Continued)

Pursuant to the resolutions of the 15th meeting of the 8th session of the board of directors held on 24 March 2023 and the 2022 Annual General Meeting of Shareholders held on 30 May 2023, and with the approval for registration by the China Securities Regulatory Commission in the Reply on Agreeing to the Registration of China Petroleum & Chemical Corporation to Issue Shares to Specific Targets (Zheng Jian Xu Ke [2024] No. 110(證監許可[2024]110 號)), the Company was approved to issued 2,390,438,247 listed A shares (par value of RMB1.00 per share at an issue price of RMB5.02 per share) to Sinopec Group Company on 18 March 2024. The total amount of raised funds is RMB11,999,999,999.94. After deducting the total amount of RMB12,671,221.04 (excluding VAT) of recommendation and underwriting expenses and other issuance expenses, the net amount of raised funds is RMB11,987,328,778.90, which is included in the share capital of RMB2,390,438,247.00 and capital reserve of RMB9,596,890,531.90.

During the year ended 31 December 2024, the Company repurchased 130,146,195 listed A shares and 328,126,000 listed H shares respectively at a price of RMB6.16 per share to RMB6.43 per share for the repurchase of listed A shares, with a total amount of RMB816,001,427.20, and a price of HKD4.09 per share to HKD4.89 per share for the repurchase of listed H shares, with a total amount of HKD1,436,267,366.40. The 138,000 listed H shares repurchased on 30 December 2024 had not been canceled in the year ended 31 December 2024.

During the year ended 31 December 2025, the Company repurchased 89,349,476 listed A shares and 266,554,000 listed H shares respectively at a price of RMB5.27 per share to RMB6.10 per share for the repurchase of listed A shares, with a total amount of RMB500,000,213.01, and a price of HKD4.05 per share to HKD4.64 per share for the repurchase of listed H shares, with a total amount of HKD1,152,829,082.00. The 138,000 listed H shares repurchased on 30 December 2024 had been canceled in the year ended 31 December 2025.

All A shares and H shares rank pari passu in all material aspects.

Capital management

Management optimises the structure of the Group's capital, which comprises of equity, debts and bonds. In order to maintain and adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans and bonds. Management monitors capital on the basis of the debt-to-capital ratio, which is calculated by dividing long-term loans (excluding current portion) and debentures payable, by the total of equity attributable to shareholders of the Company and long-term loans (excluding current portion) and debentures payable, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. Management's strategy is to make appropriate adjustments according to the Group's operating and investment needs and the changes of market conditions, and to maintain the debt-to-capital ratio and the liability-to-asset ratio of the Group at a range considered reasonable. As at 31 December 2025, the debt-to-capital ratio and the liability-to-asset ratio of the Group were 22.1%(2024: 20.4%) and 54.1%(2024: 53.2%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Notes 32, 33 and 62, respectively.

There were no changes in the management's approach to capital management of the Group during the year. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

38 CAPITAL RESERVE

The movements in capital reserve of the Group are as follows:

	RMB million
Balance at 1 January 2025	125,368
Cancellation of treasury shares	(1,199)
Contributions to subsidiaries from non-controlling interests	877
Transactions with minority shareholders	(25)
Other equity movements under the equity method	(329)
Others	126
<b>Balance at 31 December 2025</b>	<b>124,818</b>

Capital reserve represents mainly: (a) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation; (b) share premiums derived from issuances of H shares and A shares by the Company and excess of cash paid by investors over their proportionate shares in share capital, the proportionate shares of unexercised portion of the Bond with Warrants at the expiration date, and the amount transferred from the proportionate liability component and the derivative component of the converted portion of the 2011 Convertible Bonds; (c) difference between consideration paid for the combination of entities under common control and the transactions with non-controlling interests over the carrying amount of the net assets acquired.

## 39 OTHER COMPREHENSIVE INCOME

## The Group

## (a) The changes of other comprehensive income in consolidated income statement

	2025		
	Before-tax amount RMB million	Tax effect RMB million	Net-of-tax amount RMB million
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the year	16,386	(2,558)	13,828
Less: Reclassification adjustments for amounts transferred to the consolidated income statement	14,830	(2,128)	12,702
<b>Subtotal</b>	<b>1,556</b>	<b>(430)</b>	<b>1,126</b>
Changes in fair value of other equity instrument investments	3,250	–	3,250
Other comprehensive loss that can be converted into profit or loss under the equity method	8,354	–	8,354
Foreign currency translation differences	(3,243)	–	(3,243)
<b>Other comprehensive income</b>	<b>9,917</b>	<b>(430)</b>	<b>9,487</b>

	2024		
	Before-tax amount RMB million	Tax effect RMB million	Net-of-tax amount RMB million
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the year	(1,193)	243	(950)
Less: Reclassification adjustments for amounts transferred to the consolidated income statement	562	(30)	532
<b>Subtotal</b>	<b>(1,755)</b>	<b>273</b>	<b>(1,482)</b>
Changes in fair value of other equity instrument investments	(8)	5	(3)
Other comprehensive loss that can be converted into profit or loss under the equity method	(3,507)	–	(3,507)
Foreign currency translation differences	2,006	–	2,006
<b>Other comprehensive income</b>	<b>(3,264)</b>	<b>278</b>	<b>(2,986)</b>

## (b) The change of each item in other comprehensive income

	Equity Attributable to shareholders of the company						
	Other comprehensive income that can be converted into profit or loss under the equity method RMB million	Changes in fair value of other equity investments RMB million	Cash flow hedges RMB million	Foreign currency translation differences RMB million	Subtotal RMB million	Non-controlling interests RMB million	Total other comprehensive income RMB million
1 January 2024	(8,442)	(91)	5,656	5,937	3,060	(3,105)	(45)
Changes in 2024	(3,058)	(21)	(2,403)	1,435	(4,047)	108	(3,939)
31 December 2024	(11,500)	(112)	3,253	7,372	(987)	(2,997)	(3,984)
1 January 2025	(11,500)	(112)	3,253	7,372	(987)	(2,997)	(3,984)
Changes in 2025	7,355	2,291	898	(2,831)	7,713	1,567	9,280
<b>31 December 2025</b>	<b>(4,145)</b>	<b>2,179</b>	<b>4,151</b>	<b>4,541</b>	<b>6,726</b>	<b>(1,430)</b>	<b>5,296</b>

As at 31 December 2025, cash flow hedge reserve amounted to a gain of RMB4,257 million (31 December 2024: a gain of RMB3,338 million), of which a gain of RMB4,151 million was attribute to shareholders of the Company (31 December 2024: a gain of RMB3,253 million).

## 40 SPECIFIC RESERVE

In accordance with the Administrative Measures for the Extraction and Use of Production Safety Expenses of Enterprises issued by the Ministry of Finance and the Ministry of Emergency Management of the PRC, the Group mainly extracts a certain percentage of production safety expenses from its net profit on a monthly basis based on the operating revenues of the businesses to which the Measures are applicable or the output of raw minerals mined in the PRC, which is included in the special reserve. Production safety expenses are specifically used to perfect and improve the production safety conditions of the enterprise or project, and any expenditure that is in line with the scope of use of production safety expenses shall be charged to the production safety expenses withdrawn. The assets formed by the use of production safety expenses are included in the relevant asset management. The balance of the current year's production safety expenses is carried forward for use in the following year.

**41 SURPLUS RESERVES**

Movements in surplus reserves are as follows:

	Statutory surplus reserve RMB million	The Group Discretionary surplus reserves RMB million	Total RMB million
Balance at 1 January 2025	110,663	117,000	227,663
Appropriation of surplus reserve	3,563	–	3,563
<b>Balance at 31 December 2025</b>	<b>114,226</b>	<b>117,000</b>	<b>231,226</b>

The PRC Company Law and Articles of Association of the Company have set out the following profit appropriation plans:

- 10% of the net profit is transferred to the statutory surplus reserve. In the event that the reserve balance reaches 50% of the registered capital, no transfer is needed;
- After the transfer to the statutory surplus reserve, a transfer to discretionary surplus reserve can be made upon the passing of a resolution at the shareholders' meeting.

**42 OPERATING INCOME AND OPERATING COSTS**

	The Group		The Company	
	2025	2024	2025	2024
	RMB million	RMB million	RMB million	RMB million
Income from principal operations	2,726,460	3,015,321	858,235	1,035,143
Income from other operations	57,123	59,241	25,133	26,822
<b>Operating income</b>	<b>2,783,583</b>	<b>3,074,562</b>	<b>883,368</b>	<b>1,061,965</b>
<b>Operating costs</b>	<b>2,341,383</b>	<b>2,598,935</b>	<b>693,152</b>	<b>850,450</b>

The income from principal operations mainly represents revenue from the sales of refined petroleum products, chemical products, crude oil and natural gas. The income from other operations mainly represents revenue from sale of materials, services providing, rental income and others.

Operating costs primarily represent the products cost related to the principal operations. The Group's segmental information is set out in Note 64.

The Group's operating income is mainly composed of sales revenue from the products as follows:

	2025	2024
	RMB million	RMB million
<b>Income from principal operations</b>	<b>2,726,460</b>	<b>3,015,321</b>
Included: Gasoline	763,996	847,815
Diesel	555,174	653,111
Crude oil	353,855	365,045
Chemical feedstock	38,856	41,994
Basic organic chemicals	184,796	219,608
Synthetic resin	123,127	124,780
Kerosene	209,624	231,214
Natural gas	103,185	91,015
Synthetic fiber monomers and polymers	42,621	42,880
Others (i)	351,226	397,859
<b>Income from other operations</b>	<b>57,123</b>	<b>59,241</b>
Included: Sale of materials and others	55,292	57,785
Rental income	1,831	1,456
<b>Total</b>	<b>2,783,583</b>	<b>3,074,562</b>

Notes:

- Others are primarily liquefied petroleum gas and other refinery and chemical byproducts and joint products and so on.
- The above operating incomes, except rental income, are all income from contracts.

**43 TAXES AND SURCHARGES**
**The Group**

	2025	2024
	RMB million	RMB million
Consumption tax	205,550	215,245
City construction tax	17,560	18,010
Special oil income levy	1,462	5,112
Education surcharge	12,857	13,255
Resources tax	8,011	8,466
Levy for mineral rights concessions	1,367	1,574
Others	5,628	5,653
<b>Total</b>	<b>252,435</b>	<b>267,315</b>

The applicable tax rate of the taxes and surcharges are set out in Note 4.

**44 FINANCIAL EXPENSES**
**The Group**

	2025	2024
	RMB million	RMB million
Interest expenses incurred	10,908	10,525
Less: Capitalised interest expenses	1,235	1,470
Add: Interest expense on lease liabilities	8,741	8,767
Net interest expenses	18,414	17,822
Accretion expenses (Note 35)	833	779
Interest income	(5,802)	(5,935)
Net foreign exchange losses/(gains)	1,209	(1,492)
<b>Total</b>	<b>14,654</b>	<b>11,174</b>

The interest rates per annum at which borrowing costs were capitalised during the year ended 31 December 2025 by the Group ranged from 1.85% to 3.00% (2024: 2.00% to 3.90%).

**45 CLASSIFICATION OF EXPENSES BY NATURE**

The operating costs, selling and distribution expenses, general and administrative expenses, research and development expenses and exploration expenses (including dry holes) in consolidated income statement classified by nature are as follows:

	2025	2024
	RMB million	RMB million
Purchased crude oil, products and operating supplies and expenses	2,185,999	2,449,614
Personnel expenses	106,644	110,187
Depreciation, depletion and amortisation	127,171	120,714
Exploration expenses (including dry holes)	11,353	9,375
Other expenses	52,213	53,078
<b>Total</b>	<b>2,483,380</b>	<b>2,742,968</b>

**46 SELLING AND DISTRIBUTION EXPENSES**

Selling expenses mainly include wages and salaries of sales staff, depreciation and amortization of sales equipment and related systems, etc.

**47 GENERAL AND ADMINISTRATIVE EXPENSES**

Administrative expenses mainly include salaries of administrative personnel, depreciation and amortization of office facilities, office systems and software, and repair costs.

**48 RESEARCH AND DEVELOPMENT EXPENSES**

The research and development expenditures are mainly used for the replacement of resources in upstream, optimising structure and operation upgrades in refining sector, structured adjustment of materials and products in chemical segment.

**49 EXPLORATION EXPENSES**

Exploration expenses include geological and geophysical expenses and written-off of unsuccessful dry hole costs.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

### 50 OTHER INCOME

Classified by characteristic	2025 RMB million	2024 RMB million
Government grants	7,735	12,026
Others	542	227
<b>Total</b>	<b>8,277</b>	<b>12,253</b>

Other income are mainly the government grants related to the business activities.

### 51 INVESTMENT INCOME

	The Group		The Company	
	2025 RMB million	2024 RMB million	2025 RMB million	2024 RMB million
Income from investment of subsidiaries accounted for under cost method	–	–	24,920	31,965
Income from investment accounted for under equity method	9,264	10,314	2,463	3,641
Investment (losses)/income from disposal of business and long-term equity investments	(865)	97	(38)	3
Dividend income from holding of other equity instrument investments	40	55	1	1
Investment income from holding/disposal of financial assets and liabilities and derivative financial instruments at fair value through profit or loss	1,709	4,031	63	–
Gain from ineffective portion of cash flow hedges	371	875	133	353
Others	152	517	812	1,265
<b>Total</b>	<b>10,671</b>	<b>15,889</b>	<b>28,354</b>	<b>37,228</b>

### 52 GAINS/(LOSSES) FROM CHANGES IN FAIR VALUE

#### The Group

	2025 RMB million	2024 RMB million
Net fair value losses on financial assets and financial liabilities at fair value through loss	(52)	(4,143)
Unrealised or gains from ineffective portion cash flow hedges, net	121	43
Others	(6)	(47)
<b>Total</b>	<b>63</b>	<b>(4,147)</b>

### 53 IMPAIRMENT LOSSES

#### The Group

	2025 RMB million	2024 RMB million
Prepayments	(8)	(125)
Inventories	4,384	4,420
Long-term equity investment	1,680	–
Fixed assets	5,876	2,206
Intangible assets	10	72
Construction in progress	12	134
Goodwill	1,006	–
Others	(7)	(5)
<b>Total</b>	<b>12,953</b>	<b>6,702</b>

### 54 NON-OPERATING INCOME

#### The Group

	2025 RMB million	2024 RMB million
Government grants	388	406
Others	6,309	1,820
<b>Total</b>	<b>6,697</b>	<b>2,226</b>

Note: During the year ended 31 December 2025, the Group established a joint venture company with a third party to construct and operate a refining and chemical integrated project. According to the terms agreed by both parties, the Group has received project participation fees of approximately RMB4,324 million from the third party after the establishment of the joint venture company, which was recognised as non-operating income and presented in others.

**55 NON-OPERATING EXPENSES**
**The Group**

	2025	2024
	RMB million	RMB million
Fines, penalties and compensation	274	431
Donations	293	293
Asset scrap, damage loss	1,424	1,157
Others	1,992	2,089
<b>Total</b>	<b>3,983</b>	<b>3,970</b>

**56 INCOME TAX EXPENSE**
**The Group**

	2025	2024
	RMB million	RMB million
Provision for income tax for the year	10,287	12,536
Deferred taxation	(1,931)	1,669
Under-provision for income tax in respect of preceding year	(422)	(1,239)
<b>Total</b>	<b>7,934</b>	<b>12,966</b>

Reconciliation between actual income tax expense and accounting profit at applicable tax rates is as follows:

	2025	2024
	RMB million	RMB million
<b>Profit before taxation</b>	<b>43,184</b>	<b>70,513</b>
Expected income tax expense at a tax rate of 25%	10,796	17,628
Tax effect of non-deductible expenses	2,760	2,491
Tax effect of non-taxable income	(4,804)	(4,247)
Tax effect of preferential tax rate (Note)	(2,924)	(2,763)
Effect of income taxes at foreign operations	(654)	(253)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(37)	(152)
Tax effect of tax losses not recognised and temporary differences	1,620	1,267
Write-down of deferred tax assets	1,599	234
Adjustment for under provision for income tax in respect of preceding years	(422)	(1,239)
<b>Actual income tax expense</b>	<b>7,934</b>	<b>12,966</b>

Note: The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in western regions in the PRC are taxed at preferential income tax rate of 15% through the year 2025. According to Announcement [2020] No.23 of the MOF "Announcement of the MOF, the State Taxation Administration and the National Development and Reform Commission on continuation of the income tax policy of western development enterprises", the preferential income tax rate of 15% extends from 1 January 2021 to 31 December 2030.

**57 DIVIDENDS**
**(a) Dividends of ordinary shares declared after the balance sheet date**

Pursuant to a resolution passed at the director's meeting on 20 March 2026, final dividends in respect of the year ended 31 December 2025 of RMB0.112 (2024: RMB0.140) per share totaling RMB13,544 million (2024: RMB16,974 million) were proposed for shareholders' approval at the Annual General Meeting. Final cash dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

**(b) Dividends of ordinary shares declared during the period**

Pursuant to the approval at the director's meeting on 21 August 2025, the interim dividends for the year ending 31 December 2025 of RMB0.088 (2024: RMB0.146) per share totaling RMB10,662 million (2024: RMB17,768 million) were approved. Dividends were paid on 12 September 2025.

Pursuant to the shareholders' approval at the Annual General Meeting on 28 May 2025, a final dividend of RMB0.140 per share totaling RMB16,974 million according to total shares on 17 June 2025 was approved. All dividends have been paid before 31 December 2025.

Pursuant to the approval at the director's meeting on 23 August 2024, the interim dividends for the year ending 31 December 2024 of RMB0.146 per share totaling RMB17,768 million were approved. Dividends were paid on 13 September 2024.

Pursuant to the shareholders' approval at the Annual General Meeting on 28 June 2024, a final dividend of RMB0.200 per share totaling RMB24,340 million according to total shares on 15 July 2024 was approved. All dividends have been paid before 31 December 2024.

## 58 SUPPLEMENTAL INFORMATION TO THE CASH FLOW STATEMENT

## The Group

## (a) Reconciliation of net profit to cash flows from operating activities:

	2025	2024
	RMB million	RMB million
Net profit	35,250	57,547
Add: Impairment losses on assets	12,953	6,702
Credit impairment (reversals)/losses	(258)	108
Depreciation of right-of-use assets	16,901	15,932
Depreciation of fixed assets	99,462	94,311
Amortisation of intangible assets and long-term deferred expenses	10,808	10,471
Dry hole costs written off	7,911	4,955
Net losses/(gains) on disposal of assets	384	(810)
Fair value (gains)/losses	(63)	4,147
Financial expenses	13,445	12,666
Investment income	(10,671)	(15,889)
Other income related to investing activities	(4,324)	–
(Increase)/decrease in deferred tax assets	(459)	527
(Decrease)/increase in deferred tax liabilities	(1,472)	1,142
Decrease/(Increase) in inventories	22,341	(10,117)
Safety fund reserve	(587)	(47)
Increase in operating receivables	(7,928)	(7,864)
Decrease in operating payables	(31,197)	(24,421)
<b>Net cash generated from operating activities</b>	<b>162,496</b>	<b>149,360</b>

## (b) Net change in cash:

	2025	2024
	RMB million	RMB million
Cash balance at the end of the year	81,053	91,295
Less: Cash at the beginning of the year	91,295	121,759
<b>Net decrease of cash</b>	<b>(10,242)</b>	<b>(30,464)</b>

## (c) The analysis of cash held by the Group is as follows:

	2025	2024
	RMB million	RMB million
Cash at bank and on hand		
– Cash on hand	1	1
– Demand deposits	81,052	91,294
<b>Cash at the end of the year</b>	<b>81,053</b>	<b>91,295</b>

## (d) Other cash received relating to investing activities:

	2025	2024
	RMB million	RMB million
Decrease in time deposits with maturities over three months	69,139	86,624
Interest income	3,677	4,113
Received funds related to the establishment of a joint venture company (Note 54)	4,324	–
Cash received from subsidiaries	1,554	–
Others	84	23
<b>Total</b>	<b>78,778</b>	<b>90,760</b>

## (e) Other cash paid relating to investing activities:

	2025	2024
	RMB million	RMB million
Increase in time deposits with maturities over three months	(91,435)	(114,855)
Loans from fellow subsidiaries	–	(717)
Others	(315)	(503)
<b>Total</b>	<b>(91,750)</b>	<b>(116,075)</b>

58 SUPPLEMENTAL INFORMATION TO THE CASH FLOW STATEMENT (Continued)

The Group (Continued)

(f) Other cash paid relating to financing activities:

	2025	2024
	RMB million	RMB million
Repayments of lease liabilities	(19,247)	(19,654)
Capital reduction by minority shareholders	(152)	(1,474)
Cash payments to repurchase own shares	(1,554)	(2,131)
Others	(978)	(960)
<b>Total</b>	<b>(21,931)</b>	<b>(24,219)</b>

(g) Reconciliation of liabilities (excluding lease liabilities) arising from financial activities:

	Balance at 1 January 2025	Additions for the year		Decreases for the year		Balance at 31 December 2025
		Cash	Non-cash	Cash	Non-cash	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Long-term and Short-term loans and debentures payable	302,960	396,227	124,500	(372,475)	(95,692)	355,520
Other non-current liabilities – loans to related parties	5,143	367	2,854	(152)	–	8,212
Other current liabilities – loans to short-term bonds payable	–	21,000	–	(21,000)	–	–
<b>Total</b>	<b>308,103</b>	<b>417,594</b>	<b>123,354</b>	<b>(393,627)</b>	<b>(95,692)</b>	<b>363,732</b>

The decrease in cash for the year includes interest actually paid: RMB7,375 million (2024: RMB7,912 million).

59 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Related parties having the ability to exercise control over the Group

The name of the company	:	China Petrochemical Corporation
Unified social credit identifier	:	9111000010169286X1
Registered address	:	No. 22, Chaoyangmen North Street, Chaoyang District, Beijing
Principal activities	:	Exploration, production, storage and transportation (including pipeline transportation), sales and utilisation of crude oil and natural gas; refining; wholesale and retail of gasoline, kerosene and diesel; production, sales, storage and transportation of petrochemical and other chemical products; industrial investment and investment management; exploration, construction, installation and maintenance of petroleum and petrochemical constructions and equipments; manufacturing electrical equipment; research, development, application and consulting services of information technology and alternative energy products; import & export of goods and technology.
Relationship with the Group	:	Ultimate holding company
Types of legal entity	:	Limited Liability Company (State-owned)
Authorised representative	:	Hou Qijun
Registered capital	:	RMB326,547 million

Sinopec Group Company is an enterprise controlled by the PRC government. Sinopec Group Company directly and indirectly holds 69.87% shareholding of the Company.

(2) Related parties not having the ability to exercise control over the Group

*Related parties under common control of a parent company with the Company:*

Sinopec Finance (Note)  
 Sinopec Shengli Petroleum Administrative Bureau CO.,LTD.  
 Sinopec Zhongyuan Petroleum Exploration Bureau CO.,LTD.  
 Sinopec Assets Management CO.,LTD.  
 Sinopec Engineering Incorporation  
 Sinopec Century Bright Capital Investment Limited  
 Sinopec Petroleum Storage and Reserve Limited

*Associates of the Group:*

PipeChina  
 Sinopec Finance  
 Sinopec Capital  
 Zhongtian Synergetic Energy  
 Aviation Fuel

*Joint ventures of the Group:*

FREP  
 BASF-YPC  
 INEOS (Ningbo)  
 Sinopec SABIC Tianjin  
 Shanghai SECCO

Note: Sinopec Finance is under common control of a parent company with the Company and is also the associate of the Group.

59 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business, are as follows:

	Note	The Group	
		2025	2024
		RMB million	RMB million
Sales of goods	(i)	363,144	381,571
Purchases	(ii)	207,616	176,738
Transportation and storage	(iii)	25,490	26,081
Exploration and development services	(iv)	37,215	39,208
Production related services	(v)	35,586	36,880
Agency commission income	(vi)	111	160
Interest income	(vii)	2,821	3,108
Interest expense	(viii)	954	1,291
Net deposits placed with related parties	(vii)	(8,138)	(466)
Net funds obtained from related parties	(ix)	44,133	34,093

The amounts set out in the table above in respect of the year ended 31 December 2025 and 2024 represent the relevant costs and income as determined by the corresponding contracts with the related parties.

For the year ended 31 December 2025 the Group purchases from Sinopec Group Company and fellow subsidiaries amounting to RMB191,571 million (2024: RMB159,275 million) comprising purchases of products and services (i.e. procurement, transportation and storage, exploration and development services and production related services) of RMB177,897 million (2024: RMB145,685 million), lease charges for land, buildings and others paid by the Group of RMB11,171 million, RMB1,184 million and RMB365 million (2024: RMB10,937 million, RMB1,088 million and RMB274 million), respectively and interest expenses of RMB954 million (2024: RMB1,291 million).

For the year ended 31 December 2025, the group sales to Sinopec Group Company and fellow subsidiaries amounting to RMB108,230 million (2024: RMB72,711 million), comprising RMB105,315 million (2024: RMB69,281 million) for sales of goods, RMB2,821 million (2024: RMB3,363 million) for interest income and RMB94 million (2024: RMB67 million) for agency commission income.

For the year ended 31 December 2025, the amount of rental the Group paid to Sinopec Group Company and fellow subsidiaries, associates and joint ventures for land, buildings and others are RMB11,177 million, RMB1,189 million and RMB401 million (2024: RMB10,941 million, RMB1,094 million and RMB363 million). Interest expense on lease liabilities is RMB7,482 million (2024: RMB7,434 million). Among them, according to the continuing connected transaction agreement signed in 2000, the sixth supplementary agreement for continuing connected transactions signed on 27 August, 2021, and the fourth revision memorandum of the land use right lease contract, the actual payment of land, land and land use rights between Sinopec Group and Sinopec Group The rental amount of houses was RMB11,171 million and RMB1,184 million respectively (2024: RMB10,937 million and RMB1,088 million). The Group, as the lessee, has not leased single significant right-of-use assets from Sinopec Group, subsidiaries, associated companies and joint ventures.

As of 31 December 2025 and 2024, the Group's guarantee on bank credit to associated companies and joint ventures is shown in Note 63(b). In addition, the Group has no other bank guarantee for Sinopec Group and its subsidiaries, associates and joint ventures

Notes:

- (i) Sales of goods represent the sale of crude oil, intermediate petrochemical products, petroleum products and ancillary materials.
- (ii) Purchases represent the purchase of materials and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.
- (iii) Transportation and storage represent the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.
- (iv) Exploration and development services comprise direct costs incurred in the exploration and development such as geophysical, drilling, well testing and well measurement services.
- (v) Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, firefighting, security, product quality testing and analysis, information technology, design and engineering, construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management and environmental protection, and management services.
- (vi) Agency commission income represents commission earned for acting as an agent in respect of sales of products and purchase of materials for certain entities owned by Sinopec Group Company.
- (vii) Interest income represents interest received from deposits placed with Sinopec Finance and Sinopec Century Bright Capital Investment Limited, finance companies controlled by Sinopec Group Company. The applicable interest rate is determined in accordance with the prevailing saving deposit rate.
- (viii) Interest expense represents interest charges on the loans obtained from Sinopec Group Company and fellow subsidiaries.
- (ix) The Group obtained loans, discounted bills and issued the acceptance bills from Sinopec Group Company and fellow subsidiaries, etc.

**59 RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (Continued)**(3) The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business, are as follows:** (Continued)

In connection with the Reorganisation, the Company and Sinopec Group Company entered into a number of agreements under which 1) Sinopec Group Company will provide goods and products and a range of ancillary, social and supporting services to the Group and 2) the Group will sell certain goods to Sinopec Group Company. These agreements impacted the operating results of the Group for the year ended 31 December 2025. The terms of these agreements are summarised as follows:

- (a) The Company has entered into a non-exclusive “Agreement for Mutual Provision of Products and Ancillary Services” (“Mutual Provision Agreement”) with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain ancillary production services, construction services, information advisory services, supply services and other services and products. While each of Sinopec Group Company and the Company is permitted to terminate the Mutual Provision Agreement upon at least six months’ notice, Sinopec Group Company has agreed not to terminate the agreement if the Group is unable to obtain comparable services from a third party. The pricing policy for these services and products provided by Sinopec Group Company to the Group is as follows:
- the government-prescribed price;
  - where there is no government-prescribed price, the government-guidance price;
  - where there is neither a government-prescribed price nor a government-guidance price, the market price; or
  - where none of the above is applicable, the price to be agreed between the parties, which shall be based on a reasonable cost incurred in providing such services plus a profit margin not exceeding 6%.
- (b) The Company has entered into a non-exclusive “Agreement for Provision of Cultural and Educational, Health Care and Community Services” with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain cultural, educational, health care and community services on the same pricing terms and termination conditions as agreed to in the above Mutual Provision Agreement.
- (c) The Company has entered into a number of lease agreements with Sinopec Group Company to lease certain lands and buildings effective on 1 January 2000. The lease term is 40 or 50 years for lands and 20 years for buildings, respectively. The Company and Sinopec Group Company can renegotiate the rental amount every three years for land. The Company and Sinopec Group Company can renegotiate the rental amount for buildings every year. However such amount cannot exceed the market price as determined by an independent third party.
- (d) The Company has entered into agreements with Sinopec Group Company effective from 1 January 2000 under which the Group has been granted the right to use certain trademarks, patents, technology and computer software developed by Sinopec Group Company.
- (e) The Company has entered into a service station franchise agreement with Sinopec Group Company effective from 1 January 2000 under which its service stations and retail stores would exclusively sell the refined products supplied by the Group.
- (f) On the basis of a series of continuing connected transaction agreements signed in 2000, the Company and Sinopec Group Company have signed the Seventh Supplementary Agreement on 23 August 2024, which took effect on 1 January 2025 and made adjustment to “Mutual Supply Agreement”, “Land Leasing Contract” and “Buildings Leasing Contract”.

59 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Balances with Sinopec Group Company and fellow subsidiaries, associates and joint ventures

The balances with Sinopec Group Company and fellow subsidiaries, associates and joint ventures at 31 December 2025 and 31 December 2024 are as follows:

	The ultimate holding company		Other related companies	
	At 31 December 2025	At 31 December 2024	At 31 December 2025	At 31 December 2024
	RMB million	RMB million	RMB million	RMB million
Cash at bank and on hand	–	–	74,571	66,433
Accounts receivable	–	3	12,982	9,148
Receivables financing	–	–	41	166
Other receivables	68	71	20,517	14,804
Prepayments and other current assets	177	150	747	1,039
Other non-current assets	–	–	7,072	4,648
Bills payable	–	–	10,693	7,267
Accounts payable	28	35	12,263	19,073
Contract liabilities	12	1	4,334	5,348
Other payables and other current liabilities	21	13	28,382	30,464
Other non-current liabilities	–	–	9,536	6,415
Short-term loans	–	–	6,300	3,862
Long-term loans (including current portion)	–	–	25,737	24,116
Lease liabilities (including current portion)	58,727	62,783	92,211	83,572

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, other than short-term loans and long-term loans, bear no interest, are unsecured and are repayable in accordance with normal commercial terms. The terms and conditions associated with short-term loans and long-term loans payable to Sinopec Group Company and fellow subsidiaries are set out in Note 23 and Note 32.

As at and for the year ended 31 December 2025, and as at and for the year ended 31 December 2024, no individually significant impairment losses for bad and doubtful debts were recorded in respect of amounts due from Sinopec Group Company and fellow subsidiaries, associates and joint ventures.

(5) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensations are as follows:

	2025	2024
	RMB thousand	RMB thousand
Short-term employee benefits	7,970	8,149
Retirement scheme contributions	505	554
<b>Total</b>	<b>8,475</b>	<b>8,703</b>

60 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

**60 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS** (Continued)**(a) Oil and gas properties and reserves**

The accounting for the exploration and production segment's oil and gas activities is subject to accounting rules that are unique to the oil and gas industry. The Group has used the successful efforts method to account for oil and gas business activities. The successful efforts method reflects the volatility that is inherent in exploring for mineral resources in that costs of unsuccessful exploratory efforts are charged to expense. These costs primarily include dry hole costs, seismic costs and other exploratory costs.

Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Although there are inherent inaccuracies in engineering estimates, these estimates are used as benchmark for depreciation costs, impairment losses and future demolition costs. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimate of proved and proved developed reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates. Oil and gas reserves have a direct impact on the assessment of the recoverability of the carrying amounts of oil and gas properties reported in the financial statements. If proved reserves estimates are revised downwards, the Group's earnings could be affected by changes in depreciation expense or an immediate write-down of the carrying amount of oil and properties.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in the similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

**(b) Impairment for assets**

If circumstances indicate that the net book value of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with "CASs 8 – Impairment of Assets". The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. For goodwill, the recoverable amount is estimated annually. The recoverable amount is the greater of the fair value less costs to sell and the present value of expected future cash flows. It is difficult to precisely estimate the fair value because quoted market prices for the Group's assets or cash-generating units are not readily available. Therefore, the Group determines the recoverable amount based on the present value of the expected future cash flows of assets. The expected future cash flows of assets are based on the most recent financial budget or forecast data approved by management, as well as stable or decreasing growth rates for years after the budget or forecast period. If the increasing growth rate is reasonable, then it should be based on the increasing growth rate. In appropriate and reasonable circumstances, the growth rate can be zero or negative. Expected cash flows based on budgets or forecasts typically cover five years, and if a longer period is reasonable, it can cover a longer period. When estimating cash flows for years after the budget or forecast period, the growth rate used should not exceed the long-term average growth rate of the industry or market in which the products operated by the group are located, or the long-term average growth rate of the market in which the asset is located, unless it can prove that a higher growth rate is reasonable. In determining the discount rate, the weighted average cost of capital is usually used as the basis. In determining the value of expected future cash flows, expected cash flows generated by the asset or the cash-generating unit are discounted to their present value, which requires significant judgement relating to sales volume, selling price, amount of operating costs and discount rate. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price, amount of operating costs and discount rate.

**(c) Depreciation**

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

**(d) Measurement of expected credit losses**

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

The Group measures and recognises expected credit losses, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

The Group regularly monitors and reviews the assumptions used for estimating expected credit losses.

## 60 PRINCIPAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

## (e) Allowance for diminution in value of inventories

If the costs of inventories become higher than their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories would be higher than estimated.

## 61 PRINCIPAL SUBSIDIARIES

The Company's principal subsidiaries have been consolidated into the Group's financial statements for the year ended 31 December 2025. The following list contains the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group:

Full name of enterprise	Principal activities	Registered capital/paid-up capital million	Actual investment at 31 December 2025 million	Percentage of equity interest/voting right held by the Group %	Non-controlling Interests at 31 December 2025 RMB million
<b>(a) Subsidiaries acquired through group restructuring:</b>					
China Petrochemical International Company Limited	Trading of petrochemical products	RMB1,400	RMB1,856	100.00	11
China International United Petroleum and Chemical Company Limited	Trading of crude oil and petrochemical products	RMB5,000	RMB6,585	100.00	6,167
Sinopec Catalyst Company Limited	Production and sale of catalyst products	RMB1,500	RMB2,981	100.00	369
Sinopec Yangzi Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB15,651	RMB15,756	100.00	-
Sinopec Lubricant Company Limited	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials	RMB3,374	RMB3,374	100.00	78
Sinopec Yizheng Chemical Fibre Limited Liability Company	Production and sale of polyester chips and polyester fibres	RMB4,000	RMB7,437	100.00	-
Sinopec (Henan) Refining and Chemical Co., Ltd.	Manufacturing of intermediate petrochemical products and petroleum products	RMB1,843	RMB2,248	100.00	-
Sinopec Marketing Company Limited	Marketing and distribution of refined petroleum products	RMB28,403	RMB20,000	70.43	83,571
Sinopec Kantons Holdings Limited ("Sinopec Kantons")	Provision of crude oil jetty and natural gas pipeline transportation services	HKD248	HKD3,952	60.33	5,953
Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochemical")	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products	RMB10,543	RMB5,462	51.81	11,249
Fujian Petrochemical Company Limited ("Fujian Petrochemical") (i)	Manufacturing of plastics, intermediate petrochemical products and petroleum products	RMB10,492	RMB5,786	50.00	3,983
<b>(b) Subsidiaries established by the Group:</b>					
Sinopec International Petroleum Exploration and Production Limited ("SIPL")	Investment in exploration, production and sale of petroleum and natural gas	RMB8,250	RMB8,250	100.00	4,909
Sinopec Overseas Investment Holding Limited ("SOIHL")	Investment holding of overseas business	USD4,942	USD4,942	100.00	-
Sinopec Chemical Sales Company Limited	Marketing and distribution of petrochemical products	RMB1,000	RMB1,165	100.00	152
Sinopec Great Wall Energy & Chemical Company Limited	Coal chemical industry investment management, production and sale of coal chemical products	RMB22,761	RMB22,988	100.00	23
Sinopec Beihai Refining and Chemical Limited Liability Company	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products	RMB5,294	RMB5,240	98.98	142
ZhongKe (Guangdong) Refinery & Petrochemical Company Limited	Crude oil processing and petroleum products manufacturing	RMB8,168	RMB6,535	90.30	2,352
Sinopec Qingdao Refining and Chemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB5,153	RMB4,380	85.00	2,217
Sinopec-SK (Wuhan) Petrochemical Company Limited ("Sinopec-SK")	Production, sale, research and development of petroleum, petrochemical and ethylene products and downstream by products	RMB7,193	RMB4,244	59.00	2,359
<b>(c) Subsidiaries acquired through business combination under common control:</b>					
Sinopec Hainan Refining and Chemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB9,606	RMB12,615	100.00	304
Sinopec Qingdao Petrochemical Company Limited	Manufacturing of intermediate petrochemical products and petroleum products	RMB1,595	RMB7,233	100.00	-
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. ("Gaoqiao Petrochemical")	Manufacturing of intermediate petrochemical products and petroleum products	RMB10,000	RMB4,804	55.00	9,723
Sinopec Hunan Petrochemical Co. Ltd. ("Hunan Petrochemical")	Crude oil processing and petroleum products manufacturing	RMB7,333	RMB5,477	74.69	3,720

\* The non-controlling interests of subsidiaries which the Group holds 100% of equity interests at the end of the year are the non-controlling interests of their subsidiaries.

Except for Sinopec Kantons and SOIHL, which are incorporated in Bermuda and Hong Kong SAR, respectively, all of the above principal subsidiaries are incorporated and operate their businesses principally in the PRC.

Note:

(i) The Group consolidated the financial statements of the entity because it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

### 61 PRINCIPAL SUBSIDIARIES (Continued)

#### Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information which the amount before inter-company eliminations for each subsidiary whose non-controlling interests that are material to the Group.

#### Summarised consolidated balance sheet

	Marketing Company		SIPL		Shanghai Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical		Hunan Petrochemical	
	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31
	December	December	December	December	December	December	December	December	December	December	December	December
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Current assets	216,357	220,984	19,472	20,088	14,852	20,633	3,474	6,599	16,529	16,797	4,703	6,417
Current liabilities	(226,993)	(228,365)	(984)	(778)	(15,520)	(16,289)	(141)	(155)	(5,736)	(5,736)	(15,901)	(14,328)
<b>Net current (liabilities)/assets</b>	<b>(10,636)</b>	<b>(7,381)</b>	<b>18,488</b>	<b>19,310</b>	<b>(668)</b>	<b>4,344</b>	<b>3,333</b>	<b>6,444</b>	<b>10,793</b>	<b>11,061</b>	<b>(11,198)</b>	<b>(7,911)</b>
Non-current assets	317,140	318,997	12,630	9,439	25,029	21,136	11,787	7,960	13,850	14,578	30,779	30,828
Non-current liabilities	(49,803)	(53,557)	(13,438)	(11,535)	(1,127)	(336)	(172)	(196)	(3,045)	(3,933)	(4,884)	(6,166)
<b>Net non-current assets/(liabilities)</b>	<b>267,337</b>	<b>265,440</b>	<b>(808)</b>	<b>(2,096)</b>	<b>23,902</b>	<b>20,800</b>	<b>11,615</b>	<b>7,764</b>	<b>10,805</b>	<b>10,645</b>	<b>25,895</b>	<b>24,662</b>

#### Summarised consolidated statement of comprehensive income and cash flow

Year ended 31 December	Marketing Company		SIPL		Shanghai Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical		Hunan Petrochemical	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB million	RMB Million	RMB million	RMB Million	RMB million	RMB Million	RMB million	RMB Million	RMB million	RMB Million	RMB million	RMB million
Turnover	1,501,994	1,710,948	2,505	2,881	75,563	87,133	603	609	47,182	60,338	49,096	68,683
Net profit/(loss) for the period	9,605	16,928	950	3,195	(1,430)	323	941	1,075	(23)	(468)	(2,059)	820
<b>Total comprehensive income</b>	<b>12,450</b>	<b>17,095</b>	<b>2,453</b>	<b>2,641</b>	<b>(1,465)</b>	<b>266</b>	<b>740</b>	<b>1,118</b>	<b>(24)</b>	<b>(467)</b>	<b>(2,055)</b>	<b>826</b>
Comprehensive income attributable to non-controlling interests	4,625	6,709	835	1,277	(705)	133	446	444	(11)	(210)	(520)	209
Dividends paid to non-controlling interests	5,436	5,192	1,987	-	106	8	226	225	-	30	-	-
<b>Net cash flow generated from operating activities</b>	<b>36,672</b>	<b>41,550</b>	<b>1,193</b>	<b>1,101</b>	<b>1,993</b>	<b>7,740</b>	<b>230</b>	<b>81</b>	<b>707</b>	<b>362</b>	<b>1,301</b>	<b>1,898</b>

62 COMMITMENTS

Capital commitments

At 31 December 2025 and 31 December 2024, capital commitments of the Group are as follows:

	At 31 December 2025 RMB million	At 31 December 2024 RMB million
Authorised and contracted for (i)	170,368	177,173
Authorised but not contracted for	87,592	61,996
<b>Total</b>	<b>257,960</b>	<b>239,169</b>

These capital commitments relate to oil and gas exploration and development, refining and petrochemical production capacity expansion projects, the construction of service stations and oil depots and investment commitments.

Note:

(i) At 31 December 2025, the investment commitments of the Group is RMB21,756 million (2024: RMB13,353 million).

Commitments to joint ventures

Pursuant to certain of the joint venture agreements entered into by the Group, the Group is obliged to purchase products from the joint ventures based on market prices.

Exploration and production licenses

Exploration licenses for exploration activities are registered with the Ministry of Natural Resources. The term of the Group's exploration licenses is 5 years, and may be renewed upon expiration within 30 days prior to expiration of the original term with each renewal being for a five-year term. The Group is obligated to make progressive annual minimum exploration investment relating to the exploration blocks in respect of which the license is issued. The Ministry of Natural Resources also issues production licenses to the Group on the basis of the reserve reports approved by relevant authorities. The maximum term of a full production license is 30 years unless a special dispensation is given by the State Council. The maximum term of the production licenses is 80 years with a special dispensation given by the State Council. The Group's production license is renewable upon application by the Group 30 days prior to expiration.

The Group is required to make payments of exploration license fees and production right usage fees to the Ministry of Natural Resources annually which are expensed. Expenses recognised were approximately RMB164 million for the year ended 31 December 2025 (2024: RMB183 million).

Estimated future annual payments are as follows:

	At 31 December 2025 RMB million	At 31 December 2024 RMB million
Within one year	270	237
Between one and two years	141	179
Between two and three years	78	134
Between three and four years	79	76
Between four and five years	74	76
Thereafter	834	862
<b>Total</b>	<b>1,476</b>	<b>1,564</b>

The implementation of commitments in previous year and the Group's commitments did not have material discrepancy.

63 CONTINGENT LIABILITIES

(a) The Company has been advised by its PRC lawyers that, except for liabilities constituting or arising out of or relating to the business assumed by the Company in the Reorganisation, no other liabilities were assumed by the Company, and the Company is not jointly and severally liable for other debts and obligations incurred by Sinopec Group Company prior to the Reorganisation.

(b) At 31 December 2025 and 31 December 2024, the guarantees by the Group in respect of facilities granted to the parties below are as follows:

	At 31 December 2025	At 31 December 2024
	RMB million	RMB million
Joint ventures (Note i)	3,522	8,193
Associates (Note ii)	1,901	–
<b>Total</b>	<b>5,423</b>	<b>8,193</b>

Note (i): The Group provided guarantees in respect to standby credit facilities amounting to RMB7,100 million (31 December 2024: RMB34,351 million) to certain joint ventures. As at 31 December 2025, the amount withdrawn (the portion corresponding to the shareholding ratio of the Group) from banks and guaranteed by the Group was RMB3,522 million (31 December 2024: RMB8,193 million).

The Group provided a guarantee in respect to payment obligation of a joint venture under an certain agreement amount to RMB17,080 million (31 December 2024: RMB17,468 million). As at 31 December 2025, there has not yet incurred the relevant payment obligations and therefore the Group has no guarantee amount (31 December 2024: Nil).

Note (ii): The Group provides guarantees for a joint venture company to accept loans, with a total committed guarantee amount of RMB4,307 million (December 31, 2024: none). As of December 31, 2025, the actual withdrawal amount of the guaranteed company (corresponding to the proportion of equity held by the Group) and the total guarantee amount of the Group amounted to RMB1,901 million (December 31, 2024: none).

Management monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees. At 31 December 2025 and 2024, the Group estimates that there is no material liability has been accrued for ECLs related to the Group’s obligation under these guarantee arrangements.

**Environmental contingencies**

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group’s ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material.

The Group recognised normal routine pollutant discharge fees of approximately RMB16,474 million in the consolidated financial statements for the year ended 31 December 2025 (2024: RMB18,448 million).

**Legal contingencies**

The Group is defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

## 64 SEGMENT REPORTING

Segment information is presented in respect of the Group's operating segments. The format is based on the Group's management and internal reporting structure.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (i) Exploration and production — which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Group and external customers.
- (ii) Refining — which processes and purifies crude oil, which is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Group and external customers.
- (iii) Marketing and distribution — which owns and operates oil depots and service stations, and distributes and sells refined petroleum products (mainly gasoline and diesel) through wholesale and retail sales networks.
- (iv) Chemicals — which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products to external customers.
- (v) Corporate and others — which largely comprise the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

The segments were determined primarily because the Group manages its exploration and production, refining, marketing and distribution, chemicals, and corporate and others businesses separately. The reportable segments are each managed separately because they manufacture and/or distribute distinct products with different production processes and due to their distinct operating and gross margin characteristics.

### (1) Information of reportable segmental revenues, profits or losses, assets and liabilities

The Group's chief operating decision maker evaluates the performance and allocates resources to its operating segments on an operating profit basis, without considering the effects of finance costs or investment income. Inter-segment transfer pricing is based on the market price or cost plus an appropriate margin, as specified by the Group's policy.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for cash at bank and on hand, long-term equity investments, deferred tax assets and other unallocated assets. Segment liabilities exclude short-term loans, non-current liabilities due within one year, long-term loans, debentures payable, deferred tax liabilities, other non-current liabilities and other unallocated liabilities.

## 64 SEGMENT REPORTING (Continued)

## (1) Information of reportable segmental revenues, profits or losses, assets and liabilities (Continued)

Reportable information on the Group's operating segments is as follows:

	2025	2024
	RMB million	RMB million
<b>Income from principal operations</b>		
Exploration and production		
External sales	157,915	175,844
Inter-segment sales	124,156	117,297
	<b>282,071</b>	<b>293,141</b>
Refining		
External sales	159,694	165,335
Inter-segment sales	1,165,499	1,312,728
	<b>1,325,193</b>	<b>1,478,063</b>
Marketing and distribution		
External sales	1,457,219	1,665,827
Inter-segment sales	7,657	7,337
	<b>1,464,876</b>	<b>1,673,164</b>
Chemicals		
External sales	378,049	418,294
Inter-segment sales	79,316	97,925
	<b>457,365</b>	<b>516,219</b>
Corporate and others		
External sales	573,583	590,021
Inter-segment sales	739,273	864,348
	<b>1,312,856</b>	<b>1,454,369</b>
Elimination of inter-segment sales	(2,115,901)	(2,399,635)
<b>Consolidated income from principal operations</b>	<b>2,726,460</b>	<b>3,015,321</b>
<b>Income from other operations</b>		
Exploration and production	3,921	4,108
Refining	3,316	3,439
Marketing and distribution	40,399	41,194
Chemicals	6,743	7,643
Corporate and others	2,744	2,857
<b>Consolidated income from other operations</b>	<b>57,123</b>	<b>59,241</b>
<b>Consolidated operating income</b>	<b>2,783,583</b>	<b>3,074,562</b>
	2025	2024
	RMB million	RMB million
<b>Operating profit/(loss)</b>		
By segment		
Exploration and production	40,687	49,058
Refining	9,095	6,303
Marketing and distribution	9,190	17,698
Chemicals	(19,874)	(14,046)
Corporate and others	(4,995)	(914)
Elimination	970	(630)
<b>Total segment operating profit</b>	<b>35,073</b>	<b>57,469</b>
<b>Investment income</b>		
Exploration and production	3,332	3,667
Refining	13	(1,480)
Marketing and distribution	3,375	4,252
Chemicals	(3,350)	(292)
Corporate and others	7,301	9,742
<b>Total segment investment income</b>	<b>10,671</b>	<b>15,889</b>
Less: Financial expenses	14,654	11,174
Add: Other income	8,277	12,253
(Losses)/gains from changes in fair value	63	(4,147)
Asset disposal gains	1,040	1,967
<b>Operating profit</b>	<b>40,470</b>	<b>72,257</b>
Add: Non-operating income	6,697	2,226
Less: Non-operating expenses	3,983	3,970
<b>Profit before taxation</b>	<b>43,184</b>	<b>70,513</b>

## 64 SEGMENT REPORTING (Continued)

## (1) Information of reportable segmental revenues, profits or losses, assets and liabilities (Continued)

	At 31 December 2025 RMB million	At 31 December 2024 RMB million
<b>Assets</b>		
<b>Segment assets</b>		
Exploration and production	507,683	484,172
Refining	310,708	330,301
Marketing and distribution	375,973	390,475
Chemicals	318,180	268,375
Corporate and others	155,069	152,682
<b>Total segment assets</b>	<b>1,667,613</b>	<b>1,626,005</b>
Cash at bank and on hand	152,318	146,799
Long-term equity investments	252,114	246,819
Deferred tax assets	20,082	18,777
Other unallocated assets	63,490	46,371
<b>Total assets</b>	<b>2,155,617</b>	<b>2,084,771</b>
<b>Liabilities</b>		
<b>Segment liabilities</b>		
Exploration and production	189,396	186,878
Refining	67,047	68,967
Marketing and distribution	228,242	232,264
Chemicals	106,113	99,053
Corporate and others	157,582	154,325
<b>Total segment liabilities</b>	<b>748,380</b>	<b>741,487</b>
Short-term loans	29,455	48,231
Non-current liabilities due within one year	110,557	64,602
Long-term loans	182,968	184,934
Debentures payable	52,296	25,562
Deferred tax liabilities	6,401	7,324
Other non-current liabilities	17,134	12,849
Other unallocated liabilities	18,654	23,489
<b>Total liabilities</b>	<b>1,165,845</b>	<b>1,108,478</b>
<b>Capital expenditure</b>		
Exploration and production	70,917	82,253
Refining	21,973	29,341
Marketing and distribution	13,772	14,128
Chemicals	35,949	44,664
Corporate and others	4,549	4,579
	<b>147,160</b>	<b>174,965</b>
<b>Depreciation and amortisation</b>		
Exploration and production	55,239	50,443
Refining	21,040	20,204
Marketing and distribution	24,709	24,485
Chemicals	21,234	20,938
Corporate and others	4,949	4,644
	<b>127,171</b>	<b>120,714</b>
<b>Impairment losses on long-lived assets</b>		
Exploration and production	1,229	211
Refining	525	230
Marketing and distribution	177	424
Chemicals	5,651	1,547
Corporate and others	1,005	-
	<b>8,587</b>	<b>2,412</b>

**64 SEGMENT REPORTING** (Continued)**(2) Geographical information**

The geographical information of the Group's external sales and the Group's non-current assets, excluding financial instruments and deferred tax assets are analysed by different regions. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets. The Group's external sales and non-current assets from mainland China were RMB2,240,581 million (2024: RMB2,478,160 million) and RMB1,546,733 million (2024: RMB1,491,020 million), respectively. The proportion to the total revenue from domestic transactions and the proportion to the total non-current assets are 80.5% (2024: 80.6%) and 96.5% (2024: 96.9%) respectively. In addition, there is no other single country or region with segment revenue or segment assets accounting for more than 10%.

**65 FINANCIAL INSTRUMENTS****Overview**

Financial assets of the Group include cash at bank and on hand, financial assets held for trading, derivative financial assets, accounts receivable, receivables financing, other receivables and other equity instrument investments. Financial liabilities of the Group include short-term loans, derivative financial liabilities, bills payable, accounts payable, employee benefits payable, other payables, long-term loans, debentures payable and lease liabilities.

The Group has exposure to the following risks from its uses of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, and set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

**Credit risk****(i) Risk management**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions (including structured deposits) and receivables from customers. To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large financial institutions in the PRC with acceptable credit ratings. The majority of the Group's accounts receivable relates to sales of petroleum and chemical products to related parties and third parties operating in the petroleum and chemical industries. No single customer accounted for greater than 10% of total accounts receivable at 31 December 2025, except for the amounts due from Sinopec Group Company and fellow subsidiaries. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. The Group maintains an impairment loss for doubtful accounts and actual losses have been within management's expectations.

The carrying amounts of cash at bank and on hand, financial assets held for trading, derivative financial assets, accounts receivable, receivables financing, other receivables and long-term receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

65 FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

(ii) Impairment of financial assets

The Group's primary type of financial assets that are subject to the expected credit loss model is accounts receivable, receivables financing and other receivables.

The Group's cash deposits are placed only with large financial institutions with acceptable credit ratings, and there is no material impairment loss identified.

For accounts receivable and receivables financing, the Group applies the "No.22 Accounting Standards for Business Enterprises – Financial instruments: recognition and measurement" simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable and receivables financing.

To measure the expected credit losses, accounts receivable and receivables financing have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2025 or 31 December 2024, respectively, and the corresponding historical credit losses experienced within this period and calculate expected credit losses for the above financial assets using an allowance matrix. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the accounts receivable and receivables financing.

The detailed analysis of accounts receivable and receivables financing is listed in Note 7 and Note 8.

The Group's other receivables are considered to have low credit risk (Note 10), and the loss allowance recognised during the year was therefore limited to 12 months expected credit losses. The Group considers "low credit risk" for other receivables when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Liquidity risk

Liquidity risk is the risk that the Group encounters short fall of capital when meeting its obligation of financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed capital conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group prepares monthly cash flow budget to ensure that they will always have sufficient liquidity to meet its financial obligations as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the liquidity risk.

At 31 December 2025, the Group has standby credit facilities with several PRC financial institutions which provide the Group to borrow up to RMB704,827 million (2024: RMB722,258 million) on an unsecured basis, at a weighted average interest rate of 2.20% per annum (2024: 2.31%). At 31 December 2025, the Group's outstanding borrowings under these facilities were RMB29,421 million (2024: RMB48,231 million) and were included in loans.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the balance sheet date) and the earliest date the Group would be required to repay:

	At 31 December 2025					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within one year or on demand RMB million	More than one year but less than two years RMB million	More than two years but less than five years RMB million	More than five years RMB million
Short-term loans	29,455	32,115	32,115	–	–	–
Derivative financial liabilities	5,676	5,676	5,676	–	–	–
Bills payable	66,457	66,457	66,457	–	–	–
Accounts payable	197,002	197,002	197,002	–	–	–
Other payables	99,619	99,619	99,619	–	–	–
Non-current liabilities due within one year	110,524	112,258	112,258	–	–	–
Long-term loans	182,968	196,185	2,809	60,427	85,754	47,195
Debentures payable	52,296	60,075	1,728	5,123	24,940	28,284
Lease liabilities	157,407	232,881	–	11,313	33,384	188,184
<b>Total</b>	<b>901,404</b>	<b>1,002,268</b>	<b>517,664</b>	<b>76,863</b>	<b>144,078</b>	<b>263,663</b>

65 FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	At 31 December 2024			
			Within one year or on demand RMB million	More than one year but less than two years RMB million	More than two years but less than five years RMB million	More than five years RMB million
Short-term loans	48,231	48,760	48,760	–	–	–
Derivative financial liabilities	3,412	3,412	3,412	–	–	–
Bills payable	47,740	47,740	47,740	–	–	–
Accounts payable	208,857	208,857	208,857	–	–	–
Other payables	98,467	98,467	98,467	–	–	–
Non-current liabilities due within one year	64,602	65,378	65,378	–	–	–
Long-term loans	184,934	192,680	1,109	84,284	68,115	39,172
Debentures payable	25,562	30,458	645	11,572	4,996	13,245
Lease liabilities	154,904	247,772	–	12,025	34,449	201,298
<b>Total</b>	<b>836,709</b>	<b>943,524</b>	<b>474,368</b>	<b>107,881</b>	<b>107,560</b>	<b>253,715</b>

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's short-term and long-term capital requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(a) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group does not have significant financial instruments that are denominated in foreign currencies other than the functional currencies of respective entities as at 31 December, and consequently does not have significant exposure to foreign currency risk.

(b) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term and long-term loans. Loans carrying interest at variable interest rates and at fixed interest rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of short-term and long-term loans of the Group are disclosed in Note 23 and Note 32, respectively.

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the year by approximately RMB1,533 million (2024: decrease/increase RMB1,794 million). This sensitivity analysis has been determined assuming that the change of interest rates was applied to the Group's debts outstanding at the balance sheet date with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2024.

(c) Commodity price risk and hedge accounting

The Group engages in oil and gas operations and is exposed to commodity price risk related to price volatility of crude oil, refined oil products and chemical products. The fluctuations in prices of crude oil, refined oil products and chemical products could have significant impact on the Group. The Group uses derivative financial instruments, including commodity futures and swaps contracts, to manage a portion of such risk.

Based on the dynamic study and judging of the market, combined with the resource demand and production and operation plan, the Group evaluate and monitor the market risk exposure caused by transaction positions, and continuously manage and hedge the risk of commodity price fluctuation caused by market changes.

As at 31 December 2025, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as qualified cash flow hedges and economic hedges. At 31 December 2025, it is estimated that a general increase/decrease of USD10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would increase/decrease the Group's net profit for the year by approximately RMB4,385 million (2024: decrease/increase RMB8,698 million), and decrease/increase the Group's other comprehensive income by approximately RMB8,812 million (2024: decrease/increase RMB5,883 million). This sensitivity analysis has been determined assuming that the change in prices had occurred at the balance sheet date and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk. The analysis is performed on the same basis for 2024.

65 FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(c) Commodity price risk and hedge accounting (Continued)

For the hedge relationship with cash flow hedge accounting applied, the corresponding changes in cash flow hedge reserves are as follows:

	The Group	
	2025	2024
	RMB million	RMB million
Beginning of the year	3,338	5,758
Effective portion of changes in fair value of hedging instruments recognised during the year	16,386	(1,193)
Reclassification adjustments for amounts transferred to the consolidated income statement	(14,830)	(562)
Amounts transferred to initial carrying amount of hedged items	(246)	(1,157)
Related tax	(391)	492
<b>End of the year</b>	<b>4,257</b>	<b>3,338</b>

The ineffective portion of cash flow hedge relationship is disclosed in Note 51 and Note 52.

Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy. With the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 31 December 2025

The Group

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
<b>Assets</b>				
Financial assets held for trading:				
– Fund Investments	4	–	–	4
Derivative financial assets:				
– Derivative financial assets	758	604	–	1,362
Receivables financing:				
– Receivables financing	–	–	5,340	5,340
Other equity instrument investments:				
– Other Investments	6,840	–	316	7,156
	<b>7,602</b>	<b>604</b>	<b>5,656</b>	<b>13,862</b>
<b>Liabilities</b>				
Derivative financial liabilities:				
– Derivative financial liabilities	3,796	1,880	–	5,676
	<b>3,796</b>	<b>1,880</b>	<b>–</b>	<b>5,676</b>

65 FINANCIAL INSTRUMENTS (Continued)

Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

At 31 December 2024

The Group

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>Assets</b>				
Financial assets held for trading:				
– Fund Investments	4	–	–	4
Derivative financial assets:				
– Derivative financial assets	824	1,730	–	2,554
Receivables financing:				
– Receivables financing	–	–	2,613	2,613
Other equity instrument investments:				
– Other Investments	93	–	323	416
	<b>921</b>	<b>1,730</b>	<b>2,936</b>	<b>5,587</b>
<b>Liabilities</b>				
Derivative financial liabilities:				
– Derivative financial liabilities	2,496	916	–	3,412
	<b>2,496</b>	<b>916</b>	<b>–</b>	<b>3,412</b>

During the year ended 31 December 2025 and 2024, there was no transfer between instruments in Level 1 and Level 2.

Management of the Group uses discounted cash flow model with inputted interest rate and commodity index, which were influenced by the interest rate level of similar instruments to evaluate the fair value of receivables financing classified as Level 3 financial assets.

(ii) Fair values of financial instruments carried at other than fair value

The fair values of the Group's financial instruments carried at other than fair value (other than long-term indebtedness and investments in unquoted equity securities) approximate their carrying amounts due to the short-term maturity of these instruments. The fair values of long-term indebtedness are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristic and maturities range from 1.8% to 3.87% (2024: from 1.74% to 4.49%). The following table presents the carrying amount and fair value of the Group's long-term indebtedness (other than loans from Sinopec Group Company and fellow subsidiaries) at 31 December 2025 and 2024:

	At 31 December 2025 RMB million	At 31 December 2024 RMB million
Carrying amount	300,328	230,613
Fair value	261,898	228,946

The Group has not developed an internal valuation model necessary to estimate the fair value of loans from Sinopec Group Company and fellow subsidiaries as it is not considered practicable to estimate their fair value because the cost of obtaining discount and borrowing rates for comparable borrowings would be excessive based on the Reorganisation of the Group, its existing capital structure and the terms of the borrowings.

Except for the above items, the financial assets and liabilities of the Group are carried at amounts not materially different from their fair values at 31 December 2025 and 2024.

**66 BASIC AND DILUTED EARNINGS PER SHARE**
**(i) Basic earnings per share**

Basic earnings per share is calculated by the net profit attributable to equity shareholders of the Company and the weighted average number of outstanding ordinary shares of the Company:

	2025	2024
Net profit attributable to equity shareholders of the Company (RMB million)	31,809	50,313
Weighted average number of outstanding ordinary shares of the Company (RMB million)	121,187	121,138
<b>Basic earnings per share (RMB/share)</b>	<b>0.262</b>	<b>0.415</b>

The calculation of the weighted average number of ordinary shares is as follows:

	2025	2024
Weighted average number of outstanding ordinary shares of the Company at 1 January (million)	121,282	119,349
Impact of issuing ordinary shares (million shares)	–	1,888
Impact of repurchasing shares (million shares)	(95)	(99)
<b>Weighted average number of outstanding ordinary shares of the Company at 31 December (million)</b>	<b>121,187</b>	<b>121,138</b>

**(ii) Diluted earnings per share**

There are no potential dilutive ordinary shares, and diluted earnings per share are equal to the basic earning per share.

**67 RETURN ON NET ASSETS AND EARNINGS PER SHARE**

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

	2025			2024		
	Weighted average return on net assets (%)	Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)	Weighted average return on net assets (%)	Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profit attributable to the Company’s ordinary equity shareholders	3.86	0.262	0.262	6.19	0.415	0.415
Net profit deducted extraordinary gains and losses attributable to the Company’s ordinary equity shareholders	3.58	0.244	0.244	5.91	0.397	0.397

**68 EXTRAORDINARY GAINS AND LOSSES**

Pursuant to “Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Gain and Loss” (2023), the extraordinary gains and losses of the Group are as follows:

	2025 RMB million	2024 RMB million
<b>Extraordinary (gains)/losses for the year:</b>		
Net gains on disposal of non-current assets	(1,040)	(1,967)
Donations	293	293
Government grants	(1,396)	(4,068)
Losses/(gains) on holding and disposal of business and various investments	723	(586)
Other non-operating (gains)/losses, net	(2,778)	1,807
<b>Subtotal</b>	<b>(4,198)</b>	<b>(4,521)</b>
Tax effect	1,489	1,485
<b>Total</b>	<b>(2,709)</b>	<b>(3,036)</b>
Attributable to:		
Equity shareholders of the Company	(2,280)	(2,256)
Non-controlling interests	(429)	(780)



KPMG  
8th Floor, Prince's Building  
Central, Hong Kong  
G P O Box 50, Hong Kong  
Telephone +852 2522 6022  
Fax +852 2845 2588  
Internet kpmg.com/cn

畢馬威會計師事務所  
香港中環太子大廈8樓  
香港郵政總局信箱50號  
電話+852 2522 6022  
傳真+852 2845 2588  
網址kpmg.com/cn

**Independent auditor's report  
to the shareholders of China Petroleum & Chemical Corporation**  
(established in the People's Republic of China with limited liability)

## OPINION

We have audited the consolidated financial statements of China Petroleum & Chemical Corporation ("the Company") and its subsidiaries ("the Group") set out on pages 156 to 212 which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Assessment of impairment of property, plant and equipment relating to oil and gas producing activities

*Refer to notes 2(g), 2(n), 8, 17 and 44 to the consolidated financial statements*

#### The Key Audit Matter

The Company reported property, plant and equipment of Renminbi ("RMB") 770,198 million as at 31 December 2025, a portion of which related to oil and gas producing activities. The Company reported impairment losses of RMB1,206 million for the property, plant and equipment relating to oil and gas producing activities for the year ended 31 December 2025.

The Company groups property, plant and equipment relating to oil and gas producing activities into cash-generating units ("CGUs") for impairment assessment. The Company compares the carrying amount of individual CGU with its value in use, using a discounted cash flow forecast, which was prepared based on the future production profiles included in the oil and gas reserves reports, to determine the impairment loss to be recognised.

We identified assessment of impairment of property, plant and equipment relating to oil and gas producing activities as a key audit matter. The value in use amounts of these CGUs are sensitive to the changes to future selling prices and production costs for crude oil and natural gas, future production profiles, and discount rates. Therefore a higher degree of subjective management judgment was required to evaluate the Company's impairment assessment of property, plant and equipment relating to oil and gas producing activities.

#### How the matter was addressed in our audit

The following are the primary procedures we performed to address this key audit matter:

- we evaluated the design and tested the operating effectiveness of certain internal controls related to the process for impairment assessment of property, plant and equipment relating to oil and gas producing activities;
- we assessed the competence, capabilities and objectivity of the Company's reserves specialists and evaluated the methodology adopted by them in estimating the oil and gas reserves against the recognised industry standards;
- we compared future selling prices for crude oil and natural gas used in the discounted cash flow forecasts with the Company's business plans and forecasts by external analysts;
- we compared future production costs and future production profiles used in the discounted cash flow forecasts with oil and gas reserves reports issued by the reserves specialists; and
- we involved valuation professionals with specialised skills and knowledge, who assisted in assessing the discount rates applied in the discounted cash flow forecasts against a discount rate range that was independently developed using publicly available market data for comparable companies in the same industry.



**INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

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

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

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

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

**RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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



- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Ying Man, Simon (practising certificate number: P04538).

### **KPMG**

Certified Public Accountants

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

20 March 2026

**(B) FINANCIAL STATEMENTS PREPARED UNDER IFRS ACCOUNTING STANDARDS**  
**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December 2025  
(Amounts in million, except per share data)

	Notes	Year ended 31 December	
		2025 RMB	2024 RMB
<b>Revenue</b>			
Revenue from primary business	3	2,726,460	3,015,321
Other operating revenues	4	57,123	59,241
		<b>2,783,583</b>	<b>3,074,562</b>
<b>Operating expenses</b>			
Purchased crude oil, products and operating supplies and expenses		(2,185,999)	(2,449,614)
Selling, general and administrative expenses	5	(57,184)	(57,547)
Depreciation, depletion and amortisation		(127,171)	(120,714)
Exploration expenses, including dry holes		(11,353)	(9,375)
Personnel expenses	6	(106,644)	(110,187)
Taxes other than income tax	7	(252,435)	(267,315)
Impairment reversals/(losses) on trade and other receivables		258	(108)
Other operating income/(expense), net	8	5,553	10,984
<b>Total operating expenses</b>		<b>(2,734,975)</b>	<b>(3,003,876)</b>
<b>Operating profit</b>		<b>48,608</b>	<b>70,686</b>
<b>Finance costs</b>			
Interest expense	9	(19,247)	(18,601)
Interest income		5,802	5,935
Foreign currency exchange (losses)/gains, net		(1,209)	1,492
<b>Net finance costs</b>		<b>(14,654)</b>	<b>(11,174)</b>
Investment (losses)/income	10	(673)	669
Share of profits from associates and joint ventures	21,22	10,463	8,961
<b>Profit before taxation</b>		<b>43,744</b>	<b>69,142</b>
Income tax expense	11	(7,934)	(12,966)
<b>Profit for the year</b>		<b>35,810</b>	<b>56,176</b>
<b>Attributable to:</b>			
Shareholders of the Company		32,476	48,939
Non-controlling interests		3,334	7,237
<b>Profit for the year</b>		<b>35,810</b>	<b>56,176</b>
<b>Earnings per share:</b>			
Basic	16	<b>0.268</b>	<b>0.404</b>
Diluted	16	<b>0.268</b>	<b>0.404</b>

The notes on pages 163 to 212 form part of these consolidated financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in Note 14.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2025

(Amounts in million)

	Note	Year ended 31 December	
		2025 RMB	2024 RMB
<b>Profit for the year</b>		<b>35,810</b>	<b>56,176</b>
<b>Other comprehensive income:</b>	15		
<i>Other comprehensive income (net of tax) attributable to shareholders of the Company</i>		7,892	(3,003)
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of investments in other equity instruments		2,291	(6)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive income of associates and joint ventures		7,355	(3,058)
Cash flow hedges		1,077	(1,374)
Foreign currency translation differences		(2,831)	1,435
<b>Other comprehensive income (net of tax) attributable to non-controlling interests</b>		<b>1,595</b>	<b>17</b>
<b>Total other comprehensive income net of tax</b>		<b>9,487</b>	<b>(2,986)</b>
<b>Total comprehensive income for the year</b>		<b>45,297</b>	<b>53,190</b>
<b>Attributable to:</b>			
Shareholders of the Company		40,368	45,936
Non-controlling interests		4,929	7,254

The notes on pages 163 to 212 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

(Amounts in million)

	Notes	31 December 2025 RMB	31 December 2024 RMB
<b>Non-current assets</b>			
Property, plant and equipment, net	17	770,198	717,083
Construction in progress	18	195,196	208,747
Right-of-use assets	19	264,972	255,816
Goodwill	20	5,476	6,493
Interest in associates	21	174,066	166,786
Interest in joint ventures	22	75,916	76,702
Financial assets at fair value through other comprehensive income	26	7,156	416
Deferred tax assets	29	20,082	18,777
Long-term prepayments and other assets	23	117,682	106,105
<b>Total non-current assets</b>		<b>1,630,744</b>	<b>1,556,925</b>
<b>Current assets</b>			
Cash and cash equivalents		81,053	91,295
Time deposits with financial institutions		69,820	54,285
Financial assets at fair value through profit or loss		4	4
Derivative financial assets	24	1,362	2,554
Trade accounts receivable	25	51,172	44,333
Financial assets at fair value through other comprehensive income	26	5,340	2,613
Inventories	27	230,811	256,595
Prepaid expenses and other current assets	28	83,179	72,836
<b>Total current assets</b>		<b>522,741</b>	<b>524,515</b>
<b>Current liabilities</b>			
Short-term debts	30	108,335	87,780
Loans from Sinopec Group Company and fellow subsidiaries	30	11,921	4,684
Lease liabilities	31	18,079	17,831
Derivative financial liabilities	24	5,676	3,412
Trade accounts payable and bills payable	33	263,459	256,597
Contract liabilities	34	126,395	127,697
Other payables	35	163,081	173,530
Income tax payable		1,607	1,706
<b>Total current liabilities</b>		<b>698,553</b>	<b>673,237</b>
<b>Net current liabilities</b>		<b>175,812</b>	<b>148,722</b>
<b>Total assets less current liabilities</b>		<b>1,454,932</b>	<b>1,408,203</b>
<b>Non-current liabilities</b>			
Long-term debts	30	215,148	187,202
Loans from Sinopec Group Company and fellow subsidiaries	30	20,116	23,294
Lease liabilities	31	157,407	154,904
Deferred tax liabilities	29	6,401	7,324
Provisions	36	51,086	49,668
Other long-term liabilities		17,898	13,664
<b>Total non-current liabilities</b>		<b>468,056</b>	<b>436,056</b>
<b>Total equity</b>		<b>986,876</b>	<b>972,147</b>
<b>Equity</b>			
Share capital	37	120,926	121,282
Reserves		706,537	694,533
<b>Total equity attributable to shareholders of the Company</b>		<b>827,463</b>	<b>815,815</b>
<b>Non-controlling interests</b>		<b>159,413</b>	<b>156,332</b>
<b>Total equity</b>		<b>986,876</b>	<b>972,147</b>

Approved and authorised for issue by the board of directors on 20 March 2026.

**Hou Qijun**  
Chairman  
(Legal representative)

**Zhao Dong**  
President

**Shou Donghua**  
Chief Financial Officer

The notes on pages 163 to 212 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

(Amounts in million)

	Share capital RMB	Capital reserve RMB	Share premium RMB	Treasury shares RMB	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total equity attributable to shareholders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 1 January 2024	119,349	28,929	51,068	-	106,134	117,000	6,179	374,330	802,989	152,820	955,809
Profit for the year	-	-	-	-	-	-	-	48,939	48,939	7,237	56,176
Other comprehensive income (Note 15)	-	-	-	-	-	-	(3,003)	-	(3,003)	17	(2,986)
Total comprehensive income for the year	-	-	-	-	-	-	(3,003)	48,939	45,936	7,254	53,190
Amounts transferred to initial carrying amount of hedged items	-	-	-	-	-	-	(1,029)	-	(1,029)	91	(938)
Transactions with owners, recorded directly in equity:											
Purchase of own shares (Note 37)	-	-	-	(2,131)	-	-	-	-	(2,131)	-	(2,131)
Cancellation of repurchased own shares (Note 37)	(458)	-	(1,672)	2,130	-	-	-	-	-	-	-
Contributions by and distributions to owners:											
Issue of ordinary shares (Note 37)	2,391	-	9,597	-	-	-	-	-	11,988	-	11,988
Final dividend for 2023 (Note 14)	-	-	-	-	-	-	-	(24,340)	(24,340)	-	(24,340)
Interim dividend for 2024 (Note 14)	-	-	-	-	-	-	-	(17,768)	(17,768)	-	(17,768)
Appropriation (Note (a))	-	-	-	-	4,529	-	-	(4,529)	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,024)	(6,024)
Contributions to subsidiaries from non-controlling interests	-	970	-	-	-	-	-	-	970	1,266	2,236
Total contributions by and distributions to owners	2,391	970	9,597	-	4,529	-	-	(46,637)	(29,150)	(4,758)	(33,908)
Transactions with non-controlling interests	-	(1,078)	-	-	-	-	-	-	(1,078)	1,180	102
Total transactions with owners	1,933	(108)	7,925	(1)	4,529	-	-	(46,637)	(32,359)	(3,578)	(35,937)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	(15)	15	-	-	-
Other equity movements under the equity method	-	(68)	-	-	-	-	-	-	(68)	(10)	(78)
Others	-	346	-	-	-	-	(48)	48	346	(245)	101
<b>Balance at 31 December 2024</b>	<b>121,282</b>	<b>29,099</b>	<b>58,993</b>	<b>(1)</b>	<b>110,663</b>	<b>117,000</b>	<b>2,084</b>	<b>376,695</b>	<b>815,815</b>	<b>156,332</b>	<b>972,147</b>

The notes on pages 163 to 212 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2025

(Amounts in million)

	Share capital RMB	Capital reserve RMB	Share premium RMB	Treasury shares RMB	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Other reserves RMB	Retained earnings RMB	Total equity attributable to shareholders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 1 January 2025	121,282	29,099	58,993	(1)	110,663	117,000	2,084	376,695	815,815	156,332	972,147
Profit for the year	-	-	-	-	-	-	-	32,476	32,476	3,334	35,810
Other comprehensive income (Note 15)	-	-	-	-	-	-	7,892	-	7,892	1,595	9,487
Total comprehensive income for the year	-	-	-	-	-	-	7,892	32,476	40,368	4,929	45,297
Amounts transferred to initial carrying amount of hedged items	-	-	-	-	-	-	(179)	-	(179)	(28)	(207)
Transactions with owners, recorded directly in equity:											
Purchase of own shares (Note 37)	-	-	-	(1,554)	-	-	-	-	(1,554)	-	(1,554)
Cancellation of repurchased own shares (Note 37)	(356)	-	(1,199)	1,555	-	-	-	-	-	-	-
Contributions by and distributions to owners:											
Issue of ordinary shares (Note 37)	-	-	-	-	-	-	-	-	-	-	-
Final dividend for 2024 (Note 14)	-	-	-	-	-	-	-	(16,974)	(16,974)	-	(16,974)
Interim dividend for 2025 (Note 14)	-	-	-	-	-	-	-	(10,662)	(10,662)	-	(10,662)
Appropriation (Note (a))	-	-	-	-	3,563	-	-	(3,563)	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	(8,661)	(8,661)
Contributions to subsidiaries from non-controlling interests	-	877	-	-	-	-	-	-	877	7,109	7,986
Total contributions by and distributions to owners	-	877	-	-	3,563	-	-	(31,199)	(26,759)	(1,552)	(28,311)
Transactions with non-controlling interests	-	(25)	-	-	-	-	-	-	(25)	(62)	(87)
Total transactions with owners	(356)	852	(1,199)	1	3,563	-	-	(31,199)	(28,338)	(1,614)	(29,952)
Other equity movements under the equity method	-	(329)	-	-	-	-	-	-	(329)	4	(325)
Others	-	126	-	-	-	-	(476)	476	126	(210)	(84)
<b>Balance at 31 December 2025</b>	<b>120,926</b>	<b>29,748</b>	<b>57,794</b>	<b>-</b>	<b>114,226</b>	<b>117,000</b>	<b>9,321</b>	<b>378,448</b>	<b>827,463</b>	<b>159,413</b>	<b>986,876</b>

Notes:

(a) According to the PRC Company Law and the Articles of Association of the Company, the Company is required to transfer 10% of its net profit determined in accordance with the accounting policies complying with China Accounting Standards for Business Enterprises ("CASs"), adopted by the Group to statutory surplus reserve. In the event that the reserve balance reaches 50% of the registered capital, no transfer is required. The transfer to this reserve must be made before distribution of a dividend to shareholders. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by issuing of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

During the year ended 31 December 2025, the Company transferred RMB3,563 million (2024: RMB4,529 million) to the statutory surplus reserve, being 10% of the current year's net profit determined in accordance with the accounting policies complying with CASs.

(b) The usage of the discretionary surplus reserve is similar to that of statutory surplus reserve.

(c) As at 31 December 2025, the amount of retained earnings available for distribution was RMB110,483 million (2024: RMB106,517 million), being the amount determined in accordance with CASs. According to the Articles of Association of the Company, the amount of retained earnings available for distribution to shareholders of the Company is lower of the amount determined in accordance with the accounting policies complying with CASs and the amount determined in accordance with the accounting policies complying with IFRS Accounting Standards.

(d) The capital reserve mainly represents (i) the difference between the total amount of the par value of shares issued and the amount of the net assets transferred from Sinopec Group Company in connection with the Reorganisation (Note 1); and (ii) the difference between the considerations paid over or received the amount of the net assets of entities and related operations acquired from or sold to Sinopec Group Company and non-controlling interests.

(e) The application of the share premium account is governed by Sections 213 and 214 of the PRC Company Law.

The notes on pages 163 to 212 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2025

(Amounts in million)

	Note	Year ended 31 December	
		2025 RMB	2024 RMB
<b>Net cash generated from operating activities</b>	(a)	<b>162,496</b>	<b>149,360</b>
<b>Investing activities</b>			
Capital expenditure		(115,497)	(119,144)
Exploratory wells expenditure		(18,128)	(20,062)
Purchase of investments		(10,755)	(10,578)
Payment for financial assets at fair value through profit or loss		-	(26)
Proceeds from settlement of financial assets at fair value through profit or loss		-	26
Proceeds from acquisition of subsidiary, net of cash acquired		1,537	-
Proceeds from disposal of investments		153	452
Proceeds from disposal of property, plant, equipment and other non-current assets		1,241	1,864
Increase in time deposits with maturities over three months		(91,435)	(114,855)
Decrease in time deposits with maturities over three months		69,139	86,624
Interest received		3,677	4,113
Investment and dividend income received		9,503	11,543
Proceeds from/(payments of) other investing activities		4,093	(1,197)
<b>Net cash used in investing activities</b>		<b>(146,472)</b>	<b>(161,240)</b>
<b>Financing activities</b>			
Proceeds from bank and other loans		417,594	672,450
Repayments of bank and other loans		(386,252)	(628,052)
Issue of new shares		-	11,995
Contributions to subsidiaries from non-controlling interests		7,702	3,463
Dividends paid by the Company		(27,636)	(42,108)
Distributions by subsidiaries to non-controlling interests		(8,288)	(6,144)
Interest paid		(7,375)	(7,912)
Payments made to acquire non-controlling interests		(152)	(1,474)
Cash payments to purchase own shares		(1,554)	(2,131)
Repayments of lease liabilities		(19,247)	(19,654)
Proceeds from other financing activities		112	1,290
Payments of other financing activities		(978)	(960)
<b>Net cash used in financing activities</b>		<b>(26,074)</b>	<b>(19,237)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(10,050)</b>	<b>(31,117)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>91,295</b>	<b>121,759</b>
<b>Effect of foreign currency exchange rate changes</b>		<b>(192)</b>	<b>653</b>
<b>Cash and cash equivalents at 31 December</b>		<b>81,053</b>	<b>91,295</b>

The notes on pages 163 to 212 form part of these consolidated financial statements.

# NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2025

(Amounts in million)

## (a) Reconciliation from profit before taxation to net cash generated from operating activities

	Year ended 31 December	
	2025	2024
	RMB	RMB
<b>Operating activities</b>		
Profit before taxation	43,744	69,142
Adjustments for:		
Depreciation, depletion and amortisation	127,171	120,714
Dry hole costs written off	7,911	4,955
Share of profits from associates and joint ventures	(10,463)	(8,961)
Investment losses/(income)	673	(669)
Interest income	(5,802)	(5,935)
Interest expense	19,247	18,601
Gain on foreign currency exchange rate changes and derivative financial instruments	(2,132)	(622)
Losses/(gains) on disposal of property, plant, equipment and other assets, net	384	(810)
Impairment losses on assets	12,953	6,702
Impairment (reversals)/losses on trade and other receivables	(258)	108
Other income related to investing activity	(4,324)	-
	<b>189,104</b>	<b>203,225</b>
<b>Net changes from:</b>		
Accounts receivable and other current assets	(7,928)	(7,864)
Inventories	22,341	(10,117)
Accounts payable and other current liabilities	(26,167)	(19,844)
	<b>177,350</b>	<b>165,400</b>
Income tax paid	(14,854)	(16,040)
<b>Net cash generated from operating activities</b>	<b>162,496</b>	<b>149,360</b>

The notes on pages 163 to 212 form part of these consolidated financial statements.

## 1 PRINCIPAL ACTIVITIES, ORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICY CHANGES

### Principal activities

China Petroleum & Chemical Corporation (the “Company”) is an energy and chemical company incorporated in the People’s Republic of China (the “PRC”) that, through its subsidiaries (hereinafter collectively referred to as the “Group”), engages in oil and gas and chemical operations. Oil and gas operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil and natural gas by pipelines; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products. Chemical operations include the manufacture and marketing of a wide range of chemicals for industrial uses.

### Organisation

The Company was established in the PRC on 25 February 2000 as a joint stock limited company as part of the reorganisation (the “Reorganisation”) of China Petrochemical Corporation (“Sinopec Group Company”), the ultimate holding company of the Group and a ministry-level enterprise under the direct supervision of the State Council of the PRC. Prior to the incorporation of the Company, the oil and gas and chemical operations of the Group were carried on by oil administration bureaux, petrochemical and refining production enterprises and sales and marketing companies of Sinopec Group Company.

As part of the Reorganisation, certain of Sinopec Group Company’s core oil and gas and chemical operations and businesses together with the related assets and liabilities were transferred to the Company. On 25 February 2000, in consideration for Sinopec Group Company transferring such oil and gas and chemical operations and businesses and the related assets and liabilities to the Company, the Company issued 68.8 billion domestic state-owned ordinary shares with a par value of RMB1.00 each to Sinopec Group Company. The shares issued to Sinopec Group Company on 25 February 2000 represented the entire registered and issued share capital of the Company on that date. The oil and gas and chemical operations and businesses transferred to the Company were related to (i) the exploration, development and production of crude oil and natural gas, (ii) the refining, transportation, storage and marketing of crude oil and petroleum products, and (iii) the production and sales of chemicals.

### Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). IFRS Accounting Standards includes International Accounting Standards (“IAS”) and related interpretations (“IFRIC”). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the material accounting policies adopted by the Group are set out in Note 2.

### Accounting policy changes

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

#### (a) New and amended standards and interpretations adopted by the Group

The Group has applied the amendments to IAS 21, *The effects of changes in foreign exchange rates-Lack of exchangeability* issued by the IASB to this final financial report for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### (b) New and amended standards and interpretations not yet adopted by the Group

A number of new accounting standards and interpretations have been issued that are not effective for the year ended 31 December 2025 and have not been adopted by the Group. These standards are not expected to have a material impact on the Group’s consolidated financial statements when adopted except for the followings:

**1 PRINCIPAL ACTIVITIES, ORGANISATION, BASIS OF PREPARATION AND ACCOUNTING POLICY CHANGES** (Continued)**(b) New and amended standards and interpretations not yet adopted by the Group** (Continued)**IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

- Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and is still in the process of assessing the impact of the adoption.

The preparation of the consolidated financial statements in accordance with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

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

Key assumptions and estimation made by management in the application of IFRS Accounting Standards that have significant effect on the consolidated financial statements and the major sources of estimation uncertainty are disclosed in Note 44.

**2 MATERIAL ACCOUNTING POLICIES****(a) Basis of consolidation**

The consolidated financial statements comprise the Company and its subsidiaries, and interest in associates and joint ventures.

**(i) Subsidiaries and non-controlling interests**

Subsidiaries are those entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Non-controlling interests at the date of statement of financial position, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

If a business combination involving entities not under common control is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(j)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (Note 2(a)(ii)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (Note 2(n)).

The particulars of the Group's principal subsidiaries are set out in Note 42.

## 2 MATERIAL ACCOUNTING POLICIES (Continued)

### (a) Basis of consolidation (Continued)

#### (ii) Associates and joint ventures

An associate is an entity, not being a subsidiary, in which the Group exercises significant influence over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for in the consolidated and separate financial statements using the equity method from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(n)).

The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the expected credit losses ("ECLs") model to such other long-term interests where applicable.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(j)) or, when appropriate, the cost on initial recognition of an investment in an associate.

#### (iii) Transactions eliminated on consolidation

Inter-company balances and transactions and any unrealised gains arising from inter-company transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (iv) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the earliest period presented or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation. Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Translation of foreign currencies

The presentation currency of the Group is Renminbi. Foreign currency transactions during the year are translated into Renminbi at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Renminbi at the PBOC's rates at the date of the statement of financial position.

Exchange differences, other than those capitalised as construction in progress, are recognised as income or expense in the "finance costs" section of the consolidated income statement.

The results of foreign operations are translated into Renminbi at the applicable rates quoted by the PBOC prevailing on the transaction dates. The statement of financial position items, including goodwill arising on consolidation of foreign operations are translated into Renminbi at the closing foreign exchange rates at the date of the statement of financial position. The income and expenses of foreign operation are translated into Renminbi at the spot exchange rates or an exchange rate that approximates the spot exchange rates on the transaction dates. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the other reserves.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the consolidated income statement when the profit or loss on disposal is recognised.

(c) Cash and cash equivalents

Cash equivalents consist of time deposits with financial institutions with an initial term of less than three months when purchased. Cash equivalents are stated at cost, which approximates fair value.

(d) Trade, bills and other receivables

Trade, bills and other receivables are recognised initially at their transaction price, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowances for ECLs (Note 2(j)). Trade, bills and other receivables are derecognised if the Group's contractual rights to the cash flows from these financial assets expire or if the Group transfers these financial assets to another party without retaining control or substantially all risks and rewards of the assets.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost mainly includes the cost of purchase computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Property, plant and equipment

An item of property, plant and equipment is initially recorded at cost, less accumulated depreciation and impairment losses (Note 2(n)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to working condition and location for its intended use. The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, when it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised as an expense in the consolidated income statement in the year in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment, other than oil and gas properties, are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised as income or expense in the consolidated income statement on the date of retirement or disposal.

Depreciation is provided to write off the cost amount of items of property, plant and equipment, other than oil and gas properties, over its estimated useful life on a straight-line basis, after taking into account its estimated residual value, as follows:

	Estimated usage period	Estimated residuals rate
Plants and buildings	12 to 50 years	3%
Equipment, machinery and others	4 to 30 years	3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reassessed annually.

**2 MATERIAL ACCOUNTING POLICIES** *(Continued)***(g) Oil and gas properties**

The Group uses the successful efforts method of accounting for its oil and gas producing activities. Under this method, costs of development wells, the related supporting equipment and proved mineral interests in properties are capitalised. The cost of exploratory wells is initially capitalised as construction in progress pending determination of whether the well has found proved reserves. The impairment of exploratory well costs occurs upon the determination that the well has not found proved reserves. The exploratory well costs are usually not carried as an asset for more than one year following completion of drilling, unless (i) the well has found a sufficient quantity of reserves to justify its completion as a producing well if the required capital expenditure is made; (ii) drilling of the additional exploratory wells is under way or firmly planned for the near future; or (iii) other activities are being undertaken to sufficiently progress the assessing of the reserves and the economic and operating viability of the project. All other exploration costs, including geological and geophysical costs, other dry hole costs and annual lease rentals to explore for or use oil and natural gas, are expensed as incurred. Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

Management estimates future dismantlement costs for oil and gas properties with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with the industry practices and the future cash flows are adjusted to reflect such risks specific to the liability, as appropriate. These estimated future dismantlement costs are discounted at pre-tax risk-free rate and are capitalised as oil and gas properties, which are subsequently amortised as part of the costs of the oil and gas properties.

**(h) Construction in progress**

Construction in progress represents buildings, oil and gas properties, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (Note 2(n)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the periods of construction.

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

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

**(i) Goodwill**

Goodwill represents amounts arising on acquisition of subsidiaries, associates or joint ventures. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Prior to 1 January 2008, the acquisition of the non-controlling interests of a consolidated subsidiary was accounted for using the acquisition method whereby the difference between the cost of acquisition and the fair value of the net identifiable assets acquired (on a proportionate share) was recognised as goodwill. From 1 January 2008, any difference between the amount by which the non-controlling interest is adjusted (such as through an acquisition of the non-controlling interests) and the cash or other considerations paid is recognised in equity.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit the synergies of the combination and is tested annually for impairment (Note 2(n)). In respect of associates or joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (Note 2(n)).

**(j) Financial assets****(i) Classification and measurement**

The Group classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets: a) financial assets measured at amortised cost, b) financial assets measured at fair value through other comprehensive income ("FVOCI"), c) financial assets measured at fair value through profit or loss. A contractual cash flow characteristic which could have only a de minimis effect on the contractual cash flows of the financial assets, or could have an effect that is more than de minimis but is not genuine, does not affect the classification of the financial asset.

Financial assets are initially recognised at fair value. For financial assets measured at fair value through profit or loss, the relevant transaction costs are recognised in profit or loss. The transaction costs for other financial assets are included in the initially recognised amount. However, trade accounts receivable and bills receivable arising from sale of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Group.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

(i) Classification and measurement (Continued)

**Debt instruments**

Debt instruments held by the Group mainly includes cash and cash equivalents, time deposits with financial institutions, receivables. These financial assets are measured at amortised cost and FVOCI.

- Amortised cost: The business model for managing such financial assets by the Group are held for collection of contractual cash flows. The contractual cash flow characteristics are to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognised using the effective interest rate method.
- FVOCI: The business model for managing such financial assets by the Group are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income calculated using the effective interest rate method, which are recognised in profit or loss.

**Equity instruments**

Equity instruments that the Group has no power to control, jointly control or exercise significant influence over, are measured at fair value through profit or loss and presented in financial assets at fair value through profit or loss.

In addition, the Group designates some equity instruments that are not held for trading as financial assets at FVOCI, are presented in financial assets at FVOCI. The relevant dividends of these financial assets are recognised in profit or loss. When derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred to retained earnings.

(ii) Impairment

The Group recognises a loss allowance for ECLs on a financial asset that is measured at amortised cost and a debt instrument that is measured at FVOCI.

The Group measures and recognises ECLs, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions.

The Group measures the ECLs of financial instruments on different stages at each the date of the statement of financial position. For financial instruments that have no significant increase in credit risk since the initial recognition, on first stage, the Group measures the loss allowance at an amount equal to 12-month ECLs. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the Group recognises a loss allowance at an amount equal to lifetime ECLs. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Group recognises a loss allowance at an amount equal to lifetime ECLs.

For financial instruments that have low credit risk at the date of the statement of financial position, the Group assumes that there is no significant increase in credit risk since the initial recognition, and measures the loss allowance at an amount equal to 12-month ECLs.

For financial instruments on the first stage and the second stage, and that have low credit risk, the Group calculates interest income according to carrying amount without deducting the impairment allowance and effective interest rate. For financial instruments on the third stage, interest income is calculated according to the carrying amount minus amortised cost after the provision of impairment allowance and effective interest rate.

For trade accounts receivable and bills receivable and financial assets at FVOCI related to revenue, the Group measures the loss allowance at an amount equal to lifetime ECLs.

The Group recognises the loss allowance accrued or written back in profit or loss.

(iii) Derecognition

The Group derecognises a financial asset when: a) the contractual right to receive cash flows from the financial asset expires; b) the Group transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset; c) the financial asset has been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the Group has not retained control.

On derecognition of equity instruments at FVOCI, the amount accumulated in the fair value reserve is transferred to retained earnings. It is not recycled through profit or loss. While on derecognition of other financial assets, this difference is recognised in profit or loss.

**2 MATERIAL ACCOUNTING POLICIES** (Continued)**(j) Financial assets** (Continued)**(iv) Financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

**(k) Financial liabilities**

The Group, at initial recognition, classifies financial liabilities as either financial liabilities subsequently measured at amortised cost or financial liabilities at fair value through profit or loss.

The Group’s financial liabilities are mainly financial liabilities measured at amortised cost, including trade accounts payable and bills payable, other payables, and loans, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement.

Where the present obligations of financial liabilities are completely or partially discharged, the Group derecognises these financial liabilities or discharged parts of obligations. The differences between the carrying amounts and the consideration received are recognised in profit or loss.

**(l) Determination of fair value for financial instruments**

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure fair values. In valuation, the Group adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

**(m) Derivative financial instruments and hedge accounting**

Derivative financial instruments are recognised initially at fair value. At each date of the statement of financial position, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedge accounting.

Hedge accounting is a method which recognises the offsetting effects on profit or loss (or other comprehensive income) of changes in the fair values of the hedging instrument and the hedged item in the same accounting period, to represent the effect of risk management activities.

Hedged items are the items that expose the Group to risks of changes in future cash flows and that are designated as being hedged and that must be reliably measurable. The Group’s hedged items include a forecast transaction that is settled with an undetermined future market price and exposes the Group to risk of variability in cash flows, etc.

A hedging instrument is a designated derivative whose changes in cash flows are expected to offset changes in cash flows of the hedged item.

The hedging relationship meets all of the following hedge effectiveness requirements:

- (i) There is an economic relationship between the hedged item and the hedging instrument, which shares a risk and that gives rise to opposite changes in fair value that tend to offset each other.
- (ii) The effect of credit risk does not dominate the value changes that result from that economic relationship.
- (iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation does not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

**2 MATERIAL ACCOUNTING POLICIES** (Continued)**(m) Derivative financial instruments and hedge accounting** (Continued)**Cash flow hedges**

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve is immediately reclassified through OCI to profit or loss.

As long as a cash flow hedge meets the qualifying criteria for hedge accounting, the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

- (i) The cumulative gain or loss on the hedging instrument from inception of the hedge; and
- (ii) The cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity removes that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence it does not affect other comprehensive income.

If the amount that has been accumulated in the cash flow hedge reserve is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the Group immediately reclassifies the amount that is not expected to be recovered into profit or loss.

When the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting (ie the entity no longer pursues that risk management objective), or when a hedging instrument expires or is sold, terminated, exercised, or there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged future cash flows are no longer expected to occur, that amount remains in the cash flow hedge reserve and is accounted for as cash flow hedges. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur, if the hedged future cash flows are still expected to occur, that amount remains in the cash flow hedge reserve and is accounted for as cash flow hedges.

**Fair value hedges**

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

The gain or loss from remeasuring the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins.

**(n) Impairment of assets**

The carrying amounts of assets, including property, plant and equipment, construction in progress, right-of-use assets and other assets, are reviewed at each date of the statement of financial position to identify indicators that the assets may be impaired. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. For goodwill, the recoverable amount is estimated at each date of the statement of financial position.

The recoverable amount is the greater of the fair value less costs to disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

**2 MATERIAL ACCOUNTING POLICIES** (Continued)**(n) Impairment of assets** (Continued)

The amount of the reduction is recognised as an expense in the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to disposal, or value in use, if determinable.

Management assesses at each date of the statement of financial position whether there is any indication that an impairment loss recognised for an asset, except in the case of goodwill, in prior years may no longer exist. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A subsequent increase in the recoverable amount of an asset, when the circumstances and events that led to the write-down or write-off cease to exist, is recognised as an income. The reversal is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. An impairment loss in respect of goodwill is not reversed.

**(o) Trade, bills and other payables**

Trade, bills and other payables generally are financial liabilities and are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

**(p) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of borrowings using the effective interest method.

**(q) Provisions and contingent liability**

A provision is recognised for liability of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas exploration and development activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest cost, is reflected as an adjustment to the provision and oil and gas properties.

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

**(r) Revenue recognition**

Revenue arises in the course of the Group's ordinary activities, and increases in economic benefits in the form of inflows that result in an increase in equity, other than those relating to contributions from equity participants.

The Group sells crude oil, natural gas, petroleum and chemical products, etc. Revenue is recognised according to the expected consideration amount, when a customer obtains control over the relevant goods or services. To determine whether a customer obtains control of a promised goods or services (assets), the Group shall consider indicators of the transfer of control, which include, but are not limited to, the Group has a present right to payment for the assets; the Group has transferred physical possession of the assets to the customer; the customer has the significant risks and rewards of ownership of the assets; the customer has accepted the assets.

**2 MATERIAL ACCOUNTING POLICIES** (Continued)**(r) Revenue recognition** (Continued)**Sales of goods**

Sales are recognised when control of the goods have transferred. Obtaining control of relevant goods means that a customer can direct the use of the goods and obtain almost all the economic benefits from it. Advance from customers but goods not yet delivered is recorded as contract liabilities and is recognised as revenues when a customer obtains control over the relevant goods.

The Group determines whether it is a principal or an agent, based on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration which it has received (or which is receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is determined according to the established amount or proportion.

The circumstances in which the Group is able to control the goods before transferring them to customers include:

- The Group acquires control of the goods or other assets from a third party and then transfers them to the customer;
- The Group is able to lead third parties to provide services to customers on behalf of the Group;
- After the Group acquires control of a product from a third party, it transfers the product to a customer by integrating the product with other products into a combination of products through the provision of significant services;

In determining whether the Group has control over the goods before the transfer of the goods to the customer, the Group takes into account all relevant facts and circumstances, including:

- The Group bears the primary responsibility for the transfer of goods to customers;
- The Group assumes the inventory risk of the goods before or after the transfer of the goods;
- The Group reserves the right to determine the price of the products it trades at its own discretion.

**(s) Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised to profit or loss on a straight-line basis over the expected lives of the related assets.

**(t) Borrowing costs**

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being attributable to the construction of an asset which necessarily takes a period of time to get ready for its intended use.

**(u) Repairs and maintenance expenditure**

Repairs and maintenance expenditure is expensed as incurred.

**(v) Environmental expenditures**

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed as incurred.

Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable and the costs can be reliably estimated. As facts concerning environmental contingencies become known to the Group, the Group reassesses its position both with respect to accrued liabilities and other potential exposures.

**(w) Research and development expense**

Research and development expenditures that cannot be capitalised are expensed in the period in which they are incurred. Research and development expense amounted to RMB15,863 million for the year ended 31 December 2025 (2024: RMB15,215 million).

**2 MATERIAL ACCOUNTING POLICIES** (Continued)**(x) Leases**

A lease is a contract that a lessor transfers the right to use an identified asset for a period of time to a lessee in exchange for consideration.

**(i) As lessee**

The Group recognises a right-of-use asset at the date at which the leased asset is available for use by the Group, and recognises a lease liability measured at the present value of the remaining lease payments. The lease payments include fixed payments, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the Group exercising that option, etc. Variable payments that are based on a percentage of sales are not included in the lease payments, and should be recognised in profit or loss when incurred. Lease liabilities to be paid within one year (including one year) from the date of the statement of financial position is presented in current liabilities.

Right-of-use assets of the Group mainly comprise land. Right-of-use assets are measured at cost which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, less any lease incentives received. The Group depreciates the right-of-use assets over the shorter of the asset's useful life and the lease term on a straight-line basis. When the recoverable amount of a right-of-use asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Payments associated with short-term leases with lease terms within 12 months and all leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss or as cost of relevant assets, instead of recognising right-of-use assets and lease liabilities.

A lessee shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the articular contract.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The Group decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or shorten the term of the lease, and shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group make a corresponding adjustment to the right-of-use asset for all other lease modifications.

**(ii) As lessor**

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

When the Group leases self-owned plants and buildings, equipment and machinery, lease income from an operating lease is recognised on a straight-line basis over the period of the lease. The Group recognises variable lease income which is based on a certain percentage of sales as rental income when occurred.

**(y) Employee benefits**

The contributions payable under the Group's retirement plans are recognised as an expense in the consolidated income statement as incurred and according to the contribution determined by the plans. Further information is set out in Note 40.

Termination benefits, such as employee reduction expenses, are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(z) Income tax**

Income tax comprises current and deferred tax. Current tax is calculated on taxable income by applying the applicable tax rates. Deferred tax is provided using the statement of financial position liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes only to the extent that it is probable that future taxable income will be available against which the assets can be utilised. Deferred tax is calculated on the basis of the enacted tax rates or substantially enacted tax rates that are expected to apply in the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged or credited to the consolidated income statement, except for the effect of a change in tax rate on the carrying amount of deferred tax assets and liabilities which were previously charged or credited to other comprehensive income or directly in equity.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the same legal tax unit and jurisdiction to the extent appropriate, and is not available for set off against the taxable profit of another legal tax unit. The carrying amount of a deferred tax asset is reviewed at each date of statement of financial position and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**2 MATERIAL ACCOUNTING POLICIES** *(Continued)*

**(aa) Dividends**

Dividends and distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the date of statement of financial position, are not recognised as a liability at the date of statement of financial position and are separately disclosed in the notes to the financial statements. Dividends are recognised as a liability in the period in which they are declared.

**(bb) Segment reporting**

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business.

**3 REVENUE FROM PRIMARY BUSINESS**

Revenue from primary business mainly represents revenue from the sales of refined petroleum products, chemical products, crude oil and natural gas, which are recognised at a point in time.

	2025	2024
	RMB million	RMB million
Gasoline	763,996	847,815
Diesel	555,174	653,111
Crude oil	353,855	365,045
Chemical feedstock	38,856	41,994
Basic organic chemicals	184,796	219,608
Synthetic resin	123,127	124,780
Kerosene	209,624	231,214
Natural gas	103,185	91,015
Synthetic fiber monomers and polymers	42,621	42,880
Others (i)	351,226	397,859
	<b>2,726,460</b>	<b>3,015,321</b>

Note:

(i) Others are primarily liquefied petroleum gas and other refinery and chemical by-products and joint products and so on.

**4 OTHER OPERATING REVENUES**

	2025	2024
	RMB million	RMB million
Sale of materials and others	55,292	57,785
Rental income	1,831	1,456
	<b>57,123</b>	<b>59,241</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

### 5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following items are included in selling, general and administrative expenses:

	2025	2024
	RMB million	RMB million
Variable lease payments, low-value and short-term lease payment	2,512	2,362
Auditor's remuneration:		
– Audit services	71	69
– Others	6	7

### 6 PERSONNEL EXPENSES

	2025	2024
	RMB million	RMB million
Salaries, wages and other benefits	91,835	95,694
Contributions to retirement schemes (Note 40)	14,809	14,493
	<b>106,644</b>	<b>110,187</b>

### 7 TAXES OTHER THAN INCOME TAX

	2025	2024
	RMB million	RMB million
Consumption tax (i)	205,550	215,245
City construction tax (ii)	17,560	18,010
Special oil income levy	1,462	5,112
Education surcharge (ii)	12,857	13,255
Resources tax	8,011	8,466
Levy for mineral rights concessions (礦業權出讓收益)	1,367	1,574
Others	5,628	5,653
	<b>252,435</b>	<b>267,315</b>

Notes:

(i) Consumption tax was levied based on sales quantities of taxable products, tax rates of respective products are presented as below:

Products	RMB/Ton
Gasoline	2,109.76
Diesel	1,411.20
Naphtha	2,105.20
Solvent oil	1,948.64
Lubricant oil	1,711.52
Fuel oil	1,218.00
Jet fuel oil	1,495.20

(ii) City construction tax and education surcharge is levied on an entity based on its paid amount of value-added tax and consumption tax.

**8 OTHER OPERATING INCOME/(EXPENSES), NET**

	2025	2024
	RMB million	RMB million
Government grants (i)	8,716	12,714
Ineffective portion of change in fair value of cash flow hedges	492	918
Net realised and unrealised income/(losses) on derivative financial instruments not qualified for hedge accounting	1,657	(113)
Impairment losses on long-lived assets (ii)	(8,587)	(2,412)
(Losses)/gains on disposal of property, plant, equipment and other assets, net	(384)	810
Fines, penalties and compensations	(274)	(431)
Donations	(293)	(293)
Others (iii)	4,226	(209)
	<b>5,553</b>	<b>10,984</b>

Notes:

- (i) Government grants for the years ended 31 December 2025 and 2024 primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.
- (ii) Impairment losses on long-lived assets for the year ended 31 December 2025 primarily represent impairment losses recognised in the exploration and production ("E&P") segment of RMB1,229 million (2024: RMB211 million), the chemicals segment of RMB5,651 million (2024: RMB1,547 million), the refining segment of RMB525 million (2024: RMB230 million), the marketing and distribution segment of RMB177 million (2024: RMB424 million), and the corporate and others segment of RMB1,005 million (2024: nil). The impairment losses in the E&P segment were mainly the impairment losses of properties, plant and equipment relating to oil and gas producing activities. The primary factors resulting in the E&P segment impairment loss were downward revision of oil and gas reserve in certain fields and high lifting cost. E&P segment determines recoverable amounts of properties, plant and equipment relating to oil and gas producing activities, which include significant judgments and assumptions. The Group determines the crude oil and natural gas production for the forecast period and the number of years in the forecast period for impairment assessment based on the results of proved reserves. Meanwhile, the Group determines the sales prices of crude oil and natural gas for the forecast period, taking into account the analysis of the domestic and international economic situation as well as the relationship between energy supply and demand. The recoverable amounts were determined based on the present values of the expected future cash flows of the assets using a pre-tax discount rate 7.07% to 15.88% (2024: 7.06% to 15.82%). Further future downward revisions to the Group's oil or nature gas price outlook would lead to further impairments which, in aggregate, are likely to be material. It is estimated that a general decrease of 5% in oil price, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and nature gas producing activities by approximately RMB4,472 million (2024: RMB1,552 million). It is estimated that a general increase of 5% in operating cost, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and gas producing activities by approximately RMB2,544 million (2024: RMB782 million). It is estimated that a general increase of 5% in discount rate, with all other variables held constant, would result in additional impairment loss on the Group's properties, plant and equipment relating to oil and gas producing activities by approximately RMB133 million (2024: RMB1 million). The impairment provisions for the chemical and refining segments are related to the refining and chemical production facilities, mainly due to sustained lower than expected economic performance of individual production units or having a clear shutdown plan in place, resulting in their book value being written down to their recoverable amount. The recoverable amount mainly considers the profit forecast approved by the management for a five-year period, which refers to the historical operating performance of relevant refining and chemical production facilities and is adjusted according to the development trends of the refining and chemical industry. The predicted cash flow after five years will remain stable, and the pre-tax discount rate is calculated based on the weighted average cost of capital, which is 8.34% to 14.29% (2024: 8.00% to 16.76%). The impairment provisions for the marketing and distribution segment is mainly due to the fact that the gas station is closed, so its book value is written down to the recoverable amount.
- (iii) During the year ended 31 December 2025, the Group established a joint venture company with a third party to construct and operate a refining and chemical integrated project. According to the terms agreed by both parties, the Group has received project participation fees of approximately RMB4,324 million from the third party after the establishment of the joint venture company, which was recognised as other operating income and presented in others.

**9 INTEREST EXPENSE**

	2025 RMB million	2024 RMB million
Interest expense incurred	10,908	10,525
Less: Interest expense capitalised*	(1,235)	(1,470)
	<b>9,673</b>	<b>9,055</b>
Interest expense on lease liabilities	8,741	8,767
Accretion expenses (Note 36)	833	779
<b>Interest expense</b>	<b>19,247</b>	<b>18,601</b>
* Interest rates per annum at which borrowing costs were capitalised for construction in progress	1.85% to 3.00%	2.00% to 3.90%

**10 INVESTMENT INCOME**

	2025 RMB million	2024 RMB million
Investment (losses)/income from disposal of business and long-term equity investments	(865)	97
Dividend income from holding of other equity instrument investments	40	55
Others	152	517
	<b>(673)</b>	<b>669</b>

**11 INCOME TAX EXPENSE**

Income tax expense in the consolidated income statement represents:

	2025 RMB million	2024 RMB million
Current tax		
– Provision for the year	10,287	12,536
– Adjustment of prior years	(422)	(1,239)
Deferred taxation (Note 29)	(1,931)	1,669
	<b>7,934</b>	<b>12,966</b>

Reconciliation between actual income tax expense and the expected income tax expense at applicable statutory tax rates is as follows:

	2025 RMB million	2024 RMB million
<b>Profit before taxation</b>	<b>43,744</b>	<b>69,142</b>
Expected PRC income tax expense at a statutory tax rate of 25%	10,936	17,286
Tax effect of non-deductible expenses	2,907	2,503
Tax effect of non-taxable income	(5,091)	(3,917)
Tax effect of preferential tax rate (i)	(2,924)	(2,763)
Effect of income taxes at foreign operations	(654)	(253)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(37)	(152)
Tax effect of tax losses and temporary differences not recognised	1,620	1,267
Write-down of deferred tax assets	1,599	234
Adjustment of prior years	(422)	(1,239)
<b>Actual income tax expense</b>	<b>7,934</b>	<b>12,966</b>

Note:

- (i) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in western regions in the PRC are taxed at preferential income tax rate of 15%. According to Announcement [2020] No. 23 of the MOF “Announcement of the MOF, the State Taxation Administration and the National Development and Reform Commission on continuation of the income tax policy of western development enterprises”, the preferential tax rate of 15% extends from 1 January 2021 to 31 December 2030.
- (ii) In 2021, the Organisation for Economic Co-operation and Development (“OECD”) published the Global AntiBase Erosion (“GloBE”) Model Rules (“Pillar Two model rules”) for a new global minimum tax reform applicable to large multinational enterprises. The Group is within the scope of the Pillar Two model rules published by OECD. Under the legislation, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. Pillar Two legislation was enacted and came into effect in certain jurisdictions in which the subsidiaries of the Group are incorporated, the Group has provided Pillar Two income taxes of RMB235 million in the relevant jurisdictions for the year ended 31 December 2025.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

## 12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

## (a) Directors' and supervisors' emoluments

The emoluments of every director and supervisor is set out below:

Name	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking			Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	
	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Directors' / Supervisors' fee RMB'000	Total RMB'000
<b>Directors</b>					
Hou Qijun (i)	-	-	-	-	-
Ma Yongsheng (ii)	-	-	-	-	-
Zhao Dong (iii)	352	1,440	136	-	1,928
Zhong Ren	-	-	-	-	-
Lv Lianggong	-	-	-	-	-
Niu Shuanwen	-	-	-	-	-
Wan Tao	-	-	-	-	-
Yu Baocai (iv)	108	73	44	-	225
Li Yonglin	-	-	-	-	-
Cai Yong (i)	-	-	-	-	-
<b>Independent non-executive directors</b>					
Xu Lin	-	-	-	550	550
Zhang Liying	-	-	-	550	550
Liu Tsz Bun Bennett	-	-	-	550	550
Zhang Xiliang	-	-	-	550	550
Li Wei (v)	-	-	-	46	46
<b>Supervisors</b>					
Zhang Shaofeng (vi)	-	-	-	-	-
Wang An (vii)	-	-	-	-	-
Dai Liqi (vii)	-	-	-	-	-
Tan Wenfang (viii)	-	-	-	-	-
Yang Yanfei (vii)	-	-	-	-	-
Zhou Meiyun (vii)	-	-	-	-	-
Zhang Zheng (vii)	420	932	131	-	1,483
Bian Fengming (vii)	430	844	131	-	1,405
Zhang Chunsheng (viii)	304	821	63	-	1,188
<b>Total</b>	<b>1,614</b>	<b>4,110</b>	<b>505</b>	<b>2,246</b>	<b>8,475</b>

## 12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

## (a) Directors' and supervisors' emoluments (Continued)

The emoluments of every director and supervisor is set out below: (Continued)

Name	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking			Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	
	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Directors' / Supervisors' fee RMB'000	Total RMB'000
<b>Directors</b>					
Ma Yongsheng	-	-	-	-	-
Zhao Dong (iii)	176	608	68	-	852
Zhong Ren (ix)	-	-	-	-	-
Lv Lianggong	-	-	-	-	-
Niu Shuanwen (x)	-	-	-	-	-
Wan Tao (x)	-	-	-	-	-
Yu Baocai	322	650	134	-	1,106
Li Yonglin	-	-	-	-	-
<b>Independent non-executive directors</b>					
Xu Lin (xi)	-	-	-	321	321
Zhang Liying (xi)	-	-	-	321	321
Liu Tsz Bun Bennett (xi)	-	-	-	321	321
Zhang Xiliang (xi)	-	-	-	321	321
Cai Hongbin (xii)	-	-	-	188	188
Johnny Karling Ng (xii)	-	-	-	188	188
Shi Dan (xii)	-	-	-	188	188
Bi Mingjian (xii)	-	-	-	188	188
<b>Supervisors</b>					
Zhang Shaofeng	-	-	-	-	-
Wang An (xiii)	-	-	-	-	-
Dai Liqi (xiii)	-	-	-	-	-
Tan Wenfang (xiii)	-	-	-	-	-
Yang Yanfei (xiii)	-	-	-	-	-
Zhou Meiyun (xiii)	-	-	-	-	-
Zhang Zheng (xiii)	211	129	64	-	404
Bian Fengming (xiii)	211	129	64	-	404
Zhang Chunsheng (xiii)	240	116	54	-	410
Qiu Fasen (xiv)	-	-	-	-	-
Wu Bo (xv)	-	-	-	-	-
Zhai Yalin (xiv)	-	-	-	-	-
Yin Zhaolin (xiv)	198	1,142	48	-	1,388
Guo Hongjin (xiv)	197	800	61	-	1,058
Chen Yaohuan (xiv)	209	775	61	-	1,045
<b>Total</b>	<b>1,764</b>	<b>4,349</b>	<b>554</b>	<b>2,036</b>	<b>8,703</b>

Notes:

- (i) Mr. Hou Qijun was elected to be Chairman and non-executive director from 21 August 2025; Mr. Cai Yong was elected to be non-executive director from 21 August 2025.
- (ii) Mr. Ma Yongsheng ceased being Chairman and non-executive director from 30 June 2025.
- (iii) Mr. Zhao Dong was elected to be executive director from 28 April 2024, Mr. Zhao Dong's total remuneration for 2025 included incentive during the tenure.
- (iv) Mr. Yu Baocai ceased being executive director from 30 April 2025.
- (v) Mr. Li Wei was elected to be independent non-executive director from 18 December 2025.
- (vi) Due to change of working arrangement, Mr. Zhang Shaofeng has tendered his resignation as supervisor on 15 January 2025.

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

Notes: (Continued)

(vii) Mr. Wang An ceased being supervisor from 18 December 2025; Mr. Dai Liqi ceased being supervisor from 18 December 2025; Mr. Yang Yanfei ceased being supervisor from 18 December 2025; Mr. Zhou Meiyun ceased being supervisor from 18 December 2025; Mr. Zhang Zheng ceased being supervisor from 18 December 2025; Mr. Bian Fengming ceased being supervisor from 18 December 2025.

(viii) Mr. Tan Wenfang ceased being supervisor from 16 July 2025; Mr. Zhang Chunsheng ceased being supervisor from 16 July 2025.

(ix) Mr. Zhong Ren was elected to be non-executive director from 28 June 2024.

(x) Mr. Niu Shuanwen was elected to be executive director from 28 June 2024; Mr. Wan Tao was elected to be executive director from 28 June 2024.

(xi) Mr. Xu Lin was elected to be independent non-executive director from 28 June 2024; Ms. Zhang Liying was elected to be independent non-executive director from 28 June 2024; Mr. Liu Tsz Bun Bennett was elected to be independent non-executive director from 28 June 2024; Mr. Zhang Xiliang was elected to be independent non-executive director from 28 June 2024.

(xii) Mr. Cai Hongbin ceased being independent non-executive director from 28 June 2024; Mr. Johnny Karling Ng ceased being independent non-executive director from 28 June 2024; Ms. Shi Dan ceased being independent non-executive director from 28 June 2024; Mr. Bi Mingjian ceased being independent non-executive director from 28 June 2024.

(xiii) Mr. Wang An was elected to be supervisor from 28 June 2024; Mr. Dai Liqi was elected to be supervisor from 28 June 2024; Mr. Tan Wenfang was elected to be supervisor from 28 June 2024; Mr. Yang Yanfei was elected to be supervisor from 28 June 2024; Mr. Zhou Meiyun was elected to be supervisor from 28 June 2024; Mr. Zhang Zheng was elected to be supervisor from 28 June 2024; Mr. Bian Fengming was elected to be supervisor from 28 June 2024; Mr. Zhang Chunsheng was elected to be supervisor from 28 June 2024.

(xiv) Mr. Qiu Fasen ceased being supervisor from 28 June 2024; Mr. Zhai Yalin ceased being supervisor from 28 June 2024; Mr. Guo Hongjin ceased being supervisor from 28 June 2024; Mr. Yin Zhaolin ceased being supervisor from 28 June 2024; Mr. Chen Yaohuan ceased being supervisor from 28 June 2024.

(xv) Due to change of working arrangement, Mr. Wu Bo has tendered his resignation as supervisor on 13 May 2024.

13 SENIOR MANAGEMENT'S EMOLUMENTS

For the year ended 31 December 2025, the five highest paid individuals in the Company included one director, one supervisor and three senior management. The total salaries, wages and other benefits was RMB7,402 thousand, and the total amount of their retirement scheme contributions was RMB660 thousand. For the year ended 31 December 2024, the five highest paid individuals in the Company included one director, one supervisor and three senior management.

	Number of individuals	
	2025	2024
Emoluments		
HKD1,000,001 to HKD1,500,000	–	3
HKD1,500,001 to HKD2,000,000	4	2
HKD2,000,001 to HKD2,500,000	1	–

During 2025 and 2024, the Company did not incur any emoluments paid or receivable in respect of a person accepting office as a director, or any payments to any director for loss of office.

14 DIVIDENDS

Dividends payable to shareholders of the Company attributable to the year represent:

	2025	2024
	RMB million	RMB million
Dividends declared and paid during the year of RMB0.088 per share (2024: RMB0.146 per share)	10,662	17,768
Dividends declared after the date of the statement of financial position of RMB0.112 per share (2024: RMB0.140 per share)	13,544	16,979
	<b>24,206</b>	<b>34,747</b>

Pursuant to the approval at the director's meeting on 21 August 2025, the interim dividends for the year ended 31 December 2025 of RMB0.088 (2024: RMB0.146) per share totaling RMB10,662 million (2024: RMB17,768 million) were approved. Dividends were paid on 12 September 2025.

Pursuant to a resolution passed at the director's meeting on 20 March 2026, final dividends in respect of the year ended 31 December 2025 of RMB0.112 (2024: RMB0.140) per share, totaling RMB13,544 million based on share number at 31 December 2025 (2024: RMB16,979 million based on share number at 31 December 2024) were proposed for shareholders' approval at the Annual General Meeting. Final cash dividend proposed after the date of the statement of financial position has not been recognised as a liability at the date of the statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

### 14 DIVIDENDS (Continued)

Dividends payable to shareholders of the Company attributable to the previous financial year, approved during the year represent:

	2025 RMB million	2024 RMB million
Final cash dividends in respect of the previous financial year, approved during the year of RMB0.140 per share (2024: RMB0.200 per share)	16,974	24,340

Pursuant to the shareholders' approval at the Annual General Meeting on 28 May 2025, a final dividend of RMB0.140 per share totaling RMB16,974 million according to total shares on 17 June 2025 was approved. All dividends have been paid in the year ended 31 December 2025.

Pursuant to the shareholders' approval at the Annual General Meeting on 28 June 2024, a final dividend of RMB0.200 per share totaling RMB24,340 million according to total shares on 15 July 2024 was approved. All dividends have been paid in the year ended 31 December 2024.

### 15 OTHER COMPREHENSIVE INCOME

	2025			2024		
	Before tax amount RMB million	Tax effect RMB million	Net of tax amount RMB million	Before tax amount RMB million	Tax effect RMB million	Net of tax amount RMB million
Cash flow hedges:						
Effective portion of changes in fair value of hedging instruments recognised during the year	16,386	(2,558)	13,828	(1,193)	243	(950)
Reclassification adjustments for amounts transferred to the consolidated income statement	(14,830)	2,128	(12,702)	(562)	30	(532)
<b>Net movement during the year recognised in other comprehensive income (i)</b>	<b>1,556</b>	<b>(430)</b>	<b>1,126</b>	<b>(1,755)</b>	<b>273</b>	<b>(1,482)</b>
Changes in the fair value of instruments at fair value through other comprehensive income	3,250	–	3,250	(8)	5	(3)
Share of other comprehensive income of associates and joint ventures	8,354	–	8,354	(3,507)	–	(3,507)
Foreign currency translation differences	(3,243)	–	(3,243)	2,006	–	2,006
<b>Other comprehensive income</b>	<b>9,917</b>	<b>(430)</b>	<b>9,487</b>	<b>(3,264)</b>	<b>278</b>	<b>(2,986)</b>

Note:

- (i) As at 31 December 2025, cash flow hedge reserve amounted to a gain of RMB4,257 million (31 December 2024: a gain of RMB3,338 million), of which a gain of RMB4,151 million was attributable to shareholders of the Company (31 December 2024: a gain of RMB3,253 million).

### 16 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2025 is based on the profit attributable to ordinary shareholders of the Company of RMB32,476 million (2024: RMB48,939 million) and the weighted average number of shares of approximately 121,187 million (2024: approximately 121,138 million) during the year.

There are no potential dilutive ordinary shares, and diluted earnings per share are equal to the basic earnings per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

## 17 PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings RMB million	Oil and gas, properties RMB million	Equipment, machinery and others RMB million	Total RMB million
<b>Cost:</b>				
Balance at 1 January 2024	158,385	896,453	1,171,364	2,226,202
Additions	427	1,989	2,895	5,311
Transferred from construction in progress	8,215	49,479	62,446	120,140
Reclassifications	1,915	(855)	(1,060)	–
Reclassification to other long-term assets	(204)	(127)	(803)	(1,134)
Disposals	(990)	(41)	(17,815)	(18,846)
Exchange adjustments	47	677	63	787
<b>Balance at 31 December 2024</b>	<b>167,795</b>	<b>947,575</b>	<b>1,217,090</b>	<b>2,332,460</b>
Balance at 1 January 2025	167,795	947,575	1,217,090	2,332,460
Additions	210	2,983	2,172	5,365
Transferred from construction in progress	5,375	54,527	78,390	138,292
Reclassifications	4,687	(44)	(4,643)	–
Transferred to other long-term assets	(265)	(41)	(1,140)	(1,446)
Disposals	(1,015)	(44)	(20,619)	(21,678)
Exchange adjustments	(67)	(1,035)	(77)	(1,179)
Acquisition of subsidiaries	2,714	–	15,892	18,606
<b>Balance at 31 December 2025</b>	<b>179,434</b>	<b>1,003,921</b>	<b>1,287,065</b>	<b>2,470,420</b>
<b>Accumulated depreciation and impairment losses:</b>				
Balance at 1 January 2024	76,451	729,546	729,308	1,535,305
Depreciation for the year	5,277	34,001	55,033	94,311
Impairment losses for the year	276	137	1,866	2,279
Reclassifications	895	(828)	(67)	–
Transferred to other long-term assets	(38)	(94)	(278)	(410)
Written back on disposals	(712)	(41)	(16,085)	(16,838)
Exchange adjustments	25	663	42	730
<b>Balance at 31 December 2024</b>	<b>82,174</b>	<b>763,384</b>	<b>769,819</b>	<b>1,615,377</b>
Balance at 1 January 2025	82,174	763,384	769,819	1,615,377
Depreciation for the year	5,535	37,665	56,262	99,462
Impairment losses for the year	182	1,206	4,488	5,876
Reclassifications	1,135	(21)	(1,114)	–
Transferred to other long-term assets	(75)	(39)	(340)	(454)
Written back on disposals	(896)	(27)	(19,004)	(19,927)
Exchange adjustments	(36)	(1,009)	(50)	(1,095)
Acquisition of subsidiaries	62	–	921	983
<b>Balance at 31 December 2025</b>	<b>88,081</b>	<b>801,159</b>	<b>810,982</b>	<b>1,700,222</b>
<b>Net book value:</b>				
Balance at 1 January 2024	81,934	166,907	442,056	690,897
<b>Balance at 31 December 2024</b>	<b>85,621</b>	<b>184,191</b>	<b>447,271</b>	<b>717,083</b>
<b>Balance at 31 December 2025</b>	<b>91,353</b>	<b>202,762</b>	<b>476,083</b>	<b>770,198</b>

The Group compares the carrying amount of individual cash-generating units which were grouped for the property, plant and equipment related to oil and gas producing activities with its value in use, using a discounted cash flow forecast prepared based on the future production profiles included in the oil and gas reserve reports, and recorded impairment losses amounting to RMB1,206 million (2024: RMB211 million) for the year ended 31 December 2025.

The addition to oil and gas properties of the Group for the year ended 31 December 2025 included RMB2,968 million (2024: RMB1,989 million) of estimated dismantlement costs for site restoration.

At 31 December 2025 and 31 December 2024, the Group had no individual significant property, plant and equipment which were temporarily idle or pending for disposal or individually significant fully depreciated fixed assets which were still in use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

### 18 CONSTRUCTION IN PROGRESS

	2025	2024
	RMB million	RMB million
Balance at 1 January	208,747	180,250
Additions	148,723	159,694
Dry hole costs written off	(7,911)	(4,955)
Transferred to property, plant and equipment	(138,292)	(120,140)
Reclassification to other long-term assets	(14,851)	(5,971)
Impairment losses for the year	(12)	(134)
Disposals and others	(1,200)	–
Exchange adjustments	(8)	3
<b>Balance at 31 December</b>	<b>195,196</b>	<b>208,747</b>

As at 31 December 2025, the amount of capitalised cost of exploratory wells included in construction in progress related to the exploration and production segment was RMB22,705 million (2024: RMB24,591 million). The geological and geophysical costs paid during the year ended 31 December 2025 were RMB3,135 million (2024: RMB4,077 million).

### 19 RIGHT-OF-USE ASSETS

	Land	Others	Total
	RMB million	RMB million	RMB million
<b>Cost</b>			
Balance at 1 January 2024	274,231	57,643	331,874
Additions	13,123	10,187	23,310
Decreases	(11,840)	(6,968)	(18,808)
<b>Balance at 31 December 2024</b>	<b>275,514</b>	<b>60,862</b>	<b>336,376</b>
Balance at 1 January 2025	275,514	60,862	336,376
Additions	39,630	8,643	48,273
Decreases	(17,966)	(8,465)	(26,431)
<b>Balance at 31 December 2025</b>	<b>297,178</b>	<b>61,040</b>	<b>358,218</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2024	42,027	25,793	67,820
Additions	10,362	9,419	19,781
Decreases	(2,037)	(5,004)	(7,041)
<b>Balance at 31 December 2024</b>	<b>50,352</b>	<b>30,208</b>	<b>80,560</b>
Balance at 1 January 2025	50,352	30,208	80,560
Additions	10,778	9,877	20,655
Decreases	(1,324)	(6,645)	(7,969)
<b>Balance at 31 December 2025</b>	<b>59,806</b>	<b>33,440</b>	<b>93,246</b>
<b>Net book value</b>			
Balance at 1 January 2024	232,204	31,850	264,054
<b>Balance at 31 December 2024</b>	<b>225,162</b>	<b>30,654</b>	<b>255,816</b>
<b>Balance at 31 December 2025</b>	<b>237,372</b>	<b>27,600</b>	<b>264,972</b>

### 20 GOODWILL

	31 December	31 December
	2025	2024
	RMB million	RMB million
Cost	14,343	14,354
Less: Accumulated impairment losses	(8,867)	(7,861)
	<b>5,476</b>	<b>6,493</b>

#### Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the following Group's cash-generating units:

The name of the investee and the composition of the asset group	Principal activities	31 December	31 December
		2025	2024
		RMB million	RMB million
Sinopec Zhenhai Refining and Chemical Branch	Manufacturing of intermediate petrochemical products and petroleum products	4,043	4,043
Other units allocated		1,433	2,450
		<b>5,476</b>	<b>6,493</b>

The Group's goodwill impairment assessment is carried out in conjunction with its related asset group or combination of asset groups, and the recoverable amounts of goodwill are estimated annually based on value in use calculations, which is consistent with prior years. These calculations use cash flow projections based on five-year financial budgets approved by management for a goodwill-related asset group or a combination of asset groups, with cash flow remaining stable after five years. The cash flow forecasts use sales volumes, selling price and discount rates as key assumptions, with sales volumes based on production capacity and/or actual sales volumes for periods prior to the budget period, selling prices based on management's expectations of future international crude oil and petrochemical price trends, and pre-tax discount rates based on weighted average cost of capital, which ranged from 10.8% to 12.6% (2024: 10.7% to 11.8%). According to the impairment assessment results of goodwill, the Group has made provision for impairment losses of RMB1,006 million for part of the goodwill in 2025, mainly due to the unsatisfactory future performance expectation of this asset group of Beijing Yanshan Branch of China Petroleum and Chemical Corporation in the impairment test.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

### 21 INTEREST IN ASSOCIATES

The Group's investments in associates are with companies primarily engaged in the oil and gas, petrochemical, and marketing and distribution operations in the PRC.

The Group's principal associates are as follows:

Name of company	% of ownership interests	Principal activities	Measurement method	Country of incorporation	Principal place of business
National Petroleum Pipe Network Group Co., Ltd. ("PipeChina")	14.00 (i)	Operation of natural gas pipeline and auxiliary facilities	Equity method	PRC	PRC
Sinopec Finance Company Limited ("Sinopec Finance")	49.00	Provision of non-banking financial services	Equity method	PRC	PRC
Sinopec Capital Company Limited ("Sinopec Capital")	49.00	Project and equity investment, investment management, investment consulting, self-owned equity management	Equity method	PRC	PRC
Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic Energy")	38.75	Mining coal and manufacturing of coal-chemical products	Equity method	PRC	PRC
China National Aviation Fuel Supply Co., Ltd. ("Aviation Fuel")	29.00	Wholesale of gasoline, kerosene, and diesel within the civil aviation system	Equity method	PRC	PRC

Note:

(i) The Group has a member in the Board of Directors of PipeChina and has substantive participation in decision-making, so the Group can exercise significant influence on PipeChina.

#### Summarised financial information and reconciliation to their carrying amounts in respect of the Group's principal associates:

	PipeChina		Sinopec Finance		Sinopec Capital		Zhongtian Synergetic Energy		Aviation Fuel	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024
	RMB million	RMB million	RMB million	RMB million						
Current assets	71,938	70,803	111,027	132,724	20,582	17,592	3,047	2,713	21,931	21,747
Non-current assets	875,293	857,411	78,374	71,744	1,304	513	44,959	46,377	16,728	15,847
Current liabilities	(123,106)	(111,879)	(152,773)	(168,058)	(124)	(172)	(8,124)	(6,499)	(12,913)	(14,213)
Non-current liabilities	(212,969)	(218,629)	(449)	(1,004)	(3,732)	(2,659)	(9,198)	(14,086)	(1,609)	(1,543)
<b>Net assets</b>	<b>611,156</b>	<b>597,706</b>	<b>36,179</b>	<b>35,406</b>	<b>18,030</b>	<b>15,274</b>	<b>30,684</b>	<b>28,505</b>	<b>24,137</b>	<b>21,838</b>
Net assets attributable to owners of the Company	560,497	548,484	36,179	35,406	18,030	15,274	30,684	28,505	21,196	19,290
Net assets attributable to non-controlling interests	50,659	49,222	-	-	-	-	-	-	2,941	2,548
Share of net assets from associates	78,470	76,788	17,728	17,349	8,835	7,484	11,890	11,045	6,147	5,594
<b>Carrying Amounts</b>	<b>78,470</b>	<b>76,788</b>	<b>17,728</b>	<b>17,349</b>	<b>8,835</b>	<b>7,484</b>	<b>11,890</b>	<b>11,045</b>	<b>6,147</b>	<b>5,594</b>

#### Summarised statement of comprehensive income

Year ended 31 December	PipeChina		Sinopec Finance		Sinopec Capital		Zhongtian Synergetic Energy		Aviation Fuel	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	120,363	119,800	4,869	5,903	6	4	15,309	16,691	178,702	189,250
Profit for the year	35,063	34,010	2,171	2,204	694	490	2,691	2,569	3,427	2,271
Other comprehensive income	-	-	(198)	448	72	21	-	-	-	-
<b>Total comprehensive income</b>	<b>35,063</b>	<b>34,010</b>	<b>1,973</b>	<b>2,652</b>	<b>766</b>	<b>511</b>	<b>2,691</b>	<b>2,569</b>	<b>3,427</b>	<b>2,271</b>
Dividends declared by associates	2,635	2,553	588	490	-	174	-	513	377	363
Share of profit from associates	4,351	4,174	1,064	1,080	340	240	1,043	995	881	595
Share of other comprehensive income from associates	-	-	(97)	220	35	10	-	-	-	-

The share of profit and other comprehensive income for the year ended 31 December 2025 in all individually immaterial associates accounted for using equity method in aggregate was RMB4,347 million (2024: RMB5,318 million) and profit RMB2,522 million (2024: loss RMB1,703 million) respectively. As at 31 December 2025, the carrying amount of all individually immaterial associates accounted for using equity method in aggregate was RMB50,996 million (2024: RMB48,526 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

## 22 INTEREST IN JOINT VENTURES

The Group's principal interests in joint ventures are as follows:

Name of entity	% of ownership interests	Principal activities	Measurement method	Country of incorporation	Principal place of business
Fujian Refining & Petrochemical Company Limited ("FREP")	50.00	Manufacturing refining oil products	Equity method	PRC	PRC
BASF-YPC Company Limited ("BASF-YPC")	40.00	Manufacturing and distribution of petrochemical products	Equity method	PRC	PRC
INEOS Styrolution Advanced Materials (Ningbo) Pte.Ltd. ("INEOS (Ningbo)")	50.00	Manufacturing of primary form plastics and synthetic resins	Equity method	PRC	PRC
Sinopec SABIC Tianjin Petrochemical Company Limited ("Sinopec SABIC Tianjin")	50.00	Manufacturing and distribution of petrochemical products	Equity method	PRC	PRC
Shanghai SECCO Petrochemical Company Limited. ("Shanghai SECCO")	50.00	Manufacturing and distribution of petrochemical products	Equity method	PRC	PRC

### Summarised statement of financial position and reconciliation to their carrying amounts in respect of the Group's principal joint ventures:

	FREP		BASF-YPC		INEOS (Ningbo)		Sinopec SABIC Tianjin		Shanghai SECCO	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024
	RMB million	RMB million	RMB million	RMB million						
<b>Current assets</b>										
Cash and cash equivalents	2,287	3,704	2,593	1,553	818	201	1,000	538	1,375	1,025
Other current assets	9,320	10,676	3,416	5,648	406	576	2,083	4,462	3,427	2,253
<b>Total current assets</b>	<b>11,607</b>	<b>14,380</b>	<b>6,009</b>	<b>7,201</b>	<b>1,224</b>	<b>777</b>	<b>3,083</b>	<b>5,000</b>	<b>4,802</b>	<b>3,278</b>
<b>Total non-current assets</b>	<b>11,129</b>	<b>11,873</b>	<b>8,050</b>	<b>8,206</b>	<b>13,392</b>	<b>13,618</b>	<b>14,471</b>	<b>16,087</b>	<b>25,807</b>	<b>26,928</b>
<b>Current liabilities</b>										
Current financial liabilities	(2,597)	(907)	(6)	(6)	-	-	(1,626)	(5,088)	-	(1,681)
Other current liabilities	(8,416)	(12,064)	(1,547)	(1,743)	(205)	(420)	(3,490)	(2,168)	(10,133)	(2,298)
<b>Total current liabilities</b>	<b>(11,013)</b>	<b>(12,971)</b>	<b>(1,553)</b>	<b>(1,749)</b>	<b>(205)</b>	<b>(420)</b>	<b>(5,116)</b>	<b>(7,256)</b>	<b>(10,133)</b>	<b>(3,979)</b>
<b>Non-current liabilities</b>										
Non-current financial liabilities	(3,410)	(4,781)	-	-	(4,588)	(4,631)	(5,259)	(4,060)	(2,764)	(6,424)
Other non-current liabilities	(203)	(239)	(59)	(137)	(1,074)	(1,086)	(545)	(568)	(859)	(896)
<b>Total non-current liabilities</b>	<b>(3,613)</b>	<b>(5,020)</b>	<b>(59)</b>	<b>(137)</b>	<b>(5,662)</b>	<b>(5,717)</b>	<b>(5,804)</b>	<b>(4,628)</b>	<b>(3,623)</b>	<b>(7,320)</b>
<b>Net assets</b>	<b>8,110</b>	<b>8,262</b>	<b>12,447</b>	<b>13,521</b>	<b>8,749</b>	<b>8,258</b>	<b>6,634</b>	<b>9,203</b>	<b>16,853</b>	<b>18,907</b>
Net assets attributable to owners of the company	8,110	8,262	12,447	13,521	8,749	8,258	6,634	9,203	16,853	18,907
Share of net assets from joint ventures	4,055	4,131	4,979	5,408	4,375	4,129	3,317	4,602	8,427	9,454
<b>Carrying Amounts</b>	<b>4,055</b>	<b>4,131</b>	<b>4,979</b>	<b>5,408</b>	<b>4,375</b>	<b>4,129</b>	<b>3,317</b>	<b>4,602</b>	<b>8,427</b>	<b>9,454</b>

### Summarised statement of comprehensive income

	FREP		BASF-YPC		INEOS (Ningbo)		Sinopec SABIC Tianjin		Shanghai SECCO	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	52,661	46,674	16,293	20,433	2,928	2,411	18,511	24,407	19,385	21,776
Depreciation, depletion and amortisation	(956)	(946)	(1,163)	(1,214)	339	312	(1,481)	(1,560)	(500)	(549)
Interest income	135	167	35	37	14	5	26	54	28	23
Interest expense	(287)	(320)	(1)	(2)	(188)	(142)	(151)	(157)	(227)	(208)
Profit/(loss) before taxation	26	(3,691)	(1,085)	384	(610)	(719)	(2,212)	(1,647)	(1,879)	(1,212)
Income tax expense	(178)	(171)	271	(98)	169	178	(357)	(7)	(175)	302
Net (loss)/profit for the year	(152)	(3,862)	(814)	286	(441)	(541)	(2,569)	(1,654)	(2,054)	(910)
<b>Total comprehensive income</b>	<b>(152)</b>	<b>(3,862)</b>	<b>(814)</b>	<b>286</b>	<b>(441)</b>	<b>(541)</b>	<b>(2,569)</b>	<b>(1,654)</b>	<b>(2,054)</b>	<b>(910)</b>
Dividends declared by joint ventures	-	-	104	128	-	-	-	-	-	-
Share of net (loss)/profit from joint ventures	(76)	(1,931)	(325)	114	(221)	(271)	(1,285)	(827)	(1,027)	(455)

The share of profit and other comprehensive income for the year ended 31 December 2025 in all individually immaterial joint ventures accounted for using equity method in aggregate was profit RMB1,371 million (2024: loss RMB71 million) and profit RMB5,894 million (2024: loss RMB2,034 million) respectively. As at 31 December 2025, the carrying amount of all individually immaterial joint ventures accounted for using equity method in aggregate was RMB50,763 million (2024: RMB48,978 million).

**22 INTEREST IN JOINT VENTURES** *(Continued)*
**Impairment test**

As at 31 December 2025, there are indicators of impairment in the long-term equity investment in Shanghai SECCO. The Group estimates the recoverable amount of this long-term equity investment based on a value-in-use calculation. The projected future cash flows primarily take into account the five-year profit forecast for Shanghai SECCO approved by the management, which is adjusted based on the historical performance of Shanghai SECCO and relevant industry trends, with cash flows remaining stable after five years. The pre-tax discount rate of 10.36% (2024: 11.08%) is calculated based on the weighted average cost of capital. According to the impairment assessment results, the Group has provided impairment losses of RMB1,643 million for the interest in Shanghai SECCO in 2025.

**23 LONG-TERM PREPAYMENTS AND OTHER ASSETS**

	31 December 2025	31 December 2024
	RMB million	RMB million
Operating rights of service stations	24,192	24,078
Long-term receivables from and prepayment to Sinopec Group Company and fellow subsidiaries	3,759	1,727
Prepayments for construction projects to third parties	5,073	4,322
Others (i)	84,658	75,978
	<b>117,682</b>	<b>106,105</b>

Note:

(i) Others mainly comprise catalyst expenditures, improvement expenditures of property, plant and equipment and time deposits with maturities over one year.

The cost of operating rights of service stations is charged to expense on a straight-line basis over the respective periods of the rights. The movement of operating rights of service stations is as follows:

	2025	2024
	RMB million	RMB million
<b>Operating rights of service stations</b>		
<b>Cost:</b>		
Balance at 1 January	53,871	54,186
Additions	2,456	281
Decreases	(471)	(596)
<b>Balance at 31 December</b>	<b>55,856</b>	<b>53,871</b>
<b>Accumulated amortisation:</b>		
Balance at 1 January	29,793	28,002
Additions	2,218	2,205
Decreases	(347)	(414)
<b>Balance at 31 December</b>	<b>31,664</b>	<b>29,793</b>
<b>Net book value at 31 December</b>	<b>24,192</b>	<b>24,078</b>

**24 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES**

Derivative financial assets and derivative financial liabilities of the Group are primarily commodity futures and swaps contracts. See Note 43.

	31 December 2025		31 December 2024	
	Fair value of assets	Fair value of liabilities	Fair value of assets	Fair value of liabilities
Commodity derivatives	1,313	5,641	2,538	3,381
Financial derivatives	49	35	16	31
	<b>1,362</b>	<b>5,676</b>	<b>2,554</b>	<b>3,412</b>

## 25 TRADE ACCOUNTS RECEIVABLE

	31 December 2025	31 December 2024
	RMB million	RMB million
Amounts due from third parties	42,096	39,320
Amounts due from Sinopec Group Company and fellow subsidiaries	7,136	2,252
Amounts due from associates and joint ventures	5,861	6,943
	<b>55,093</b>	<b>48,515</b>
Less: Loss allowance for expected credit losses	(3,921)	(4,182)
	<b>51,172</b>	<b>44,333</b>

The aging analysis of trade accounts receivable (net of loss allowance for expected credit losses) is as follows:

	31 December 2025	31 December 2024
	RMB million	RMB million
Within one year	50,778	43,699
Between one and two years	80	404
Between two and three years	150	97
Over three years	164	133
	<b>51,172</b>	<b>44,333</b>

Loss allowance for expected credit losses are analysed as follows:

	2025	2024
	RMB million	RMB million
Balance at 1 January	4,182	4,016
(Reversal)/provision for the year	(173)	120
Written off for the year	(16)	(13)
Others	(72)	59
<b>Balance at 31 December</b>	<b>3,921</b>	<b>4,182</b>

As at 31 December 2025, the carrying amount of accounts receivable under factoring arrangement that are derecognised is RMB16,367 million (at 31 December 2024: RMB13,527 million).

Sales are generally on a cash term. Credit is generally only available for major customers with well-established trading records. Amounts due from Sinopec Group Company and fellow subsidiaries are repayable under the same terms.

These receivables relate to a wide range of customers for whom there is no recent history of default.

Information about the impairment of trade accounts receivable and the Group's exposure to credit risk can be found in Note 43.

## 26 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2025	31 December 2024
	RMB million	RMB million
<b>Non-current assets</b>		
Unlisted equity instruments	316	323
Listed equity instruments	6,840	93
<b>Current assets</b>		
Trade accounts receivable and bills receivable (i)	5,340	2,613
	<b>12,496</b>	<b>3,029</b>

Note:

- (i) As at 31 December 2025 and 2024, bills receivable were classified as financial assets at fair value through other comprehensive income, as relevant business model is achieved both by collecting contractual cash flows and selling of these assets.

## 27 INVENTORIES

	31 December 2025	31 December 2024
	RMB million	RMB million
Crude oil and other raw materials	118,156	134,970
Work in progress	21,927	20,282
Finished goods	92,682	103,249
Spare parts and consumables	3,307	3,359
	<b>236,072</b>	<b>261,860</b>
Less: Allowance for diminution in value of inventories	(5,261)	(5,265)
	<b>230,811</b>	<b>256,595</b>

The cost of inventories recognised as an expense in the consolidated income statement amounted to RMB2,301,855 million for the year ended 31 December 2025 (2024: RMB2,557,782 million). It includes the write-down of inventories of RMB4,430 million mainly related to finished goods and raw materials (2024: RMB4,554 million mainly related to finished goods and raw materials).

## 28 PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December 2025	31 December 2024
	RMB million	RMB million
Receivables	40,178	33,896
Advances to suppliers	5,057	6,429
Value-added input tax to be deducted	26,602	26,060
Prepaid income tax	11,342	6,451
	<b>83,179</b>	<b>72,836</b>

## 29 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities before offset are attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
	RMB million	RMB million	RMB million	RMB million
Receivables and inventories	3,592	4,294	(9)	(49)
Payables	2,294	2,649	-	-
Cash flow hedges	40	41	(1,055)	(667)
Property, plant and equipment	19,484	17,529	(29,326)	(31,560)
Tax losses carried forward	10,494	12,256	-	-
Financial assets at fair value through other comprehensive income	133	139	(4)	(4)
Intangible assets	2,419	1,296	(140)	(93)
Lease liabilities and right of use assets	41,978	40,876	(36,160)	(36,594)
Others	2,641	2,457	(2,700)	(1,117)
<b>Deferred tax assets/(liabilities)</b>	<b>83,075</b>	<b>81,537</b>	<b>(69,394)</b>	<b>(70,084)</b>

The offsetting amount between deferred tax assets and liabilities are as follows:

	31 December 2025	31 December 2024
	RMB million	RMB million
Deferred tax assets	62,993	62,760
Deferred tax liabilities	62,993	62,760

Deferred tax assets and liabilities after the offsetting adjustments are as follows:

	31 December 2025	31 December 2024
	RMB million	RMB million
Deferred tax assets	20,082	18,777
Deferred tax liabilities	6,401	7,324

As at 31 December 2025, certain subsidiaries of the Company did not recognise deferred tax of deductible loss carried forward of RMB31,327 million (2024: RMB28,197 million), of which RMB6,479 million (2024: RMB5,070 million) was incurred for the year ended 31 December 2025, because it was not probable that the future taxable profits will be available. These deductible losses carried forward of RMB5,310 million, RMB8,972 million, RMB5,496 million, RMB5,070 million and RMB6,479 million will expire in 2026, 2027, 2028, 2029, 2030 and after, respectively.

Periodically, management performed assessment on the probability that future taxable profit will be available over the period which the deferred tax assets can be realised or utilised. In assessing the probability, both positive and negative evidence was considered, including whether it is probable that the operations will have sufficient future taxable profits over the periods which the deferred tax assets are deductible or utilised and whether the tax losses result from identifiable causes which are unlikely to recur.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

### 29 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movements in the deferred tax assets and liabilities are as follows:

	Balance at 1 January 2024 RMB million	Recognised in consolidated income statement RMB million	Recognised in other comprehensive income RMB million	Others RMB million	Transferred from reserve RMB million	Balance at 31 December 2024 RMB million
Receivables and inventories	3,701	532	–	12	–	4,245
Payables	2,715	(66)	–	–	–	2,649
Cash flow hedges	(1,126)	25	273	(18)	220	(626)
Property, plant and equipment	(8,704)	(5,425)	–	98	–	(14,031)
Tax losses carried forward	9,036	3,220	–	–	–	12,256
Financial assets at fair value through other comprehensive income	130	–	5	–	–	135
Intangible assets	992	(28)	–	239	–	1,203
Lease liabilities and right of use assets	3,912	370	–	–	–	4,282
Others	1,637	(297)	–	–	–	1,340
<b>Net deferred tax assets/(liabilities)</b>	<b>12,293</b>	<b>(1,669)</b>	<b>278</b>	<b>331</b>	<b>220</b>	<b>11,453</b>

	Balance at 1 January 2025 RMB million	Recognised in consolidated income statement RMB million	Recognised in other comprehensive income RMB million	Others RMB million	Transferred from reserve RMB million	Balance at 31 December 2025 RMB million
Receivables and inventories	4,245	(672)	–	10	–	3,583
Payables	2,649	(355)	–	–	–	2,294
Cash flow hedges	(626)	(10)	(430)	12	39	(1,015)
Property, plant and equipment	(14,031)	3,336	–	853	–	(9,842)
Tax losses carried forward	12,256	(2,332)	–	570	–	10,494
Financial assets at fair value through other comprehensive income	135	(6)	–	–	–	129
Intangible assets	1,203	(189)	–	1,265	–	2,279
Lease liabilities and right of use assets	4,282	1,536	–	–	–	5,818
Others	1,340	623	–	(2,022)	–	(59)
<b>Net deferred tax assets/(liabilities)</b>	<b>11,453</b>	<b>1,931</b>	<b>(430)</b>	<b>688</b>	<b>39</b>	<b>13,681</b>

### 30 SHORT-TERM AND LONG-TERM DEBTS AND LOANS FROM SINOPEC GROUP COMPANY AND FELLOW SUBSIDIARIES

Short-term debts represent:

	31 December 2025 RMB million	31 December 2024 RMB million
<b>Third parties' debts</b>		
<b>Short-term bank loans</b>	<b>23,155</b>	<b>44,369</b>
RMB denominated	23,155	44,369
<b>Current portion of long-term bank loans</b>	<b>73,529</b>	<b>43,246</b>
RMB denominated	73,528	43,246
USD denominated	1	–
<b>Current portion of long-term corporate bonds</b>	<b>11,651</b>	<b>165</b>
RMB denominated	11,651	165
	108,335	87,780
<b>Loans from Sinopec Group Company and fellow subsidiaries</b>		
<b>Short-term loans</b>	<b>6,300</b>	<b>3,862</b>
RMB denominated	4,552	1,459
USD denominated	1,748	2,403
<b>Current portion of long-term loans</b>	<b>5,621</b>	<b>822</b>
RMB denominated	5,621	822
	<b>11,921</b>	<b>4,684</b>
	<b>120,256</b>	<b>92,464</b>

The Group's weighted average interest rate on short-term loans was 2.16% (2024: 2.28%) per annum at 31 December 2025. The above borrowings are unsecured.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

## 30 SHORT-TERM AND LONG-TERM DEBTS AND LOANS FROM SINOPEC GROUP COMPANY AND FELLOW SUBSIDIARIES (Continued)

Long-term debts represent:

Interest rate and final maturity		31 December 2025 RMB million	31 December 2024 RMB million
<b>Third parties' debts</b>			
<b>Long-term bank loans</b>			
RMB denominated	Interest rates ranging from 1.08% to 3.90% per annum at 31 December 2025 with maturities through 2040	236,339	204,840
USD denominated	Interest rates at 0.00% per annum at 31 December 2025 with maturities through 2031	42	46
		<b>236,381</b>	<b>204,886</b>
<b>Corporate bonds(i)</b>			
RMB denominated	Fixed interest rates ranging from 1.62% to 3.20% per annum at 31 December 2025 with maturities through 2045	60,418	22,120
USD denominated	Fixed interest rates ranging 4.25% per annum at 31 December 2025 with maturities through 2043	3,529	3,607
		<b>63,947</b>	<b>25,727</b>
<b>Total third parties' long-term debts</b>		<b>300,328</b>	<b>230,613</b>
Less: Current portion		(85,180)	(43,411)
		<b>215,148</b>	<b>187,202</b>
<b>Long-term loans from Sinopec Group Company and fellow subsidiaries</b>			
RMB denominated	Interest rates ranging from 2.10% to 4.20% per annum at 31 December 2025 with maturities through 2040	25,737	24,116
Less: Current portion		(5,621)	(822)
		<b>20,116</b>	<b>23,294</b>
		<b>235,264</b>	<b>210,496</b>

Short-term and long-term bank loans, corporate bonds and loans from Sinopec Group Company and fellow subsidiaries are primarily unsecured and carried at amortised cost.

Note:

(i) These corporate bonds are carried at amortised cost.

## 31 LEASE LIABILITIES

	31 December 2025 RMB million	31 December 2024 RMB million
<b>Lease liabilities</b>		
Current	18,079	17,831
Non-current	157,407	154,904
	<b>175,486</b>	<b>172,735</b>

## 32 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (EXCLUDING LEASE LIABILITIES)

	Loans from Sinopec Group Company and fellow subsidiaries and debts RMB million	Other long-term liabilities-loans from other related parties RMB million	Total RMB million
<b>At 1 January 2025</b>	<b>302,960</b>	<b>5,143</b>	<b>308,103</b>
<b>Changes from financing cash flows:</b>			
Proceeds from bank and other loans	417,227	367	417,594
Repayment of bank and other loans	(386,252)	-	(386,252)
Interest paid	(7,223)	(152)	(7,375)
<b>Total changes from financing cash flows</b>	<b>23,752</b>	<b>215</b>	<b>23,967</b>
<b>Other changes:</b>			
Interest costs (including capitalised interest costs)	9,967	941	10,908
Others	18,841	1,913	20,754
<b>At 31 December 2025</b>	<b>355,520</b>	<b>8,212</b>	<b>363,732</b>

## 32 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (EXCLUDING LEASE LIABILITIES) (Continued)

	Loans from Sinopec Group Company and fellow subsidiaries and debts RMB million	Other long-term liabilities-loans from other related parties RMB million	Total RMB million
<b>At 1 January 2024</b>	<b>258,831</b>	<b>5,133</b>	<b>263,964</b>
<b>Changes from financing cash flows:</b>			
Proceeds from bank and other loans	671,989	461	672,450
Repayment of bank and other loans	(628,052)	–	(628,052)
Interest paid	(7,761)	(151)	(7,912)
<b>Total changes from financing cash flows</b>	<b>36,176</b>	<b>310</b>	<b>36,486</b>
<b>Other changes:</b>			
Interest costs (including capitalised interest costs)	9,905	620	10,525
Others	(1,952)	(920)	(2,872)
<b>At 31 December 2024</b>	<b>302,960</b>	<b>5,143</b>	<b>308,103</b>

## 33 TRADE ACCOUNTS PAYABLE AND BILLS PAYABLE

	31 December 2025 RMB million	31 December 2024 RMB million
Amounts due to third parties	184,710	189,747
Amounts due to Sinopec Group Company and fellow subsidiaries	4,610	12,139
Amounts due to associates and joint ventures	7,682	6,971
	<b>197,002</b>	<b>208,857</b>
Bills payable	66,457	47,740
<b>Trade accounts payable and bills payable measured at amortised cost</b>	<b>263,459</b>	<b>256,597</b>

The ageing analysis of trade accounts payable and bills payable is as follows:

	31 December 2025 RMB million	31 December 2024 RMB million
Within 1 month or on demand	110,603	158,734
Between 1 month and 6 months	133,619	95,929
Over 6 months	19,237	1,934
	<b>263,459</b>	<b>256,597</b>

## 34 CONTRACT LIABILITIES

As at 31 December 2025 and 2024, the Group's contract liabilities primarily represent advances from customers. Related performance obligations are expected to be satisfied and revenue is recognised within one year.

## 35 OTHER PAYABLES

	31 December 2025 RMB million	31 December 2024 RMB million
Salaries and welfare payable	11,509	14,167
Payables for constructions	78,137	77,951
Other payables	39,746	44,621
Taxes other than income tax	33,689	36,791
	<b>163,081</b>	<b>173,530</b>

### 36 PROVISIONS

Provisions primarily represent provision for future dismantlement costs of oil and gas properties. The Group has mainly committed to the PRC government to establish certain standardised measures for the dismantlement of its oil and gas properties by making reference to the industry practices and is thereafter constructively obligated to take dismantlement measures of its oil and gas properties.

Movement of provision of the Group's obligations for the dismantlement of its oil and gas properties is as follow:

	2025 RMB million	2024 RMB million
Balance at 1 January	46,528	45,222
Provision for the year	2,968	1,989
Accretion expenses	833	779
Decrease for the year	(2,274)	(1,497)
Exchange adjustments	(51)	35
<b>Balance at 31 December</b>	<b>48,004</b>	<b>46,528</b>

### 37 SHARE CAPITAL

	31 December 2025 RMB million	31 December 2024 RMB million
<b>Registered, issued and fully paid</b>		
97,142,913,622 listed A shares (2024: 97,232,263,098) of RMB1.00 each	97,143	97,233
23,782,600,600 listed H shares (2024: 24,049,292,600) of RMB1.00 each	23,783	24,049
	<b>120,926</b>	<b>121,282</b>

The Company was established on 25 February 2000 with a registered capital of 68.8 billion domestic state-owned shares with a par value of RMB1.00 each. Such shares were issued to Sinopec Group Company in consideration for the assets and liabilities transferred to the Company (Note 1).

Pursuant to the resolutions passed at an Extraordinary General Meeting held on 25 July 2000 and approvals from relevant government authorities, the Company is authorised to increase its share capital to a maximum of 88.3 billion shares with a par value of RMB1.00 each and offer not more than 19.5 billion shares with a par value of RMB1.00 each to investors outside the PRC. Sinopec Group Company is authorised to offer not more than 3.5 billion shares of its shareholdings in the Company to investors outside the PRC. The shares sold by Sinopec Group Company to investors outside the PRC would be converted into H shares.

In October 2000, the Company issued 15,102,439,000 H shares with a par value of RMB1.00 each, representing 12,521,864,000 H shares and 25,805,750 American Depositary Shares ("ADSs", each representing 100 H shares), at prices of HKD1.59 per H share and USD20.645 per ADS, respectively, by way of a global initial public offering to Hong Kong and overseas investors. As part of the global initial public offering, 1,678,049,000 state-owned ordinary shares of RMB1.00 each owned by Sinopec Group Company were converted into H shares and sold to Hong Kong and overseas investors.

In July 2001, the Company issued 2.8 billion listed A shares with a par value of RMB1.00 each at RMB4.22 by way of a public offering to natural persons and institutional investors in the PRC.

During the year ended 31 December 2010, the Company issued 88,774 listed A shares with a par value of RMB1.00 each, as a result of exercise of 188,292 warrants entitled to the Bonds with Warrants.

During the year ended 31 December 2011, the Company issued 34,662 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2012, the Company issued 117,724,450 listed A shares with a par value of RMB1.00 each, as a result of conversion by the holders of the 2011 Convertible Bonds.

On 14 February 2013, the Company issued 2,845,234,000 listed H shares ("the Placing") with a par value of RMB1.00 each at the Placing Price of HKD8.45 per share. The aggregate gross proceeds from the Placing amounted to approximately HKD24,042,227,300.00 and the aggregate net proceeds (after deduction of the commissions and estimated expenses) amounted to approximately HKD23,970,100,618.00.

**37 SHARE CAPITAL** (Continued)

In June 2013, the Company issued 21,011,962,225 listed A shares and 5,887,716,600 listed H shares as a result of bonus issues of 2 shares converted from the retained earnings, and 1 share transferred from the share premium for every 10 existing shares.

During the year ended 31 December 2013, the Company issued 114,076 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2014, the Company issued 1,715,081,853 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2015, the Company issued 2,790,814,006 listed A shares with a par value of RMB1.00 each, as a result of exercise of conversion by the holders of the 2011 Convertible Bonds.

During the year ended 31 December 2022, the Company repurchased 442,300,000 listed A shares and 732,502,000 listed H shares respectively at a price of RMB4.06 per share to RMB4.50 per share for the repurchase of listed A shares, with a total amount of RMB1,888,163,981.61, and a price of HKD3.06 per share to HKD3.75 per share for the repurchase of listed H shares, with a total amount of HKD2,499,261,860.00, which had been cancelled in the year ended 31 December 2022.

During the year ended 31 December 2023, the Company repurchased 143,500,000 listed A shares and 403,656,000 listed H shares respectively at a price of RMB5.29 per share to RMB6.17 per share for the repurchase of listed A shares, with a total amount of RMB816,009,269.44, and a price of HKD3.78 per share to HKD4.56 per share for the repurchase of listed H shares, with a total amount of HKD1,646,392,242.20, which had been cancelled in the year ended 31 December 2023.

Pursuant to the resolutions of the 15th meeting of the 8th session of the board of directors held on 24 March 2023 and the 2022 Annual General Meeting of Shareholders held on 30 May 2023, and with the approval for registration by the China Securities Regulatory Commission in the Reply on Agreeing to the Registration of China Petroleum & Chemical Corporation to Issue Shares to Specific Targets (Zheng Jian Xu Ke [2024] No. 110(證監許可[2024]110 號)), the Company was approved to issued 2,390,438,247 listed A shares (par value of RMB1.00 per share at an issue price of RMB5.02 per share) to Sinopec Group Company on 18 March 2024. The total amount of raised funds is RMB11,999,999,999.94. After deducting the total amount of RMB12,671,221.04 (excluding VAT) of recommendation and underwriting expenses and other issuance expenses, the net amount of raised funds is RMB11,987,328,778.90, which is included in the share capital of RMB2,390,438,247.00 and capital reserve of RMB9,596,890,531.90.

During the year ended 31 December 2024, the Company repurchased 130,146,195 listed A shares and 328,126,000 listed H shares respectively at a price of RMB6.16 per share to RMB6.43 per share for the repurchase of listed A shares, with a total amount of RMB816,001,427.20, and a price of HKD4.09 per share to HKD4.89 per share for the repurchase of listed H shares, with a total amount of HKD1,436,267,366.40. The 138,000 listed H shares repurchased on 30 December 2024 had not been canceled in the year ended 31 December 2024.

During the year ended 31 December 2025, the Company repurchased 89,349,476 listed A shares and 266,554,000 listed H shares respectively at a price of RMB5.27 per share to RMB6.10 per share for the repurchase of listed A shares, with a total amount of RMB500,000,213.01, and a price of HKD4.05 per share to HKD4.64 per share for the repurchase of listed H shares, with a total amount of HKD1,152,829,082.00. The H shares repurchased on 30 December 2024, A shares and H shares repurchased in 2025 had been canceled in the year ended 31 December 2025.

All A shares and H shares rank pari passu in all material aspects.

37 SHARE CAPITAL (Continued)

Capital management

Management optimises the structure of the Group's capital, which comprises of equity, debts and bonds. In order to maintain or adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, sell assets to reduce debt, or adjust the proportion of short-term and long-term loans and bonds. Management monitors capital on the basis of the debt-to-capital ratio, which is calculated by dividing long-term loans (excluding current portion) and debentures payable, including long-term debts and loans from Sinopec Group Company and fellow subsidiaries, by the total of equity attributable to shareholders of the Company and long-term loans (excluding current portion) and debentures payable, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. Management's strategy is to make appropriate adjustments according to the Group's operating and investment needs and the changes of market conditions, and to maintain the debt-to-capital ratio and the liability-to-asset ratio of the Group at a range considered reasonable. As at 31 December 2025, the debt-to-capital ratio and the liability-to-asset ratio of the Group were 22.1% (2024: 20.5%) and 54.2%(2024: 53.3%), respectively.

The schedule of the contractual maturities of loans and commitments are disclosed in Notes 30 and 38, respectively.

There were no changes in the management's approach to capital management of the Group during the year. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

38 COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

At 31 December 2025 and 2024, capital commitments of the Group are as follows:

	31 December 2025 RMB million	31 December 2024 RMB million
Authorised and contracted for (i)	170,368	177,173
Authorised but not contracted for	87,592	61,996
	<b>257,960</b>	<b>239,169</b>

These capital commitments relate to oil and gas exploration and development, refining and petrochemical production capacity expansion projects, the construction of service stations and oil depots and investment commitments.

Note:

(i) The investment commitments of the Group is RMB21,756 million (2024: RMB13,353 million).

Commitments to joint ventures

Pursuant to certain of the joint venture agreements entered into by the Group, the Group is obliged to purchase products from the joint ventures based on market prices.

Exploration and production licenses

Exploration licenses for exploration activities are registered with the Ministry of Natural Resources. The term of the Group's exploration licenses is 5 years, and may be renewed upon expiration within 30 days prior to expiration of the original term with each renewal being for a five-year term. The Group is obligated to make progressive annual minimum exploration investment relating to the exploration blocks in respect of which the license is issued. The Ministry of Natural Resources also issues production licenses to the Group on the basis of the reserve reports approved by relevant authorities. The maximum term of a full production license is 30 years unless a special dispensation is given by the State Council. The maximum term of production licenses is 80 years with a special dispensation given by the State Council. The Group's production license is renewable upon application by the Group 30 days prior to expiration.

The Group is required to make payments of exploration license fees and production right usage fees to the Ministry of Natural Resources annually which are expensed. Expenses recognised were approximately RMB164 million for the year ended 31 December 2025 (2024: RMB183 million).

Estimated future annual payments are as follows:

	31 December 2025 RMB million	31 December 2024 RMB million
Within one year	270	237
Between one and two years	141	179
Between two and three years	78	134
Between three and four years	79	76
Between four and five years	74	76
Thereafter	834	862
	<b>1,476</b>	<b>1,564</b>

**38 COMMITMENTS AND CONTINGENT LIABILITIES** (Continued)

**Contingent liabilities**

At 31 December 2025 and 2024, the guarantees by the Group in respect of facilities granted to the parties below are as follows:

	31 December 2025 RMB million	31 December 2024 RMB million
Joint ventures (i)	3,522	8,193
Associates (ii)	1,901	–
	<b>5,423</b>	<b>8,193</b>

Note:

(i) The Group provided guarantees in respect to standby credit facilities granted by amounting to RMB7,100 million (31 December 2024: RMB34,351 million) to certain joint ventures. As at 31 December 2025, the amount withdrawn (the portion corresponding to the shareholding ratio of the Group) and guaranteed by the Group was RMB3,522 million (31 December 2024: RMB8,193 million).

The Group provided a guarantee in respect to payment obligation of a joint venture under an certain agreement amount to RMB17,080 million (31 December 2024: RMB17,468 million). As at 31 December 2025, there has not yet incurred the relevant payment obligations and therefore the Group has no guarantee amount (31 December 2024: Nil).

(ii) The Group provides guarantees for a joint venture company to accept loans, with a total committed guarantee amount of RMB4,307 million (31 December 2024: Nil). As of December 31, 2025, the actual withdrawal amount of the guaranteed company (corresponding to the proportion of equity held by the Group) and the guarantee amount of the Group amounted to RMB1,901 million (31 December 2024: Nil).

Management monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees. At 31 December 2025 and 2024, the Group estimates that there is no material liability has been accrued for ECLs related to the Group's obligation under these guarantee arrangements.

**Environmental contingencies**

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect management's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to refineries, oil fields, service stations, terminals and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material.

The Group paid normal routine pollutant discharge fees of approximately RMB16,474 million in the consolidated financial statements for the year ended 31 December 2025 (2024: RMB18,448 million).

**Legal contingencies**

The Group is defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

**39 RELATED PARTY TRANSACTIONS**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control or common control. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

**(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures**

The Group is part of a larger group of companies under Sinopec Group Company, which is controlled by the PRC government, and has significant transactions and relationships with Sinopec Group Company and fellow subsidiaries. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

**39 RELATED PARTY TRANSACTIONS (Continued)**
**(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures (Continued)**

The principal related party transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures, which were carried out in the ordinary course of business are as follows:

	Notes	2025 RMB million	2024 RMB million
Sales of goods	(i)	363,144	381,571
Purchases	(ii)	207,616	176,738
Transportation and storage	(iii)	25,490	26,081
Exploration and development services	(iv)	37,215	39,208
Production related services	(v)	35,586	36,880
Agency commission income	(vi)	111	160
Interest income	(vii)	2,821	3,108
Interest expense	(viii)	954	1,291
Net deposits placed with related parties	(vii)	(8,138)	(466)
Net funds obtained from related parties	(ix)	44,133	34,093

The amounts set out in the table above in respect of the year ended 31 December 2025 and 2024 represent the relevant costs and income as determined by the corresponding contracts with the related parties.

Included in the transactions disclosed above, for the year ended 31 December 2025 are: a) purchases by the Group from Sinopec Group Company and fellow subsidiaries amounting to RMB191,571 million (2024: RMB159,275 million) comprising purchases of products and services (i.e. procurement, transportation and storage, exploration and development services and production related services) of RMB177,897 million (2024: RMB145,685 million), lease charges for land, buildings and others paid by the Group of RMB11,171 million, RMB1,184 million and RMB365 million (2024: RMB10,937 million, RMB1,088 million and RMB274 million), respectively and interest expenses of RMB954 million (2024: RMB1,291 million); and b) sales by the Group to Sinopec Group Company and fellow subsidiaries amounting to RMB108,230 million (2024: RMB72,711 million), comprising RMB105,315 million (2024: RMB69,281 million) for sales of goods, RMB2,821 million (2024: RMB3,363 million) for interest income and RMB94 million (2024: RMB67 million) for agency commission income.

For the year ended 31 December 2025, no individually significant right-of-use assets were leased from Sinopec Group Company and fellow subsidiaries, associates and joint ventures by the Group. The interest expense recognised for the year ended 31 December 2025 on lease liabilities in respect of amounts due to Sinopec Group Company and fellow subsidiaries, associates and joint ventures was RMB7,482 million (2024: RMB7,434 million).

For the year ended 31 December 2025, the amount of rental the Group paid to Sinopec Group Company and fellow subsidiaries, associates and joint ventures for land, buildings and others are RMB11,177 million, RMB1,189 million and RMB401 million (2024: RMB10,941 million, RMB1,094 million and RMB363 million), including pursuant to the continuing connected transaction agreements signed in 2000, the Seventh Supplementary Agreement and the memorandum of the fourth amendment to the land use right lease agreement on 23 August 2024, the amount of rental the Group paid to Sinopec Group Company for land and buildings are RMB11,171 million and RMB1,184 million (2024: RMB10,937 million and RMB1,088 million). As the lessee, the Group has not obtained any single significant 'right of use assets' from Sinopec Group and its subsidiary, affiliated companies and joint ventures.

As at 31 December 2025 and 2024, the guarantees given to banks by the Group in respect of banking facilities to associates and joint ventures are disclosed in Note 38. In addition, there was no guarantee given to banks by the Group in respect of banking facilities to Sinopec Group Company and fellow subsidiaries.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and this has been confirmed by the independent non-executive directors.

Notes:

- (i) Sales of goods represent the sale of crude oil, intermediate petrochemical products, petroleum products and ancillary materials.
- (ii) Purchases represent the purchase of materials and utility supplies directly related to the Group's operations such as the procurement of raw and ancillary materials and related services, supply of water, electricity and gas.
- (iii) Transportation and storage represent the cost for the use of railway, road and marine transportation services, pipelines, loading, unloading and storage facilities.
- (iv) Exploration and development services comprise direct costs incurred in the exploration and development such as geophysical, drilling, well testing and well measurement services.
- (v) Production related services represent ancillary services rendered in relation to the Group's operations such as equipment repair and general maintenance, insurance premium, technical research, communications, firefighting, security, product quality testing and analysis, information technology, design and engineering, construction of oilfield ground facilities, refineries and chemical plants, manufacture of replacement parts and machinery, installation, project management, environmental protection and management services.
- (vi) Agency commission income represents commission earned for acting as an agent in respect of sales of products and purchase of materials for certain entities owned by Sinopec Group Company.
- (vii) Interest income represents interest received from deposits placed with Sinopec Finance and Sinopec Century Bright Capital Investment Limited, finance companies controlled by Sinopec Group Company. The applicable interest rate is determined in accordance with the prevailing saving deposit rate. The balance of deposits at 31 December 2025 was RMB74,571 million (2024: RMB66,433 million).
- (viii) Interest expense represents interest charges on the loans obtained from Sinopec Group Company and fellow subsidiaries.
- (ix) The Group obtained loans, discounted bills and issued the acceptance bills from Sinopec Group Company and fellow subsidiaries.

39 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with Sinopec Group Company and fellow subsidiaries, associates and joint ventures (Continued)

In connection with the Reorganisation, the Company and Sinopec Group Company entered into a number of agreements under which 1) Sinopec Group Company will provide goods and products and a range of ancillary, social and supporting services to the Group and 2) the Group will sell certain goods to Sinopec Group Company. These agreements impacted the operating results of the Group for the year ended 31 December 2025. The terms of these agreements are summarised as follows:

- The Company has entered into a non-exclusive “Agreement for Mutual Provision of Products and Ancillary Services” (“Mutual Provision Agreement”) with Sinopec Group Company effective from 1 January 2000 in which Sinopec Group Company has agreed to provide the Group with certain ancillary production services, construction services, information advisory services, supply services and other services and products. While each of Sinopec Group Company and the Company is permitted to terminate the Mutual Provision Agreement upon at least six months notice, Sinopec Group Company has agreed not to terminate the agreement if the Group is unable to obtain comparable services from a third party. The pricing policy for these services and products provided by Sinopec Group Company to the Group is as follows:
  - (1) the government-prescribed price;
  - (2) where there is no government-prescribed price, the government-guidance price;
  - (3) where there is neither a government-prescribed price nor a government-guidance price, the market price; or
  - (4) where none of the above is applicable, the price to be agreed between the parties, which shall be based on a reasonable cost incurred in providing such services plus a profit margin not exceeding 6%.
- The Company has entered into a series of lease agreements with Sinopec Group Company to lease certain lands and buildings effective on 1 January 2000. The lease term is 40 or 50 years for lands and 20 years for buildings, respectively. The Company and Sinopec Group Company can renegotiate the rental amount every three years for land. The Company and Sinopec Group Company can renegotiate the rental amount for buildings every year. However such amount cannot exceed the market price as determined by an independent third party.
- The Company has entered into agreements with Sinopec Group Company effective from 1 January 2000 under which the Group has been granted the right to use certain trademarks, patents, technology and computer software developed by Sinopec Group Company.
- The Company has entered into a service stations franchise agreement with Sinopec Group Company effective from 1 January 2000 under which its service stations and retail stores would exclusively sell the refined products supplied by the Group.
- On the basis of a series of continuing connected transaction agreements signed in 2000, the Company and Sinopec Group Company have signed the Seventh Supplementary Agreement on 23 August 2024, which took effect on 1 January 2025 and made adjustment to “Mutual Supply Agreement” and “Buildings Leasing Contract”, etc.

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures included in the following accounts captions are summarised as follows:

	31 December 2025 RMB million	31 December 2024 RMB million
Trade accounts receivable	12,982	9,151
Financial assets at fair value through other comprehensive income	41	166
Prepaid expenses and other current assets	21,509	16,064
Long-term prepayments and other assets	7,072	4,648
<b>Total</b>	<b>41,604</b>	<b>30,029</b>
Trade accounts payable and bills payable	22,984	26,375
Contract liabilities	4,346	5,349
Other payables	28,403	30,477
Other long-term liabilities	9,536	6,415
Short-term loans and current portion of long-term loans from Sinopec Group Company and fellow subsidiaries	11,921	4,684
Long-term loans excluding current portion from Sinopec Group Company and fellow subsidiaries	20,116	23,294
Lease liabilities (including to be paid within one year)	150,938	146,355
<b>Total</b>	<b>248,244</b>	<b>242,949</b>

Amounts due from/to Sinopec Group Company and fellow subsidiaries, associates and joint ventures, other than short-term loans and long-term loans, bear no interest, are unsecured and are repayable in accordance with normal commercial terms. The terms and conditions associated with short-term loans and long-term loans payable to Sinopec Group Company and fellow subsidiaries are set out in Note 30.

As at and for the year ended 31 December 2025, and as at and for the year ended 31 December 2024, no individually significant loss allowance for expected credit losses were recognised in respect of amounts due from Sinopec Group Company and fellow subsidiaries, associates and joint ventures.

**39 RELATED PARTY TRANSACTIONS** (Continued)

**(b) Key management personnel emoluments**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensation is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	7,970	8,149
Retirement scheme contributions	505	554
	<b>8,475</b>	<b>8,703</b>

**(c) Contributions to defined contribution retirement plans**

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. The details of the Group's employee benefits plan are disclosed in Note 40. As at 31 December 2025 and 2024, the accrual for the contribution to post-employment benefit plans was not material.

**(d) Transactions with other state-controlled entities in the PRC**

The Group is a state-controlled energy and chemical enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred as "state-controlled entities").

Apart from transactions with Sinopec Group Company and fellow subsidiaries, the Group has transactions with other state-controlled entities, include but not limited to the followings:

- sales and purchases of goods and ancillary materials;
- rendering and receiving services;
- lease of assets;
- depositing and borrowing money; and
- uses of public utilities.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

**40 EMPLOYEE BENEFITS PLAN**

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. The Group is required to make contributions to the retirement plans at rates ranging from 13.0% to 16.0% of the salaries, bonuses and certain allowances of its staff. In addition, the Group provides a supplementary retirement plan for its staff at rates not exceeding 8% of the salaries. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the year ended 31 December 2025 were RMB14,809 million (2024: RMB14,493 million).

**41 SEGMENT REPORTING**

Segment information is presented in respect of the Group's business segments. The format is based on the Group's management and internal reporting structure.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (i) Exploration and production, which explores and develops oil fields, produces crude oil and natural gas and sells such products to the refining segment of the Group and external customers.
- (ii) Refining, which processes and purifies crude oil, that is sourced from the exploration and production segment of the Group and external suppliers, and manufactures and sells petroleum products to the chemicals and marketing and distribution segments of the Group and external customers.
- (iii) Marketing and distribution, which owns and operates oil depots and service stations, and distributes and sells refined petroleum products (mainly gasoline and diesel) through wholesale and retail sales networks.
- (iv) Chemicals, which manufactures and sells petrochemical products, derivative petrochemical products and other chemical products mainly to external customers.
- (v) Corporate and others, which largely comprises the trading activities of the import and export companies of the Group and research and development undertaken by other subsidiaries.

The segments were determined primarily because the Group manages its exploration and production, refining, marketing and distribution, chemicals, and corporate and others businesses separately. The reportable segments are each managed separately because they manufacture and/or distribute distinct products with different production processes and due to their distinct operating and gross margin characteristics.

41 SEGMENT REPORTING (Continued)

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities

The Group's chief operating decision maker evaluates the performance and allocates resources to its operating segments on an operating profit basis, without considering the effects of finance costs or investment income. Inter-segment transfer pricing is based on the market price or cost plus an appropriate margin, as specified by the Group's policy.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for interest in associates and joint ventures, investments, deferred tax assets, cash and cash equivalents, time deposits with financial institutions and other unallocated assets. Segment liabilities exclude short-term debts, income tax payable, long-term debts, loans from Sinopec Group Company and fellow subsidiaries, deferred tax liabilities and other unallocated liabilities.

Information of the Group's reportable segments is as follows:

	2025	2024
	RMB million	RMB million
<b>Revenue from primary business</b>		
Exploration and production		
External sales	157,915	175,844
Inter-segment sales	124,156	117,297
	<b>282,071</b>	<b>293,141</b>
Refining		
External sales	159,694	165,335
Inter-segment sales	1,165,499	1,312,728
	1,325,193	1,478,063
Marketing and distribution		
External sales	1,457,219	1,665,827
Inter-segment sales	7,657	7,337
	<b>1,464,876</b>	<b>1,673,164</b>
Chemicals		
External sales	378,049	418,294
Inter-segment sales	79,316	97,925
	<b>457,365</b>	<b>516,219</b>
Corporate and others		
External sales	573,583	590,021
Inter-segment sales	739,273	864,348
	<b>1,312,856</b>	<b>1,454,369</b>
Elimination of Inter-segment sales	(2,115,901)	(2,399,635)
<b>Revenue from primary business</b>	<b>2,726,460</b>	<b>3,015,321</b>
<b>Other operating revenues</b>		
Exploration and production	3,921	4,108
Refining	3,316	3,439
Marketing and distribution	40,399	41,194
Chemicals	6,743	7,643
Corporate and others	2,744	2,857
<b>Other operating revenues</b>	<b>57,123</b>	<b>59,241</b>
<b>Revenue</b>	<b>2,783,583</b>	<b>3,074,562</b>

## 41 SEGMENT REPORTING (Continued)

## (1) Information of reportable segmental revenues, profits or losses, assets and liabilities (Continued)

	2025	2024
	RMB million	RMB million
<b>Result</b>		
<b>Operating profit/(loss)</b>		
<b>By segment</b>		
– Exploration and production	45,531	56,385
– Refining	9,448	6,714
– Marketing and distribution	9,970	18,646
– Chemicals	(14,578)	(9,997)
– Corporate and others	(2,733)	(432)
– Elimination	970	(630)
<b>Total segment operating profit</b>	<b>48,608</b>	<b>70,686</b>
<b>Share of profit/(loss) from associates and joint ventures</b>		
– Exploration and production	3,202	3,325
– Refining	(122)	(1,554)
– Marketing and distribution	3,222	3,675
– Chemicals	(860)	(1,505)
– Corporate and others	5,021	5,020
<b>Aggregate share of profits from associates and joint ventures</b>	<b>10,463</b>	<b>8,961</b>
<b>Investment income</b>		
– Exploration and production	1	1
– Refining	25	31
– Marketing and distribution	43	–
– Chemicals	(1,338)	(185)
– Corporate and others	596	822
<b>Aggregate investment income</b>	<b>(673)</b>	<b>669</b>
<b>Net finance costs</b>	<b>(14,654)</b>	<b>(11,174)</b>
<b>Profit before taxation</b>	<b>43,744</b>	<b>69,142</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2025</b>	<b>2024</b>
	<b>RMB million</b>	<b>RMB million</b>
<b>Assets</b>		
<b>Segment assets</b>		
– Exploration and production	508,774	485,208
– Refining	310,708	330,332
– Marketing and distribution	376,116	390,483
– Chemicals	318,337	268,458
– Corporate and others	155,123	152,743
<b>Total segment assets</b>	<b>1,669,058</b>	<b>1,627,224</b>
Interest in associates and joint ventures	249,982	243,488
Financial assets at fair value through other comprehensive income	7,156	416
Deferred tax assets	20,082	18,777
Cash and cash equivalents, time deposits with financial institutions and other bank balances	150,873	145,580
Other unallocated assets	56,334	45,955
<b>Total assets</b>	<b>2,153,485</b>	<b>2,081,440</b>
<b>Liabilities</b>		
<b>Segment liabilities</b>		
– Exploration and production	196,323	193,350
– Refining	69,119	71,783
– Marketing and distribution	247,154	252,247
– Chemicals	108,193	100,617
– Corporate and others	163,897	165,426
<b>Total segment liabilities</b>	<b>784,686</b>	<b>783,423</b>
Short-term debts	108,335	87,780
Income tax payable	1,607	1,706
Long-term debts	215,148	187,202
Loans from Sinopec Group Company and fellow subsidiaries	32,037	27,978
Deferred tax liabilities	6,401	7,324
Other unallocated liabilities	18,395	13,880
<b>Total liabilities</b>	<b>1,166,609</b>	<b>1,109,293</b>

41 SEGMENT REPORTING (Continued)

(1) Information of reportable segmental revenues, profits or losses, assets and liabilities (Continued)

	2025	2024
	RMB million	RMB million
<b>Capital expenditure</b>		
Exploration and production	70,917	82,253
Refining	21,973	29,341
Marketing and distribution	13,772	14,128
Chemicals	35,949	44,664
Corporate and others	4,549	4,579
	<b>147,160</b>	<b>174,965</b>
<b>Depreciation, depletion and amortisation</b>		
Exploration and production	55,239	50,443
Refining	21,040	20,204
Marketing and distribution	24,709	24,485
Chemicals	21,234	20,938
Corporate and others	4,949	4,644
	<b>127,171</b>	<b>120,714</b>
<b>Impairment losses on long-lived assets</b>		
Exploration and production	1,229	211
Refining	525	230
Marketing and distribution	177	424
Chemicals	5,651	1,547
Corporate and others	1,005	–
	<b>8,587</b>	<b>2,412</b>

(2) Geographical information

The geographical information of the Group's external sales and the Group's non-current assets, excluding financial instruments and deferred tax assets are analysed by different regions. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets. The Group's external sales and non-current assets from mainland China were RMB2,240,581 million (2024: RMB2,478,160 million) and RMB1,544,958 million (2024: RMB1,491,020 million). The proportion to the total revenue from domestic transactions and the proportion to the total non-current assets are 80.5% (2024: 80.6%) and 96.5% (2024: 97.1%). In addition, there is no other single country or region with segment revenue or segment assets accounting for more than 10%.

## 42 PRINCIPAL SUBSIDIARIES

As at 31 December 2025, the following list contains the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group.

Name of company	Particulars of issued capital (million)	Interests held by the Company %	Interests held by non-controlling interests %	Principal activities
Sinopec Great Wall Energy & Chemical Company Limited	RMB22,761	100.00	–	Coal chemical industry investment management, production and sale of coal chemical products
Sinopec Yangzi Petrochemical Company Limited	RMB15,651	100.00	–	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Overseas Investment Holding Limited (“SOIHL”)	USD4,942	100.00	–	Investment holding of overseas business
Sinopec International Petroleum Exploration and Production Limited (“SIPL”)	RMB8,250	100.00	–	Investment in exploration, production and sale of petroleum and natural gas
Sinopec Yizheng Chemical Fibre Limited Liability Company	RMB4,000	100.00	–	Production and sale of polyester chips and polyester fibres
Sinopec Lubricant Company Limited	RMB3,374	100.00	–	Production and sale of refined petroleum products, lubricant base oil, and petrochemical materials
China International United Petroleum and Chemical Company Limited	RMB5,000	100.00	–	Trading of crude oil and petrochemical products
Sinopec Qingdao Petrochemical Company Limited	RMB1,595	100.00	–	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Catalyst Company Limited	RMB1,500	100.00	–	Production and sale of catalyst products
China Petrochemical International Company Limited	RMB1,400	100.00	–	Trading of petrochemical products
Sinopec Chemical Sales Company Limited	RMB1,000	100.00	–	Marketing and distribution of petrochemical products
Sinopec Hainan Refining and Chemical Company Limited	RMB9,606	100.00	–	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec (Henan) Refining and Chemical Company Limited	RMB1,843	100.00	–	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Beihai Refining and Chemical Limited Liability Company	RMB5,294	98.98	1.02	Import and processing of crude oil, production, storage and sale of petroleum products and petrochemical products
ZhongKe (Guangdong) Refinery & Petrochemical Company Limited	RMB8,168	90.30	9.70	Crude oil processing and petroleum products manufacturing
Sinopec Qingdao Refining and Chemical Company Limited	RMB5,153	85.00	15.00	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Marketing Company Limited	RMB28,403	70.43	29.57	Marketing and distribution of refined petroleum products
Sinopec Kantons Holdings Limited (“Sinopec Kantons”)	HKD248	60.33	39.67	Provision of crude oil jetty and natural gas pipeline transportation services
Sinopec-SK (Wuhan) Petrochemical Company Limited (“Sinopec-SK”)	RMB7,193	59.00	41.00	Production, sale, research and development of petrochemical products, ethylene and downstream byproducts
Sinopec Shanghai Gaoqiao Petrochemical Company Limited (“Gaoqiao Petrochemical”)	RMB10,000	55.00	45.00	Manufacturing of intermediate petrochemical products and petroleum products
Sinopec Hunan Petrochemical Co., Ltd. (“Hunan Petrochemical”)	RMB7,333	74.69	25.31	Crude oil processing and petroleum products manufacturing
Sinopec Shanghai Petrochemical Company Limited (“Shanghai Petrochemical”)	RMB10,543	51.81	48.19	Manufacturing of synthetic fibres, resin and plastics, intermediate petrochemical products and petroleum products
Fujian Petrochemical Company Limited (“Fujian Petrochemical”) (i)	RMB10,492	50.00	50.00	Manufacturing of plastics, intermediate petrochemical products and petroleum products

Except for Sinopec Kantons and SOIHL, which are incorporated in Bermuda and Hong Kong SAR respectively, all of the above principal subsidiaries are incorporated and operate their businesses principally in the PRC. All of the above principal subsidiaries are limited companies.

Note:

- (i) The Group consolidated the financial statements of the entity because it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

## 42 PRINCIPAL SUBSIDIARIES (Continued)

### Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information which the amount before inter-company eliminations for each subsidiary that has non-controlling interests that are material to the Group.

### Summarised consolidated statement of financial position

	Marketing Company		SIPL*		Shanghai Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical		Hunan Petrochemical	
	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31	At 31
	December	December	December	December	December	December	December	December	December	December	December	December
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	million	million	million	million	million	million	million	million	million	million	million	million
Current assets	216,357	220,984	19,472	20,088	14,852	20,633	3,474	6,599	16,529	16,797	4,703	6,417
Current liabilities	(226,993)	(228,365)	(984)	(778)	(15,520)	(16,289)	(141)	(155)	(5,736)	(5,736)	(15,901)	(14,328)
Net current (liabilities)/assets	(10,636)	(7,381)	18,488	19,310	(668)	4,344	3,333	6,444	10,793	11,061	(11,198)	(7,911)
Non-current assets	317,140	318,997	12,630	9,439	24,957	21,054	11,787	7,960	13,850	14,578	30,779	30,828
Non-current liabilities	(49,803)	(53,557)	(13,438)	(11,535)	(1,067)	(266)	(172)	(196)	(3,045)	(3,933)	(4,884)	(6,166)
Net non-current assets/(liabilities)	267,337	265,440	(808)	(2,096)	23,890	20,788	11,615	7,764	10,805	10,645	25,895	24,662
Net assets	256,701	258,059	17,680	17,214	23,222	25,132	14,948	14,208	21,598	21,706	14,697	16,751
Attributable to owner of the Company	173,130	173,806	12,771	11,154	11,978	12,799	8,995	8,552	11,875	11,938	10,977	12,511
Attributable to non-controlling interests	83,571	84,253	4,909	6,060	11,244	12,333	5,953	5,656	9,723	9,768	3,720	4,240

### Summarised consolidated statement of comprehensive income

Year ended 31 December	Marketing Company		SIPL*		Shanghai Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical		Hunan Petrochemical	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	million	million	million	million	million	million	million	million	million	million	million	million
Revenue	1,501,994	1,710,948	2,505	2,881	75,513	87,060	603	609	47,182	60,338	49,096	68,683
Profit/(loss) for the year	9,605	16,928	950	3,195	(1,610)	317	941	1,075	(23)	(468)	(2,059)	820
Total comprehensive income	12,450	17,095	2,453	2,641	(1,645)	261	740	1,118	(24)	(467)	(2,055)	826
Comprehensive income attributable to non-controlling interests	4,625	6,709	835	1,277	(792)	131	446	444	(11)	(210)	(520)	209
Dividends paid to non-controlling interests	5,436	5,192	1,987	-	106	8	226	225	-	30	-	-

### Summarised statement of cash flows

Year ended 31 December	Marketing Company		SIPL*		Shanghai Petrochemical		Sinopec Kantons		Gaoqiao Petrochemical		Hunan Petrochemical	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	million	million	million	million	million	million	million	million	million	million	million	million
Net cash generated from operating activities	36,672	41,550	1,193	1,101	1,978	7,624	230	81	707	362	1,301	1,898
Net cash (used in)/generated from investing activities	(16,302)	(22,182)	906	1,218	(1,595)	(2,055)	184	(640)	(305)	1,606	(2,933)	(3,578)
Net cash (used in)/generated from financing activities	(23,475)	(22,371)	(1,802)	(1,138)	(1,078)	(2,268)	(577)	(575)	(261)	(1,970)	1,633	1,226
Net (decrease)/increase in cash and cash equivalents	(3,105)	(3,003)	297	1,181	(695)	3,301	(163)	(1,134)	141	(2)	1	(454)
Cash and cash equivalents at 1 January	11,698	14,569	15,636	14,262	8,209	4,906	544	1,665	-	2	2	456
Effect of foreign currency exchange rate changes	37	132	(72)	193	(2)	2	(1)	13	-	-	-	-
Cash and cash equivalents at 31 December	8,630	11,698	15,861	15,636	7,512	8,209	380	544	141	-	3	2

\* The non-controlling interests of subsidiaries which the Group holds 100% of equity interests at the end of the year are the non-controlling interests of their subsidiaries.

**43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES****Overview**

Financial assets of the Group include cash and cash equivalents, time deposits with financial institutions, financial assets at fair value through profit or loss, derivative financial assets, trade accounts receivable, amounts due from Sinopec Group Company and fellow subsidiaries, amounts due from associates and joint ventures, financial assets at FVOCI and other receivables. Financial liabilities of the Group include short-term debts, loans from Sinopec Group Company and fellow subsidiaries, derivative financial liabilities, trade accounts payable and bills payable, amounts due to Sinopec Group Company and fellow subsidiaries, amounts due to associates and joint ventures, other payables, long-term debts and lease liabilities.

The Group has exposure to the following risks from its uses of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment, oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, and set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management controls and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group's audit committee.

**Credit risk****(i) Risk management**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions (including structured deposits) and receivables from customers. To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large financial institutions in the PRC with acceptable credit ratings. The majority of the Group's trade accounts receivable relate to sales of petroleum and chemical products to related parties and third parties operating in the petroleum and chemical industries. No single customer accounted for greater than 10% of total trade accounts receivable at 31 December 2025, except the amounts due from Sinopec Group Company and fellow subsidiaries. Management performs ongoing credit evaluations of the Group's customers' financial condition and generally does not require collateral on trade accounts receivable. The Group maintains a loss allowance for expected credit losses and actual losses have been within management's expectations.

The carrying amounts of cash and cash equivalents, time deposits with financial institutions, financial assets at fair value through profit or loss, derivative financial assets, trade accounts receivable, financial assets at FVOCI and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

**(ii) Impairment of financial assets**

The Group's primary type of financial assets that are subject to the expected credit loss model is trade accounts receivable, financial assets at FVOCI and other receivables.

The Group's cash deposits are placed only with large financial institutions with acceptable credit ratings, and there is no material impairment loss identified.

For trade accounts receivable and financial assets at FVOCI, the Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade accounts receivable and financial assets at FVOCI.

To measure the ECLs, trade accounts receivable and financial assets at FVOCI have been grouped based on shared credit risk characteristics and the days past due.

The ECLs were calculated based on historical actual credit loss experience. The rates were considered the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The Group performed the calculation of ECL rates by the operating segment.

43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The following table provides information about the exposure to credit risk and ECLs for accounts receivable as at 31 December 2025 and 2024.

	Gross carrying amount RMB million	Impairment provision on individual basis		Impairment provision on provision matrix basis		
		Gross carrying amount RMB million	Impairment provision on individual basis RMB million	Weighted – average loss rate %	Impairment provision RMB million	Loss allowance RMB million
<b>31 December 2025</b>						
Current and within 1 year past due	50,824	12,101	4	0.1%	42	46
1 to 2 years past due	113	20	3	32.3%	30	33
2 to 3 years past due	221	120	6	64.4%	65	71
Over 3 years past due	3,935	3,494	3,330	100.0%	441	3,771
<b>Total</b>	<b>55,093</b>	<b>15,735</b>	<b>3,343</b>		<b>578</b>	<b>3,921</b>

	Gross carrying amount RMB million	Impairment provision on individual basis		Impairment provision on provision matrix basis		
		Gross carrying amount RMB million	Impairment provision on individual basis RMB million	Weighted – average loss rate %	Impairment provision RMB million	Loss allowance RMB million
<b>31 December 2024</b>						
Current and within 1 year past due	43,813	6,048	4	0.3%	110	114
1 to 2 years past due	466	366	32	30.0%	30	62
2 to 3 years past due	154	53	1	55.4%	56	57
Over 3 years past due	4,082	3,670	3,537	100.0%	412	3,949
<b>Total</b>	<b>48,515</b>	<b>10,137</b>	<b>3,574</b>		<b>608</b>	<b>4,182</b>

All of the entity's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The Group considers there was no significant increase in credit risk for other receivables by taking into account of their past history of making payments when due and current ability to pay, and thus the impairment provision recognised during the period was limited to 12 months expected losses.

**43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES** (Continued)

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management prepares monthly cash flow budget to ensure that the Group will always have sufficient liquidity to meet its payment obligations as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the Group's liquidity risk.

As at 31 December 2025, the Group has standby credit facilities with several PRC financial institutions which provide borrowings up to RMB704,827 million (2024: RMB722,258 million) on an unsecured basis, at a weighted average interest rate of 2.20% per annum (2024: 2.31%). As at 31 December 2025, the Group's outstanding borrowings under these facilities were RMB29,421 million (2024: RMB48,231 million) and were included in debts.

The following table sets out the remaining contractual maturities at the date of the statement of financial position of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates current at the date of the statement of financial position) and the earliest date the Group would be required to repay:

	31 December 2025					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	108,335	109,462	109,462	–	–	–
Long-term debts	215,148	234,112	4,453	62,444	100,760	66,455
Loans from Sinopec Group Company and fellow subsidiaries	32,037	36,550	14,486	3,106	9,934	9,024
Lease liabilities	175,486	251,746	18,865	11,313	33,384	188,184
Derivative financial liabilities	5,676	5,676	5,676	–	–	–
Trade accounts payable and bills payable	263,459	263,459	263,459	–	–	–
Other payables	101,263	101,263	101,263	–	–	–
	<b>901,404</b>	<b>1,002,268</b>	<b>517,664</b>	<b>76,863</b>	<b>144,078</b>	<b>263,663</b>

	31 December 2024					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Short-term debts	87,780	88,186	88,186	–	–	–
Long-term debts	187,202	199,405	1,281	89,384	65,805	42,935
Loans from Sinopec Group Company and fellow subsidiaries	27,978	28,540	5,280	6,472	7,306	9,482
Lease liabilities	172,735	266,379	18,607	12,025	34,449	201,298
Derivative financial liabilities	3,412	3,412	3,412	–	–	–
Trade accounts payable and bills payable	256,597	256,597	256,597	–	–	–
Other payables	101,005	101,005	101,005	–	–	–
	<b>836,709</b>	<b>943,524</b>	<b>474,368</b>	<b>107,881</b>	<b>107,560</b>	<b>253,715</b>

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's short-term and long-term capital requirements.

**43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES** (Continued)

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**(a) Currency risk**

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group does not have significant financial instruments that are denominated in foreign currencies other than the functional currencies of respective entities as at 31 December, and consequently does not have significant exposure to foreign currency risk.

**(b) Interest rate risk**

The Group's interest rate risk exposure arises primarily from its short-term and long-term debts and loans from Sinopec Group Company and fellow subsidiaries. Debts bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of short-term and long-term debts, and loans from Sinopec Group Company and fellow subsidiaries of the Group are disclosed in Note 30.

As at 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately RMB1,533 million (2024: decrease/increase by approximately RMB1,794 million). This sensitivity analysis has been determined assuming that the change of interest rates was applied to the Group's debts outstanding at the date of the statement of financial position with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2024.

**(c) Commodity price risk and hedge accounting**

The Group engages in oil and gas operations and is exposed to commodity price risk related to price volatility of crude oil, refined oil products and chemical products. The fluctuations in prices of crude oil, refined oil products and chemical products could have significant impact on the Group. The Group uses derivative financial instruments, including commodity futures and swaps contracts, to manage a portion of this risk.

Based on the dynamic study and judging of the market, combined with the resource demand and production and operation plan, the Group evaluate and monitor the market risk exposure caused by transaction positions, and continuously manage and hedge the risk of commodity price fluctuation caused by market changes.

As at 31 December 2025, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as qualified cash flow hedges and economic hedges. As at 31 December 2025, it is estimated that a general increase/decrease of USD10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would increase/decrease the Group's profit for the year by approximately RMB4,385 million (2024: decrease/increase RMB8,698 million), and decrease/increase the Group's other reserves by approximately RMB8,812 million (2024: increase/decrease RMB5,883 million). This sensitivity analysis has been determined assuming that the change in prices had occurred at the date of the statement of financial position and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk. The analysis is performed on the same basis for 2024.

For the hedge relationship with cash flow hedge accounting applied, the corresponding changes in cash flow hedge reserves are as follows:

	2025	2024
	RMB million	RMB million
Beginning of the year	3,338	5,758
Effective portion of changes in fair value of hedging instruments recognised during the year	16,386	(1,193)
Reclassification adjustments for amounts transferred to the consolidated income statement	(14,830)	(562)
Amounts transferred to initial carrying amount of hedged items	(246)	(1,157)
Related tax	(391)	492
<b>End of the year</b>	<b>4,257</b>	<b>3,338</b>

The ineffective portion of cash flow hedge relationship is disclosed in Note 8.

**43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES** (Continued)

**Fair values**
**(i) Financial instruments carried at fair value**

The following table presents the carrying value of financial instruments measured at fair value at the date of the statement of financial position across the three levels of the fair value hierarchy defined in IFRS 13, Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

**At 31 December 2025**

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
– Fund Investments	4	–	–	4
Derivative financial assets:				
– Derivative financial assets	758	604	–	1,362
Financial assets at fair value through other comprehensive income:				
– Equity instruments	6,840	–	316	7,156
– Trade accounts receivable and bills receivable	–	–	5,340	5,340
	<b>7,602</b>	<b>604</b>	<b>5,656</b>	<b>13,862</b>
<b>Liabilities</b>				
Derivative financial liabilities:				
– Derivative financial liabilities	3,796	1,880	–	5,676
	<b>3,796</b>	<b>1,880</b>	<b>–</b>	<b>5,676</b>

**At 31 December 2024**

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
– Fund Investments	4	–	–	4
Derivative financial assets:				
– Derivative financial assets	824	1,730	–	2,554
Financial assets at fair value through other comprehensive income:				
– Equity instruments	93	–	323	416
– Trade accounts receivable and bills receivable	–	–	2,613	2,613
	<b>921</b>	<b>1,730</b>	<b>2,936</b>	<b>5,587</b>
<b>Liabilities</b>				
Derivative financial liabilities:				
– Derivative financial liabilities	2,496	916	–	3,412
	<b>2,496</b>	<b>916</b>	<b>–</b>	<b>3,412</b>

During the years ended 31 December 2025 and 2024, there was no transfer between instruments in Level 1 and Level 2.

Management of the Group uses discounted cash flow model with inputted interest rate, which were influenced by interest rate levels of similar instruments, historical fluctuation and the probability of market fluctuation, to evaluate the fair value of trade accounts receivable and bills receivable classified as Level 3 financial assets.

43 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

Fair values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The disclosures of the fair value estimates, and their methods and assumptions of the Group's financial instruments, are made to comply with the requirements of IFRS 7 and IFRS 9 and should be read in conjunction with the Group's consolidated financial statements and related notes. The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair values of the Group's financial instruments carried at other than fair value (other than long-term indebtedness and investments in unquoted equity securities) approximate their carrying amounts due to the short-term maturity of these instruments. The fair values of long-term indebtedness are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristic and maturities range from 1.80% to 3.87% (2024: 1.74% to 4.49%). The following table presents the carrying amount and fair value of the Group's long-term indebtedness other than loans from Sinopec Group Company and fellow subsidiaries at 31 December 2025 and 2024:

	31 December 2025	31 December 2024
	RMB million	RMB million
Carrying amount	300,328	230,613
Fair value	261,898	228,946

The Group has not developed an internal valuation model necessary to estimate the fair values of loans from Sinopec Group Company and fellow subsidiaries as it is not considered practicable to estimate their fair values because the cost of obtaining discount and borrowing rates for comparable borrowings would be excessive based on the Group's existing capital structure and the terms of the borrowings.

Except for the above items, the financial assets and liabilities of the Group are carried at amounts not materially different from their fair values at 31 December 2025 and 2024.

44 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an ongoing basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of material accounting policies, the judgements and other uncertainties affecting application of such policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The material accounting policies are set forth in Note 2. Management believes the following material accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

Oil and gas properties and reserves

The accounting for the exploration and production's oil and gas activities is subject to accounting rules that are unique to the oil and gas industry. There are two methods to account for oil and gas business activities, the successful efforts method and the full cost method. The Group has elected to use the successful efforts method. The successful efforts method reflects the volatility that is inherent in exploring for mineral resources in that costs of unsuccessful exploratory efforts are charged to expense as they are incurred. These costs primarily include dry hole costs, seismic costs and other exploratory costs. Under the full cost method, these costs are capitalised and written-off or depreciated over time.

Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimates of proved and proved developed reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in relation to depreciation rates. Oil and gas reserves have a direct impact on the assessment of the recoverability of the carrying amounts of oil and gas properties reported in the financial statements. If proved reserves estimates are revised downwards, earnings could be affected by changes in depreciation expense or an immediate write-down of the property's carrying amount.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense, impairment loss and future dismantlement costs. Capitalised costs of proved oil and gas properties are amortised on a unit-of-production method based on volumes produced and reserves.

**44 ACCOUNTING ESTIMATES AND JUDGEMENTS** *(Continued)***Impairment for long-lived assets**

If circumstances indicate that the net book value of a long-lived asset, may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognised in accordance with IAS 36 “Impairment of Assets”. The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances, including environmental protection and energy structure transition variables, indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. For goodwill, the recoverable amount is estimated annually. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group’s assets or cash-generating units are not readily available. Accordingly, the Group determines the recoverable amount based on the present value in use.

The projected future cash flows of an asset are based on data from the most recent financial budget approved by management, as well as on a stabilized growth rate for the years following the period of that budget. In appropriate and reasonable circumstances, the growth rate can be zero or negative. Projected cash flows based on budgets usually cover five years, or longer periods if that is reasonable. When projecting cash flows for years beyond the budgeted period, the growth rate used does not exceed the long-term average growth rate of the business or markets in which products are located, or the long-term average growth rate of the market in which the asset is located, except where a higher growth rate can be justified. In determining the discount rate, the weighted average cost of capital is usually used as the basis.

In determining the value in use, expected cash flows generated by the asset or the cash-generating units are discounted to their present value, which requires significant judgement relating to future selling prices of crude oil, natural gas, refined and chemical products, the production costs, the product mix, production volumes, production profiles, the oil and gas reserves and discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price, amount of operating costs and discount rate.

**Depreciation**

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

**Measurement of expected credit losses**

The Group measures and recognises ECLs using readiness matrix, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions. The Group regularly monitors and reviews the assumptions used for estimating ECLs.

**Allowance for diminution in value of inventories**

If the costs of inventories become higher than their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the finished goods, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

**45 PARENT AND ULTIMATE HOLDING COMPANY**

The directors consider the parent and ultimate holding company of the Group as at 31 December 2025 is Sinopec Group Company, a state-owned enterprise established in the PRC. This entity does not produce financial statements available for public use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2025

## 46 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Amounts in million)	Note	31 December 2025 RMB	31 December 2024 RMB
<b>Non-current assets</b>			
Property, plant and equipment, net		299,345	310,796
Construction in progress		83,466	85,166
Right-of-use assets		89,624	84,048
Investment in subsidiaries		380,865	336,761
Interest in associates		82,664	79,971
Interest in joint ventures		17,338	23,833
Financial assets at fair value through other comprehensive income		16	15
Deferred tax assets		3,397	5,601
Long-term prepayments and other assets		75,054	61,257
<b>Total non-current assets</b>		<b>1,031,769</b>	<b>987,448</b>
<b>Current assets</b>			
Cash and cash equivalents		9,964	27,520
Time deposits with financial institutions		13,384	1,626
Financial assets at fair value through profit or loss		4	4
Derivative financial assets		2	72
Trade accounts receivable		25,584	22,239
Financial assets at fair value through other comprehensive income		3,807	1,074
Dividends receivable		1,231	1
Inventories		46,055	67,751
Prepaid expenses and other current assets		92,595	93,029
<b>Total current assets</b>		<b>192,626</b>	<b>213,316</b>
<b>Current liabilities</b>			
Short-term debts		48,730	60,369
Loans from Sinopec Group Company and fellow subsidiaries		2,800	2,901
Lease liabilities		7,017	6,267
Derivative financial liabilities		1	148
Trade accounts payable and bills payable		61,955	77,964
Contract liabilities		7,381	9,832
Other payables		298,410	266,964
<b>Total current liabilities</b>		<b>426,294</b>	<b>424,445</b>
<b>Net current liabilities</b>		<b>233,668</b>	<b>211,129</b>
<b>Total assets less current liabilities</b>		<b>798,101</b>	<b>776,319</b>
<b>Non-current liabilities</b>			
Long-term debts		137,623	126,039
Lease liabilities		87,086	80,887
Provisions		41,946	41,102
Other long-term liabilities		2,177	2,463
<b>Total non-current liabilities</b>		<b>268,832</b>	<b>250,491</b>
		<b>529,269</b>	<b>525,828</b>
<b>Equity</b>			
Share capital		120,926	121,282
Reserves	(a)	408,343	404,546
<b>Total equity</b>		<b>529,269</b>	<b>525,828</b>

## 46 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

## (a) RESERVES MOVEMENT OF THE COMPANY

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of changes in equity. Details of the change in the Company's individual component of reserves between the beginning and the end of the year are as follows:

	The Company	
	2025	2024
	RMB million	RMB million
<b>Capital reserve</b>		
Balance at 1 January	6,446	7,002
Other equity movements under the equity method	(149)	43
Others	(2,032)	(599)
<b>Balance at 31 December</b>	<b>4,265</b>	<b>6,446</b>
<b>Share premium</b>		
Balance at 1 January	58,993	51,068
Purchase of own shares	–	–
Cancellation of repurchased own shares	(1,199)	(1,672)
Issue of ordinary shares	–	9,597
<b>Balance at 31 December</b>	<b>57,794</b>	<b>58,993</b>
<b>Treasury shares</b>		
Balance at 1 January	(1)	–
Purchase of own shares	(1,554)	(2,131)
Cancellation of repurchased own shares	1,555	2,130
<b>Balance at 31 December</b>	<b>–</b>	<b>(1)</b>
<b>Statutory surplus reserve</b>		
Balance at 1 January	110,663	106,134
Appropriation	3,563	4,529
<b>Balance at 31 December</b>	<b>114,226</b>	<b>110,663</b>
<b>Discretionary surplus reserve</b>		
Balance at 1 January	117,000	117,000
<b>Balance at 31 December</b>	<b>117,000</b>	<b>117,000</b>
<b>Other reserves</b>		
Balance at 1 January	3,771	4,155
Changes in the fair value of investments in other equity instruments, net of deferred tax	1	1
Share of other comprehensive income of associates and joint ventures, net of deferred tax	(61)	227
Cash flow hedges, net of deferred tax	(61)	(563)
Special reserve	(238)	(49)
<b>Balance at 31 December</b>	<b>3,412</b>	<b>3,771</b>
<b>Retained earnings</b>		
Balance at 1 January	107,674	109,030
Profit for the year	35,323	45,230
Distribution to owners (Note 14)	(27,636)	(42,108)
Appropriation	(3,563)	(4,529)
Special reserve	238	49
Others	(390)	2
<b>Balance at 31 December</b>	<b>111,646</b>	<b>107,674</b>
	<b>408,343</b>	<b>404,546</b>

## (C) DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE ACCOUNTING POLICIES COMPLYING WITH CASS AND IFRS ACCOUNTING STANDARDS (UNAUDITED)

Other than the differences in the classifications of certain financial statements captions and the accounting for the items described below, there are no material differences between the Group's consolidated financial statements prepared in accordance with the accounting policies complying with CASS and IFRS Accounting Standards. The reconciliation presented below is included as supplemental information, is not required as part of the basic financial statements and does not include differences related to classification, presentation or disclosures. Such information has not been subject to independent audit or review. The major differences are:

### (i) GOVERNMENT GRANTS

Under CASSs, grants from the government are credited to capital reserve if required by relevant governmental regulations. Under IFRS Accounting Standards, government grants relating to the purchase of fixed assets are recognised as deferred income and are transferred to the income statement over the useful life of these assets.

### (ii) SAFETY PRODUCTION FUND

Under CASSs, safety production fund should be recognised in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS Accounting Standards, payments are expensed as incurred, or capitalised as fixed assets and depreciated according to applicable depreciation methods.

### (iii) CAPITALISATION OF EXCHANGE DIFFERENCE OF SPECIFIC LOANS

Under CASSs, exchange difference arising on translation of specific loans and related interest denominated in a foreign currency should be capitalised as part of the cost of qualifying assets. Under IFRS Accounting Standards, such exchange difference is recognised in income statement unless the exchange difference represents an adjustment to interest.

Effects of major differences between the shareholders' equity under CASSs and the total equity under IFRS Accounting Standards are analysed as follows:

	Notes	31 December 2025 RMB million	31 December 2024 RMB million
Shareholders' equity under CASSs		989,772	976,293
Adjustments:			
Government grants	(i)	(764)	(815)
Capitalisation of exchange difference of specific loans	(iii)	(2,132)	(3,331)
<b>Total equity under IFRS Accounting Standards*</b>		<b>986,876</b>	<b>972,147</b>

Effects of major differences between the net profit under CASSs and the profit for the year under IFRS Accounting Standards are analysed as follows:

	Notes	2025 RMB million	2024 RMB million
Net profit under CASSs		35,250	57,547
Adjustments:			
Government grants	(i)	51	53
Safety production fund	(ii)	(587)	(47)
Capitalisation of exchange difference of specific loans	(iii)	1,199	(1,353)
Others		(103)	(24)
<b>Profit for the year under IFRS Accounting Standards*</b>		<b>35,810</b>	<b>56,176</b>

\* The figures are extracted from the consolidated financial statements prepared in accordance with the accounting policies complying with IFRS Accounting Standards during the year ended 31 December 2024 and 2025 which have been audited by KPMG.

## (D) SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

This section provides supplemental information on oil and gas exploration and producing activities of the Group and its equity method investments at 31 December 2025 and 2024, and for the years then ended in the following four separate tables. Table I provides costs incurred in oil and gas exploration and development. Table II through IV provide information on the Group's and its equity method investments' estimated net proved reserve quantities, standardised measure of discounted future net cash flows, and changes in the standardised measure of discounted cash flows.

**Table I: Costs incurred in oil and gas exploration and development**

	2025			2024		
	Total	China	RMB million Other countries	Total	China	RMB million Other countries
<b>The Group</b>						
Exploration	21,745	21,745	–	24,879	24,879	–
Development	56,449	55,590	859	58,270	57,982	288
<b>Total costs incurred</b>	<b>78,194</b>	<b>77,335</b>	<b>859</b>	<b>83,149</b>	<b>82,861</b>	<b>288</b>
<b>Equity method investments</b>						
Share of costs of exploration and development of associates and joint ventures	1,557	–	1,557	853	–	853
<b>Total of the Group's and its equity method investments</b>	<b>79,751</b>	<b>77,335</b>	<b>2,416</b>	<b>84,002</b>	<b>82,861</b>	<b>1,141</b>

**Table II: Reserve quantities information**

The Group's and its equity method investments' estimated net proved underground oil and gas reserves and changes thereto for the years ended 31 December 2025 and 2024 are shown in the following table.

Proved oil and gas reserves are those quantities of oil and gas, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether the estimate is a deterministic estimate or probabilistic estimate. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change as additional information becomes available.

Proved developed oil and gas reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well.

"Net" reserves exclude royalties and interests owned by others and reflect contractual arrangements and obligation of rental fee in effect at the time of the estimate.

**(D) SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED) (CONTINUED)**

**Table II: Reserve quantities information (Continued)**

	Total	China	2025 Other countries	Total	China	2024 Other countries
<b>The Group</b>						
<b>Proved developed and undeveloped reserves (oil)</b>						
<b>(million barrels)</b>						
Beginning of the year	1,822	1,805	17	1,716	1,696	20
Revisions of previous estimates	39	39	–	87	85	2
Improved recovery	76	76	–	128	128	–
Extensions and discoveries	141	141	–	144	144	–
Production	(254)	(249)	(5)	(253)	(248)	(5)
<b>End of the year</b>	<b>1,824</b>	<b>1,812</b>	<b>12</b>	<b>1,822</b>	<b>1,805</b>	<b>17</b>
<b>Proved developed reserves</b>						
Beginning of the year	1,601	1,587	14	1,524	1,507	17
<b>End of the year</b>	<b>1,556</b>	<b>1,546</b>	<b>10</b>	<b>1,601</b>	<b>1,587</b>	<b>14</b>
<b>Proved undeveloped reserves</b>						
Beginning of the year	221	218	3	192	189	3
<b>End of the year</b>	<b>268</b>	<b>266</b>	<b>2</b>	<b>221</b>	<b>218</b>	<b>3</b>
<b>Proved developed and undeveloped reserves (gas)</b>						
<b>(billion cubic feet)</b>						
Beginning of the year	9,862	9,862	–	9,307	9,307	–
Revisions of previous estimates	710	710	–	726	726	–
Improved recovery	30	30	–	40	40	–
Extensions and discoveries	741	741	–	1,049	1,049	–
Production	(1,320)	(1,320)	–	(1,260)	(1,260)	–
<b>End of the year</b>	<b>10,023</b>	<b>10,023</b>	<b>–</b>	<b>9,862</b>	<b>9,862</b>	<b>–</b>
<b>Proved developed reserves</b>						
Beginning of the year	7,942	7,942	–	7,525	7,525	–
<b>End of the year</b>	<b>8,146</b>	<b>8,146</b>	<b>–</b>	<b>7,942</b>	<b>7,942</b>	<b>–</b>
<b>Proved undeveloped reserves</b>						
Beginning of the year	1,920	1,920	–	1,782	1,782	–
<b>End of the year</b>	<b>1,877</b>	<b>1,877</b>	<b>–</b>	<b>1,920</b>	<b>1,920</b>	<b>–</b>

Table II: Reserve quantities information (Continued)

	Total	China	2025 Other countries	Total	China	2024 Other countries
<b>Equity method investments</b>						
<b>Proved developed and undeveloped reserves of associates and joint ventures (oil) (million barrels)</b>						
Beginning of the year	275	–	275	287	–	287
Revisions of previous estimates	(5)	–	(5)	6	–	6
Improved recovery	1	–	1	–	–	–
Extensions and discoveries	1	–	1	5	–	5
Production	(22)	–	(22)	(23)	–	(23)
<b>End of the year</b>	<b>250</b>	<b>–</b>	<b>250</b>	<b>275</b>	<b>–</b>	<b>275</b>
<b>Proved developed reserves</b>						
Beginning of the year	244	–	244	253	–	253
<b>End of the year</b>	<b>217</b>	<b>–</b>	<b>217</b>	<b>244</b>	<b>–</b>	<b>244</b>
<b>Proved undeveloped reserves</b>						
Beginning of the year	31	–	31	34	–	34
<b>End of the year</b>	<b>33</b>	<b>–</b>	<b>33</b>	<b>31</b>	<b>–</b>	<b>31</b>
<b>Proved developed and undeveloped reserves of associates and joint ventures (gas) (billion cubic feet)</b>						
Beginning of the year	9	–	9	4	–	4
Revisions of previous estimates	–	–	–	8	–	8
Improved recovery	–	–	–	–	–	–
Extensions and discoveries	–	–	–	–	–	–
Production	(3)	–	(3)	(3)	–	(3)
<b>End of the year</b>	<b>6</b>	<b>–</b>	<b>6</b>	<b>9</b>	<b>–</b>	<b>9</b>
<b>Proved developed reserves</b>						
Beginning of the year	9	–	9	4	–	4
<b>End of the year</b>	<b>6</b>	<b>–</b>	<b>6</b>	<b>9</b>	<b>–</b>	<b>9</b>
<b>Proved undeveloped reserves</b>						
Beginning of the year	–	–	–	–	–	–
<b>End of the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total of the Group and its equity method investments</b>						
<b>Proved developed and undeveloped reserves (oil) (million barrels)</b>						
Beginning of the year	2,097	1,805	292	2,003	1,696	307
<b>End of the year</b>	<b>2,074</b>	<b>1,812</b>	<b>262</b>	<b>2,097</b>	<b>1,805</b>	<b>292</b>
<b>Proved developed and undeveloped reserves (gas) (billion cubic feet)</b>						
Beginning of the year	9,871	9,862	9	9,311	9,307	4
<b>End of the year</b>	<b>10,029</b>	<b>10,023</b>	<b>6</b>	<b>9,871</b>	<b>9,862</b>	<b>9</b>

## (D) SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED) (CONTINUED)

**Table III: Standardised measure of discounted future net cash flows**

The following table represents the standardised measure of discounted future net cash flows related to the above proved oil and gas reserves. Estimated future cash inflows from production are computed by applying the average, first-day-of-the-month price adjusted for differential for oil and gas during the twelve-month period before the ending date of the period covered by the report to year-end quantities of estimated net proved reserves. Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates to estimated future pre-tax net cash flows, less the tax basis of related assets. Discounted future net cash flows are calculated using 10% discount factors. This discounting requires a year-by-year estimate of when the future expenditure will be incurred and when the reserves will be produced.

The information provided does not represent management's estimate of the Group's and its equity method investments' expected future cash flows or value of proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation requires assumptions as to the timing and amount of future development and production costs. The calculations are made for the years ended 31 December 2025 and 2024 and should not be relied upon as an indication of the Group's and its equity method investments' future cash flows or value of its oil and gas reserves.

	2025			2024		
	RMB million			RMB million		
	Total	China	Other countries	Total	China	Other countries
<b>The Group</b>						
Future cash flows	1,293,691	1,287,528	6,163	1,439,530	1,429,660	9,870
Future production costs	(535,749)	(533,218)	(2,531)	(596,614)	(592,612)	(4,002)
Future development costs	(113,162)	(112,283)	(879)	(110,305)	(108,376)	(1,929)
Future income tax expenses	(162,003)	(160,506)	(1,497)	(184,546)	(182,168)	(2,378)
<b>Undiscounted future net cash flows</b>	<b>482,777</b>	<b>481,521</b>	<b>1,256</b>	<b>548,065</b>	<b>546,504</b>	<b>1,561</b>
10% annual discount for estimated timing of cash flows	(141,859)	(141,700)	(159)	(162,045)	(161,766)	(279)
<b>Standardised measure of discounted future net cash flows</b>	<b>340,918</b>	<b>339,821</b>	<b>1,097</b>	<b>386,020</b>	<b>384,738</b>	<b>1,282</b>
<b>Equity method investments</b>						
Future cash flows	43,052	–	43,052	45,867	–	45,867
Future production costs	(14,326)	–	(14,326)	(17,221)	–	(17,221)
Future development costs	(6,449)	–	(6,449)	(6,073)	–	(6,073)
Future income tax expenses	(3,848)	–	(3,848)	(4,366)	–	(4,366)
<b>Undiscounted future net cash flows</b>	<b>18,429</b>	<b>–</b>	<b>18,429</b>	<b>18,207</b>	<b>–</b>	<b>18,207</b>
10% annual discount for estimated timing of cash flows	(9,025)	–	(9,025)	(8,705)	–	(8,705)
<b>Standardised measure of discounted future net cash flows</b>	<b>9,404</b>	<b>–</b>	<b>9,404</b>	<b>9,502</b>	<b>–</b>	<b>9,502</b>
<b>Total of the Group's and its equity method investments' results of standardised measure of discounted future net cash flows</b>	<b>350,322</b>	<b>339,821</b>	<b>10,501</b>	<b>395,522</b>	<b>384,738</b>	<b>10,784</b>

Table IV: Changes in the standardised measure of discounted cash flows

	2025 RMB million	2024 RMB million
<b>The Group</b>		
Sales and transfers of oil and gas produced, net of production costs	(126,492)	(132,173)
Net changes in prices and production costs	(66,649)	(3,560)
Net changes in estimated future development cost	(20,478)	(22,786)
Net changes due to extensions, discoveries and improved recoveries	52,919	77,661
Revisions of previous quantity estimates	24,156	35,705
Previously estimated development costs incurred during the year	24,201	24,928
Accretion of discount	51,622	48,768
Net changes in income taxes	15,619	(6,996)
<b>Net changes for the year</b>	<b>(45,102)</b>	<b>21,547</b>
<b>Equity method investments</b>		
Sales and transfers of oil and gas produced, net of production costs	(2,061)	(2,247)
Net changes in prices and production costs	751	2,001
Net changes in estimated future development cost	(275)	(232)
Net changes due to extensions, discoveries and improved recoveries	117	272
Revisions of previous quantity estimates	(234)	381
Previously estimated development costs incurred during the year	341	464
Accretion of discount	948	964
Net changes in income taxes	315	(488)
<b>Net changes for the year</b>	<b>(98)</b>	<b>1,115</b>
<b>Total of the Group's and its equity method investments' results of net changes for the year</b>	<b>(45,200)</b>	<b>22,662</b>

**STATUTORY NAME**

中國石油化工有限公司

**ENGLISH NAME**

China Petroleum &amp; Chemical Corporation

**CHINESE ABBREVIATION**

中國石化

**ENGLISH ABBREVIATION**

Sinopec Corp.

**LEGAL REPRESENTATIVE**

Mr. Hou Qijun

**AUTHORISED REPRESENTATIVES**Mr. Zhao Dong  
Mr. Huang Wensheng**SECRETARY TO THE BOARD**

Mr. Huang Wensheng

**REPRESENTATIVE ON SECURITIES MATTERS**

Mr. Zhang Zheng

**REGISTERED ADDRESS AND PLACE OF BUSINESS**No.22 Chaoyangmen North Street,  
Chaoyang District  
Beijing, PRC  
Postcode : 100728  
Tel. : 86-10-59960028  
Fax : 86-10-59960386  
Website : <http://www.sinopec.com>  
E-mail addresses : [ir@sinopec.com](mailto:ir@sinopec.com)**REGISTERED ADDRESS CHANGE INFORMATION**

No change during the reporting period

**PLACE OF BUSINESS IN HONG KONG**20th Floor, Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong**CHANGES IN DOMESTIC PLACES FOR INFORMATION DISCLOSURE AND THE PROVISION OF REPORTS**

No change during the reporting period

**LEGAL ADVISORS***Domestic China:*  
Haiwen & Partners  
20th Floor, Fortune Financial Centre  
No. 5, Dong San Huan Central Road  
Chaoyang District*Beijing PRC*Postcode: 100020  
Hong Kong, China:  
Zhong Lun Law Firm LLP  
4th Floor, Jardine House  
1 Connaught Plaza  
Central, Hong Kong**REGISTRARS***A Shares:*  
China Securities Registration and Clearing  
Company Limited Shanghai Branch Company  
188 Yanggao South Road  
Shanghai Pilot Free Trade Zone, PRC*H Shares:*  
Computershare Hong Kong Investor Services  
Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong**COPIES OF THIS ANNUAL REPORT ARE AVAILABLE AT***The PRC:*  
China Petroleum & Chemical Corporation  
Board Secretariat  
No.22 Chaoyangmen North Street,  
Chaoyang District  
Beijing, PRC**PLACES OF LISTING OF SHARES, STOCK NAMES AND STOCK CODES***A Shares:*Shanghai Stock Exchange  
Stock short name: SINOPEC CORP  
Stock code: 600028*H Shares:*Hong Kong Stock Exchange  
Stock short name: SINOPEC CORP  
Stock code: 00386**NAMES AND ADDRESSES OF AUDITORS OF SINOPEC CORP.**Domestic : KPMG Huazhen LLP  
Auditors : Certified Public Accountants in  
China  
Address : 8th Floor  
KPMG Tower  
Oriental Plaza  
1 East Chang An Avenue,  
Beijing, PRC  
Postcode : 100738  
Overseas : KPMG  
Auditors : Public Interest Entity Auditor  
registered in accordance with the  
Accounting and Financial Reporting  
Council Ordinance  
Address : 8th Floor, Prince's Building  
10 Chater Road Central,  
Hong Kong

The Company's 2025 annual report is disclosed on the website of the SSE (<http://www.sse.com.cn>) and the Company's designated information disclosure media China Securities News, Shanghai Securities News and Securities Times. The following documents will be available for inspection during normal business hours after 20 March 2026 at the registered address of Sinopec Corp. upon requests by the relevant regulatory authorities and shareholders in accordance with the Articles of Association and the laws and regulations of PRC:

- a) The original copies of the 2025 annual report signed by Mr. Hou Qijun, the Chairman;
- b) The original copies of the audited financial statements and consolidated financial statements as of 31 December 2025 prepared under CASs and IFRS Accounting Standards, signed by Mr. Hou Qijun, the Chairman, Mr. Zhao Dong, the Vice Chairman and President, Ms. Shou Donghua, the Chief Financial Officer and head of the financial department of Sinopec Corp.;
- c) The above original auditors' reports signed by the auditors; and
- d) Copies of the documents that Sinopec Corp. has published during the reporting period.

By Order of the Board  
**Hou Qijun**  
*Chairman*

Beijing, PRC, 20 March 2026

If there is any inconsistency between the Chinese and English versions of this annual report, the Chinese version shall prevail.

# 中国石油化工股份有限公司

SINOPEC CORP.

中國北京市朝陽區朝陽門北大街 22 號  
22 Chaoyangmen North Street, Chaoyang District,  
Beijing, China  
[www.sinopec.com](http://www.sinopec.com)

 Printed on environmentally friendly paper