Asia Energy

04 June 2026

2026 Global China Summit: $20/bbl upside per month of Hormuz delay? AI driving electronic materials demand boost

We hosted our annual J.P. Morgan Global China Summit in Shanghai in late-May, meeting with investors and 30+ industry leaders across the China oil, gas, chemical, and battery ecosystem. Positioning within the energy space has come down from the March peak and investor discussion has shifted to (1) supply chain impact across the value chain on physical material shortages; (2) the path to Hormuz reopening/ what happens if it doesn't reopen; and (3) mid-LT implications on renewables, with multiple battery companies revising up ESS guidance. Going into 2H, we prefer diversified Chems that benefit structurally from AI and renewables adoption like Nan Ya Plastics, Sinocera and LG Chem. Petrochina remains our top upstream energy pick given strong dividend yield and China gas security benefits. We are N-rated on Sinopec/Hengli/Rongsheng.

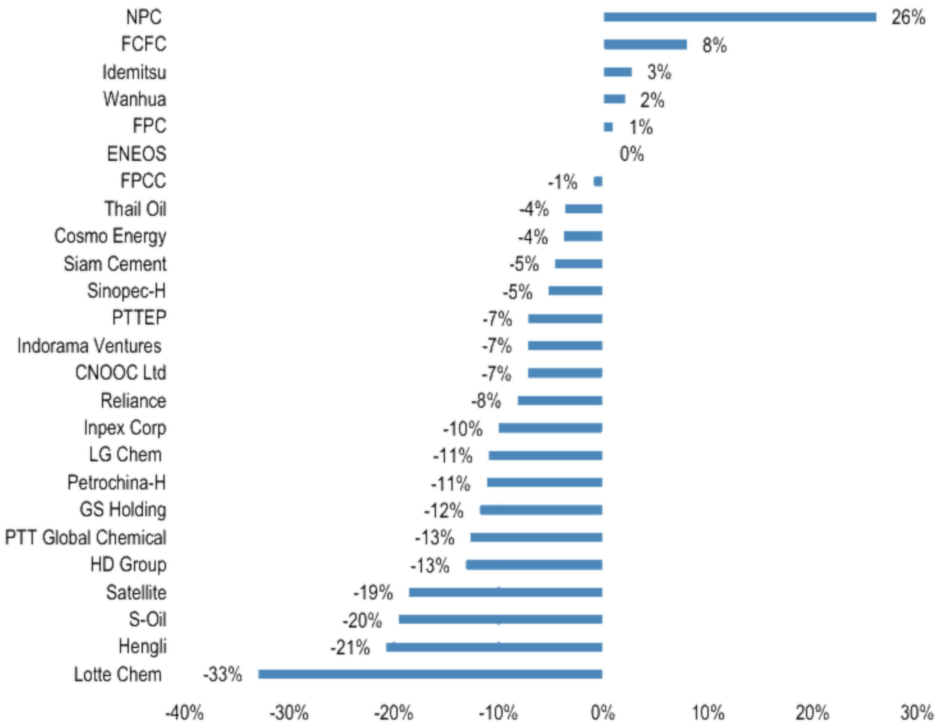
- **Upstream: $90-120/bbl Brent through year end**: Hormuz disruption is no longer a short-lived "risk premium" event but a physical market-clearing shock, with >500mn bbl of inventory draw and now entering a critical level. We continue to prefer upstream exposure (PTR) over downstream refining/ chems (SNP, Hengli) on "higher for longer" oil prices, with JPM's house view underpinning ~$100/bbl Brent through YE-26 (vs. 4Q26 forward curve at $86/ bbl) and upside risk from delayed reopening (+$20/bbl to 2027 forecast for every month of delay beyond June, assuming no further demand destruction US supply response).

- **Chems : ECC /electronic materials the bright spot**. Within commodity chems, ECC is the bright spot, with Asian margins surging 5x since Feb on feedstock cost advantage , driven by the 6% decline in US ethane price (linked to shale gas) post conflict vs. oil-linked Asia naphtha +>40%. This mirrors positive commentary from Satellite Chemical on 2Q NP potentially doubling q/q - a positive readthrough to **Petrochina** - as the company operates 1.4mtpa ECC with self-produced feedstock. **Shandong Sinocera** outlined a bullish outlook on its MLCC powder business , citing dual earnings tailwinds on volume (targeting +10% in FY26) and product mix improvement (AI /high -end product ASP >40 % higher vs . legacy). Shandong Sinocera is the #2 largest MLCC powder producer globally, with key customers including SEMCO, Yageo, and CTC (JPM note).

- **Why is China increasing chem exports when there is a fuel shortage?** As we have written, China remains one of the most well-supplied countries in Asia, with large stockpiles of oil and gas in 2025 and multiple production paths via production . Ascoal suchand , China ethanesawfornet chemicals imports-ofnotPEjust /PXrelying fall inonMarch oil-based -Aprilchemic al , while net exports of PP, MEG , NBL , MDI /TDI , PVC rose (Figure 11 - Figure 12). PE/PP production also decreased 14%/13% m/m. Apparent demand for PE/PP fell by 30%/23% y/y in April, potentially reflecting some demand destruction from higher prices (Figure 9).We also note stronger than usual exports in March for PVC likely caused by VAT export rebate cancelation, and

April exports have largely normalized.

Figure 1: Asia Energy - 1M share performance for selected stocks



Equity Ratings and Price Targets

Adj. EPS Estimate Changes

Rmb		FY26E			FY27E		
Company	**BBG Ticker**	**Prev**	**Cur**	**Δ**	**Prev**	**Cur**	**Δ**
Sinopec Corp - H	386 HK	0.33	0.32	(3.32%)	0.45	0.43	(3.52%)
Sinopec Corp - A	600028 CH	0.33	0.32	(3.32%)	0.45	0.43	(3.52%)
Hengli Petrochemical - A	600346 CH	1.42	1.35	(5%)	1.49	1.49	-

2026 JPM Global China Summit Takeaways

Upstream O&G

- **2027 Brent forecast +$20/bbl for every additional month of SoH closure.** During our plenary session, JPM Head of Commodities Strategy Natasha Kaneva noted that the closure of the Strait of Hormuz (SoH) is an unprecedented event through the past 10+ centuries of documented history. Disruption is no longer a short-lived "risk premium" event but a physical oil market shock: ~20% of global oil/LNG flows transit SoH, ~14% of global oil supply is effectively cut off, inventories have already drawn >500mn bbl and are now entering critical levels. Current market expectations are for Brent to fall to $85/bbl once SoH reopens with YE2026 at $75/bbl, while we forecast a more bullish view of Brent trending at ~$100/bbl through year end as even a June reopening would still require 4+ months for vessels/ports/crew logistics to normalize. JPM's price forecast embeds an assumption of a June reopening, with Brent averaging around US$96/bbl in 2026 and $70/bbl in 2027. However, every month of delayed reopening could add another +$20/bbl to the forecast.

Figure 2: JPM Commodities Team Brent Price Forecast

	2022	2023	2024	2025	1Q26	2Q26 QTD	3Q26e	4Q26e	2026e	1Q27e	2Q27e	3Q27e	4Q27e	2027e
Brent ($/bbl)														
JPM Commodities forecast - May 2026	102	82	80	66	78	103	104	98	96	80	75	65	61	70
Forward Curve (Current)				66	78	101	91	86	92	83	81	79	78	80

Source: J.P. Morgan Asia Energy Research, Bloomberg Finance L.P.

- **Expecting Rmb0.04/m3 y/y increase in PTR 2026 gas margin:** PetroChina continues to guide ~3 5% gas sales growth after its broad-based market share gain in 1Q (PTR gas sales volume +3.3% vs. national demand -2.2%). The company is looking to keep FY26 gas import volume flat y/y at 110Bcm while maintaining a low spot LNG exposure (~5%). On pricing, as we mentioned on 31 March, 7% of PetroChina's gas volumes are sold at floating price, which is linked to SHPGX CLD index / spot LNG prices. Based on current spot LNG prices of $18/MMBtu, the ASP for floating-priced volumes might be >2x that of PetroChina's blended average ASP .

Refining

- **PTR utilization/margin remains healthy on >60% crude self-sufficiency.** PTR guided resilient 2Q outlook on (1) full realization of higher oil ASP following 1Q drag over domestic pricing delay; (2) robust refining margin on <20% reliance over seaborne crude imports; (3) intact gas market share gain within coastal has 3.8mbd refinery throughput- with 2.5mbd production and pipeline imports, leaving it with ~10% seaborne crude import Management noted that the majority of seaborne import volu a CIF-like basis, and hence the company would be relatively im freight hikes while insurance costs are supported by parent gr companies. As such, we see PTR's refining segment outperfo is 80% exposed to seaborne crude with guided $10/bbl inflati insurance premiums into May/June.

- **Sulfur cost pressure mounts for miners.** Copper miners indicated an increasingly challenging sulfur sourcing environment and mounting cost pressure, with some quotes above $1,000/t vs. 2025 peak at $800/t or early 2025 at $400/t. While miners are optimizing ore production grade/processing to minimize sulfuric acid demand, CMOC (3993 HK, covered by Avery Chan) noted that full offset of sulfur-driven cost inflation while securing volume will remain difficult. Sulfur is a byproduct of O&G refining, with the Middle East accounting for ~half of global seaborne sulfur supply, while China relies on ME for >50% of its sulfur imports.

Figure 3: China sulfur port inventory

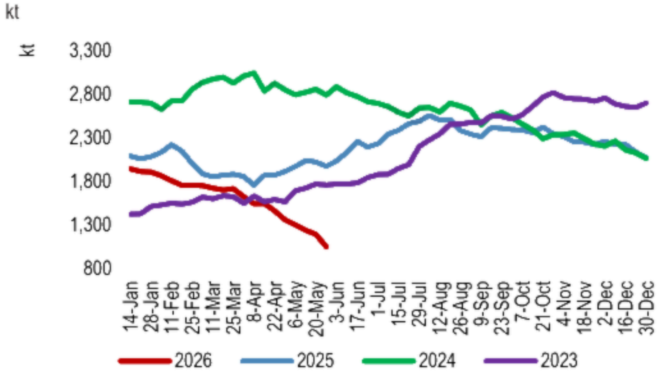


Figure 4: China sulfur port market price

Source: Wind, J.P. Morgan

Chems

Chems: attractive ECC margin positive readthrough to PTR chems earnings. Satellite Chemical guided >2x q/q increase in 2Q earnings citing handsome ethane cracking economics; according to ICIS, Northeast Asia ECC spread has jumped >5x in Apr vs. Feb while Naphtha cracker turned to deeper loss (Table 1). This is a function of muted US ethane spot price moves (linked to US shale gas, -4% vs. end Feb) relative to the sharp gain in Asia Naphtha prices (linked to oil, +34% since end-Feb). Given NCC represents >70% of Asia's ethylene production, PE spot has rallied >40% since 27 Feb. Note that China's Apr ethane import reached record high of ~1.1Mt , tripling y/y, while naphtha/LPG imports fell >70%. We see the hefty gain in ECC spread as a positive readthrough to PTR, which operates 1.4mtpa of ECC across its Changqing (800ktpa C2) and Tarim (600ktpa C2) gas field. PTR enjoys effectively "zero feedstock cost" in its ECC operation, with Ethane being a byproduct of domestic gas production. Into 2030, PetroChina has ~5mtpa of new ECC capacity in the pipeline, led by the 1.2mtpa Tarim phase II (construction completed on 26 May, commercial operation in by end-1H26), followed by three projects in early planning stage including: Hohhot (1.2mtpa), Lanhai Blue Chem (1.25mtpa), and Changqing (1.2mtpa).

Table 1: Northeast Asia cracking margin by feedstock

Period	Ethane	LPG	Naphtha
February '26	118.00	-145.50	-114.50
March '26	691.00	123.00	-381.25
April '26	582.75	66.75	-288.50

Figure 5: China Ethane/Naphtha import

Million Tonnes

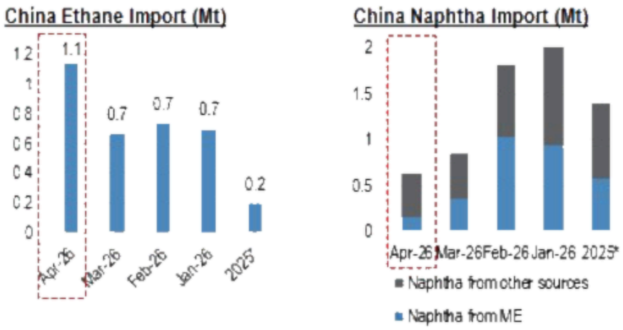
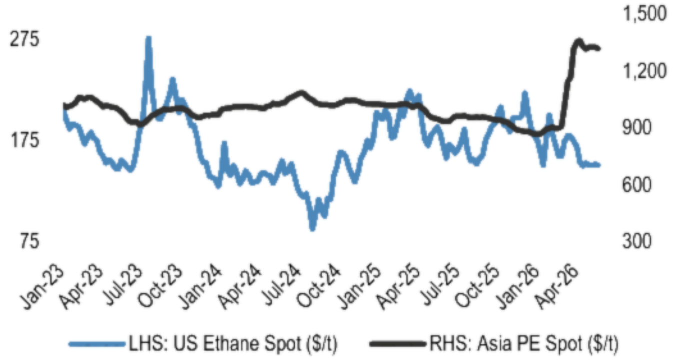


Figure 6: US Ethane vs. Asia PE Spot

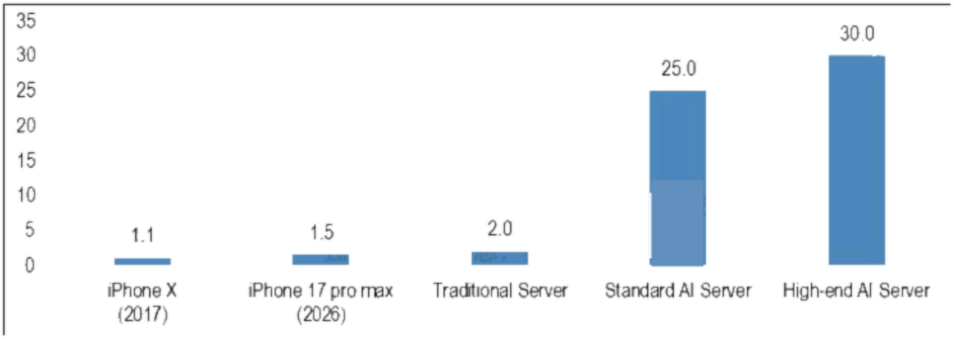
$/t



Source: Bloomberg Finance L.P., J.P. Morgan Asia Energy Research

- **Electronic materials: tighter MLCC market driving upside.** Sinocera management noted that 1Q volume weakness in MLCC (Multilayer Ceramic Capacitor) powder was merely seasonal, and expects a rebound to 1.8 2kt in 2Q (on par with 4Q25). Company is targeting 10% volume growth in FY26 driven by automotive-grade certification and AI product demand from Korean customers. Management highlighted that product mix improvement could contribute to further earnings leverage, as AI grade/high end ASP tracks at Rmb80-100k/t or even Rmb200k/t vs. legacy product at Rmb60-70k/t. Shandong Sinocera is #1/#2 largest producer of MLCC powder in China/globally, commanding ~80%/30% market share respectively. Key customers include major Asia ex. Japan MLCC producers, including SEMCO, Yageo, CTC. As noted by our Asia tech research team, MLCC for server applications requires greater capacity (2-3x higher capacity vs. IT MLCC), leaving upside risk to pricing. Shandong Sinocera is adding 5ktpa of high-end MLCC capacity- of which, 2ktpa has already completed construction. We now expect the segment to deliver 40% y/y profit growth in 2026 an upward revision from our prior 10%+ estimate (see JPM note).

Figure 7: MLCC unit demand per device (unit: thousand)



- **Anti-involution updates: no new news but intact.** While large-scale capacity consolidation remains absent at the current stage of the anti-involution push, we have observed more nuanced development on the ground pointing to regulatory tightening across the board. On chems, Satellite Chemical (002648 CH) expressed a conservative tone on new capacity addition, citing various industry players' difficulty in securing new capacity approval and echoing feedback from Sinopec. On polysilicon, GCL commented that anti-trust concerns from independent market governing body SAMR have put industry consolidation supported by MIIT/NDRC in a "waiting game", with the potential next step being a special exemption directly from the State Council or back to economic-based phase out. On downstream solar modules, LONGi commented that there is "nothing new" on capacity exits as "nobody wants to be the first to leave the gambling table", though tighter energy-efficiency KPIs has kept some 2nd tier capacity utilization in check. On steel, Baosteel emphasized that capacity replacement is a long-cycle policy, while near-term tightening is coming via multi-department inspections (illegal construction/production, emissions, data integrity) with stronger enforcement y/y.

China Chems Data Dashboard

Demand Indicator

Figure 8: China monthly chemical demand

kt, apparent demand calculated as production + net import and does not capture inventory draw/(increase)

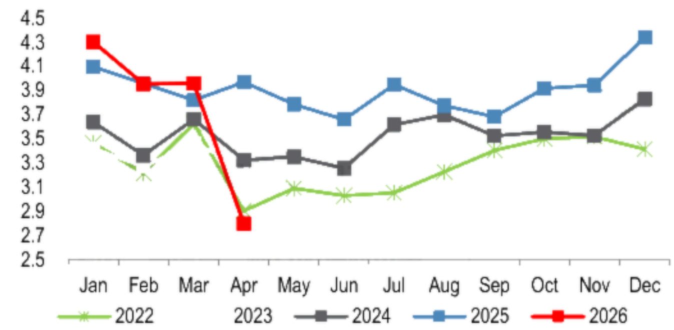
China apparent demand growth y/y

	PE	PP	PVC	PS	ABS	Synthetic rubber	Methanol	PTA	MEG	PX	Textile
	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y
Jan-25	13%	9%	-2%	2%	18%	-8%	4%	3%	2%	0%	9%
Feb-25	18%	8%	-10%	33%	26%	22%	-1%	8%	6%	-4%	209%
Mar-25	4%	19%	-1%	28%	31%	13%	0%	10%	10%	1%	2%
Apr-25	19%	14%	0%	11%	25%	13%	4%	8%	7%	0%	-7%
May-25	13%	10%	-6%	-7%	11%	3%	17%	12%	12%	6%	-7%
Jun-25	12%	11%	1%	-7%	4%	6%	16%	9%	9%	14%	-9%
Jul-25	9%	8%	-1%	-11%	12%	-1%	14%	9%	9%	0%	-13%
Aug-25	2%	10%	3%	2%	19%	0%	13%	9%	9%	0%	-30%
Sep-25	5%	9%	1%	7%	21%	6%	6%	8%	7%	-1%	-12%
Oct-25	10%	9%	2%	-3%	24%	-2%	9%	4%	4%	3%	3%
Nov-25	12%	14%	3%	-9%	12%	-5%	12%	3%	3%	7%	-17%
Dec-25	13%	11%	0%	-7%	11%	-5%	14%	6%	6%	5%	-13%
Jan-26	5%	0%	2%	-5%	8%	-2%	6%	27%	9%	6%	8%
Feb-26	0%	1%	-1%	-9%	8%	-7%	10%	11%	-3%	12%	-2%
Mar-26	4%	-5%	-12%	-20%	6%	-2%	8%	-3%	-3%	8%	-26%
Apr-26	-30%	-23%	7%	-21%	-2%	-6%	0%	-6%	-6%	7%	-1%
Annualized demand growth (% y/y)											
2019	14%	11%	1%	15%	12%	6%	14%	11%	9%	9%	-1%
2020	12%	17%	9%	6%	2%	16%	8%	3%	5%	16%	-28%
2021	-2%	1%	-1%	4%	-2%	-1%	7%	10%	9%	3%	19%
2022	3%	4%	-2%	-2%	-1%	3%	7%	-1%	-1%	-1%	-11%
2023	6%	8%	3%	1%	19%	14%	3%	17%	17%	22%	13%
2024	1%	4%	1%	3%	-8%	-1%	4%	11%	11%	10%	-1%
2025	11%	11%	-1%	2%	17%	3%	9%	7%	7%	2%	-4%
2026YTD	-5%	-7%	-1%	-14%	5%	-4%	6%	6%	-1%	8%	-6%

Source: Wind, Bloomberg Finance L.P., J.P. Morgan Asia Energy Research

Figure 9: China monthly PE production

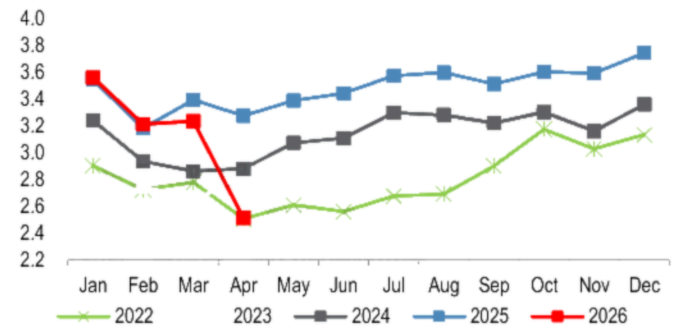
Mt



Source: ICIS

Figure 10: China monthly PP production

Mt



Source: ICIS

China Chemical Trade Highlights

- **PVC**: April net export drop was mainly a function of March's high base as producers sought to front run the export VAT rebate cancelation on 1 Apr. At spot, ethane-based PVC producers (Shin Etsu, FPC) command the highest margin on lower feedstock cost, followed by carbide-based/ethylene based facilities.
- **NBL**: Chinese net exports rose >20x m/m to 21kt vs. Mar volume at <1.5kt; we see the expanded Chinese export volume as a function to offset Korea supply shortage. Kumho does not have an upstream naphtha cracker and is wholly reliant on purchasing butadiene and styrene feedstock externally. Into 2Q, we expect a 20% q/q decline in NBL shipment which could be largely offset by margin expansion.

Figure 11: China Chemical net imports/(exports)

kt

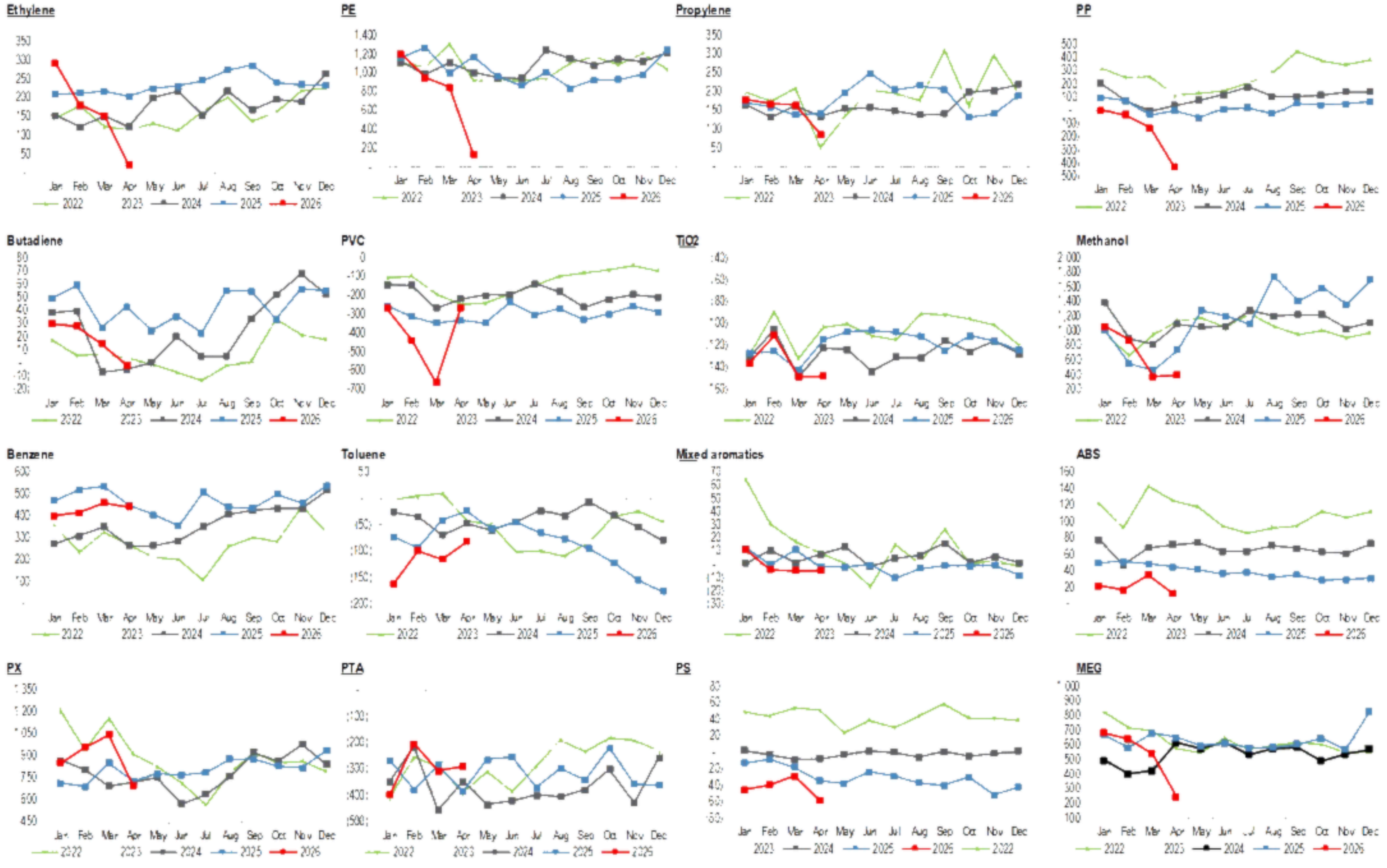
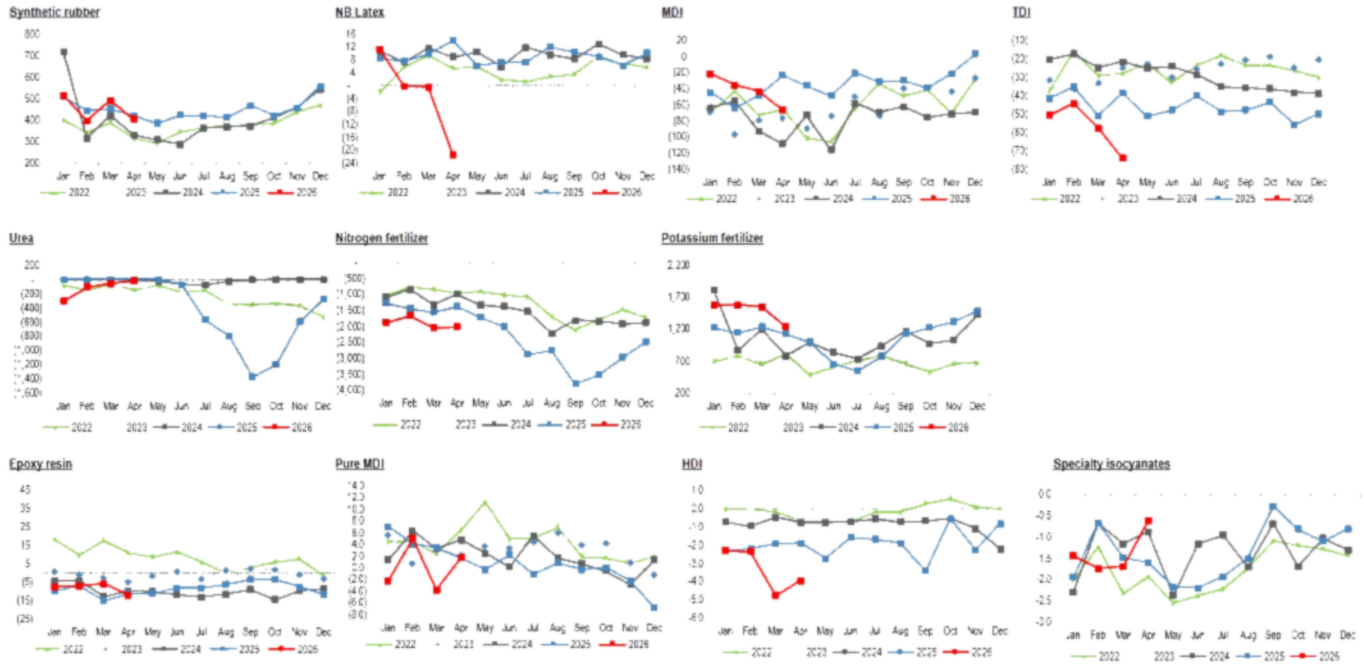


Figure 12: China Chemical net imports/(exports) cont'd

kt



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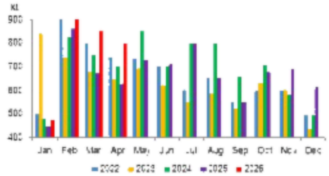
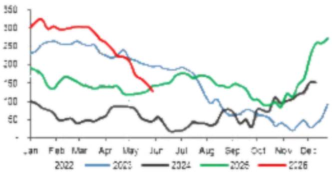
Inventory

Figure 13: China chemicals inventory/operating rate

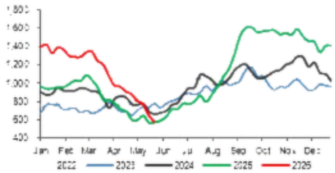
China PE+PP inventory (Sinopec+Petrochina), EOM



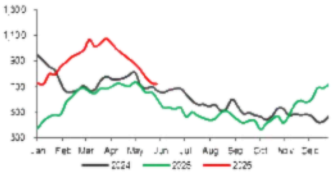
Benzene (port inventory) (kt)



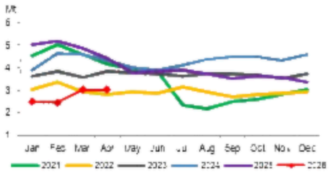
Methanol tank inventory (kt)



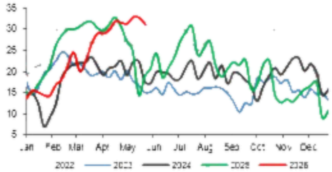
MEG inventory at selected East China ports (kt)



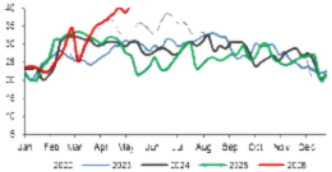
PTA inventory (Mt, EOM)



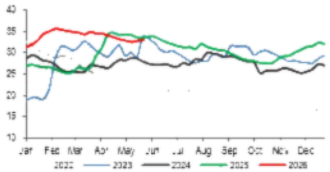
Polyester FDY (inventory days)



Polyester DTY (inventory days)



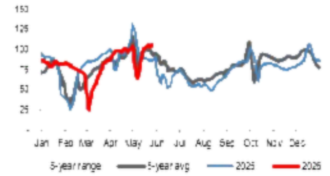
Cotton inventory of cotton yarn mills (# of days)



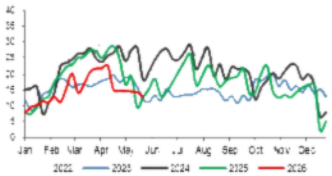
Average daily fabric turnover in China textile City
('000 meters, 7-day moving avg)

			% y/y
	2016	75	-90%
	2017	81	9%
	2018	97	20%
	2019	96	-1%
	2020	69	-28%
	2021	83	21%
	2022	73	-12%
	2023	83	15%
	2024	83	-0%
	2025	78	-6%
24-May	2026	83	7%

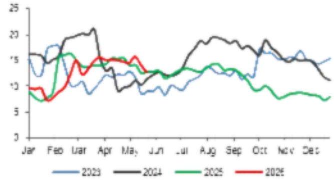
Total fabric turnover in China textile city
000 meters, 7-day moving avg



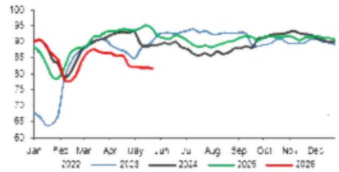
POY chip (inventory days)



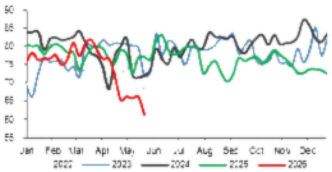
PSF (inventory days)



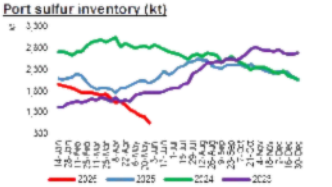
Polyester polymerization rate (%)



PTA plant operating rate (%)



Port sulfur inventory (kt)



Asia Energy Valuation Comps

Table 2: HK/China Energy Valuation Comps

	Ticker	Mkt Cap USD bn	ADTV USDm	Share price (LC)	1M share perf.	YTD share perf.	P/BV (x) 2026E	P/BV (x) 2027E	PE (x) 2026E	PE (x) 2027E	Div yld (%) 2026E	Div yld (%) 2027E	ROE (%) 2026E	ROE (%) 2027E
HK/China														
Oil Majors														
Petrochina-H	857 HK	288.2	230	10.7	-11%	28%	1.0	1.0	8.8	9.3	6.0%	5.8%	11.6	10.5
Petrochina-A	601857 CH	288.2	501	10.9	-11%	4%	1.2	1.2	10.3	10.8	5.2%	5.3%	11.2	10.7
CNOOC Ltd	883 HK	171.0	552	27.3	-7%	28%	1.3	1.2	6.7	7.1	5.8%	6.4%	19.3	16.5
CNOOC-A	600938 CH	171.0	453	36.3	-9%	20%	1.9	1.8	10.3	11.0	4.5%	4.3%	19.3	16.6
Sinopec-H	386 HK	83.0	108	4.4	-5%	-6%	0.5	0.5	10.3	9.0	6.9%	7.7%	5.2	5.8
Sinopec-A	600028 CH	83.0	318	4.9	-10%	-21%	0.7	0.7	13.8	11.6	5.5%	6.5%	4.9	6.0
Avg					***-9%***	***9%***	***1.1***	***1.0***	***10.0***	***9.8***	***5.8%***	***6.0%***	***11.9***	***11.0***
Refiner/Chems														
Hengli	600346 CH	18.2	150	17.5	-21%	-22%	1.6	1.4	10.3	9.1	4.0%	4.1%	15.6	16.2
Rongsheng	002493 CH	16.9	123	11.4	-18%	-2%	2.4	2.2	18.4	15.0	1.8%	2.3%	13.5	15.0
Hengyi	000703 CH	7.6	126	13.5	-24%	25%	1.8	1.7	10.1	9.5	2.0%	2.2%	18.4	17.5
Tongkun	601233 CH	7.2	147	20.4	-16%	19%	1.2	1.1	10.1	8.7	1.5%	1.7%	11.7	12.0
Wanhua	600309 CH	34.3	447	74.2	-17%	-3%	2.0	1.8	13.5	11.3	2.3%	2.8%	14.9	15.8
Satellite Chemical	002648 CH	12.0	273	24.1	-19%	36%	2.0	1.8	9.4	8.8	3.1%	3.3%	21.9	19.9
Ningxia Baofeng	600989 CH	27.1	598	25.0	-19%	27%	3.1	2.6	11.4	10.8	3.5%	3.8%	28.0	25.0
Shenghong	000301 CH	11.6	57	11.9	-10%	9%	2.1	2.0	24.9	17.7	1.3%	1.2%	8.9	10.5
Sinopec Shanghai	338 HK	3.9	5	1.3	2%	-4%	0.5	0.5	20.7	13.4	1.1%	3.1%	2.5	4.1
Avg					***-16%***	***9%***	***1.9***	***1.7***	***14.3***	***11.6***	***2.3%***	***2.7%***	***15.1***	***15.1***
Oilfield Service														
COSL-H	2883 HK	7.6	23	8.2	-13%	17%	0.7	0.6	7.5	6.9	4.3%	4.8%	9.0	9.2
Yantai Jereh	002353 CH	21.6	389	143.0	4%	102%	5.6	4.8	38.9	27.5	0.7%	1.0%	14.9	17.9
Sinopec OFS	1033 HK	5.3	40	0.7	-10%	5%	1.2	1.1	16.0	12.8	n.a.	n.a.	8.0	8.3
Sinopec OFS	600871 CH	5.3	111	2.4	-12%	11%	n.a.	n.a.	60.0	48.0	n.a.	n.a.	n.a.	n.a.
SEG	2386 HK	3.5	5	5.9	-6%	-23%	0.7	0.7	9.5	8.7	6.9%	7.5%	7.3	7.7
COOEC	600583 CH	3.7	95	5.7	-15%	5%	0.9	0.8	10.2	9.2	3.8%	4.3%	8.7	9.1
Avg					***-9%***	***20%***	***1.8***	***1.6***	***23.7***	***18.8***	***3.9%***	***4.4%***	***9.6***	***10.4***
Gas Distributors														
Kunlun	135 HK	8.0	17	7.2	-5%	-3%	0.8	0.7	9.2	8.8	5.5%	5.8%	8.4	8.4
ENN NG	600803 CH	9.0	49	19.6	-3%	-5%	2.2	2.0	10.8	9.6	4.4%	4.8%	20.3	19.8
ENN energy	2688 HK	7.7	30	53.2	-13%	-23%	1.0	1.0	8.1	7.8	6.0%	6.3%	12.4	12.1
China gas	384 HK	4.9	10	7.0	-3%	-8%	0.7	0.7	12.3	11.6	7.1%	7.2%	5.5	5.9
Avg					***-6%***	***-10%***	***1.2***	***1.1***	***10.1***	***9.4***	***5.8%***	***6.0%***	***11.7***	***11.6***
EV Battery/Materials														
CATL	300750 CH	299.2	2,192	426.4	-2%	17%	4.8	4.0	20.5	16.6	2.4%	2.8%	24.8	25.9
CALB	3931 HK	7.5	26	30.6	-14%	22%	1.2	1.1	18.4	12.8	n.a.	n.a.	7.0	8.9
Gotion	002074 CH	8.5	266	31.8	-13%	-19%	1.9	1.7	26.7	19.2	0.4%	0.6%	6.8	8.7
Lopal Tech	603906 CH	2.6	179	24.7	-26%	23%	n.a.	n.a.	50.3	28.3	n.a.	n.a.	n.a.	n.a.
Dynanonic	300769 CH	2.7	225	64.1	-11%	46%	3.5	3.2	30.4	20.9	n.a.	n.a.	9.8	13.2
Yuneng	301358 CH	10.3	368	82.7	-19%	28%	3.8	3.1	17.3	13.7	n.a.	n.a.	23.2	22.4
CNGR	300919 CH	7.5	150	50.8	-20%	10%	1.9	1.8	21.2	17.8	1.3%	1.6%	9.6	10.6
Capchem	300037 CH	7.9	257	71.1	3%	36%	4.3	3.8	26.2	22.4	1.0%	1.3%	17.0	17.2
Ronbay	688005 CH	3.3	134	31.3	-10%	-12%	2.6	2.5	50.9	32.6	1.3%	1.8%	5.4	7.7
XTC	600549 CH	14.1	603	60.0	4%	46%	4.8	4.3	22.7	19.6	2.0%	2.5%	20.9	21.0
Putailai	603659 CH	9.5	307	30.0	-17%	10%	2.7	2.4	19.3	14.7	1.0%	1.3%	14.7	16.3
Yunnan Energy	002812 CH	9.5	414	66.4	-20%	17%	2.4	2.1	37.8	20.8	0.5%	0.9%	6.5	9.9
Avg					***-12%***	***19%***	***3.1***	***2.7***	***28.5***	***20.0***	***1.2%***	***1.6%***	***13.2***	***14.7***

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Table 3: TW/KR/JP Energy Valuation Comps

	Ticker	Mkt Cap USD bn	ADTV USDm	Share price (LC)	1M share perf.	YTD share perf.	P/BV (x) 2026E	P/BV (x) 2027E	PE (x) 2026E	PE (x) 2027E	Div yld (%) 2026E	Div yld (%) 2027E	ROE (%) 2026E	ROE (%) 2027E
TW														
NPC	1303 TT	28.5	244	113.0	26%	88%	2.3	2.3	17.4	16.6	2.9%	3.8%	9.5	10.7
FPCC	6505 TT	16.9	37	55.9	-1%	17%	1.5	1.5	15.2	20.5	2.8%	3.3%	7.7	7.0
FPC	1301 TT	10.5	52	52.0	1%	33%	1.0	1.0	134.4	30.5	1.1%	2.4%	1.0	3.2
FCFC	1326 TT	10.5	63	56.5	8%	76%	1.0	1.0	35.5	33.7	2.2%	2.4%	2.5	2.9
Avg					***9%***	***53%***	***1.4***	***1.5***	***50.6***	***25.3***	***2.2%***	***3.0%***	***5.2***	***5.9***
KR														
LG Energy Solution	373220 KS	67.5	221	442,500	-4%	20%	5.1	4.6	n.m.	60.8	n.a.	n.a.	0.8	7.3
SK Innovation	096770 KS	12.9	113	117,000	-20%	15%	0.8	0.8	17.2	20.2	1.8%	1.8%	3.9	3.4
Samsung SDI	006400 KS	31.5	630	600,000	-15%	122%	2.1	2.0	154.7	31.3	0.2%	0.2%	1.9	6.6
S-Oil	010950 KS	7.9	163	108,000	-20%	30%	1.2	1.1	6.8	8.5	1.9%	2.2%	18.7	12.6
LG Chem	051910 KS	16.3	124	354,500	-11%	7%	0.8	0.8	170.6	14.6	0.7%	1.1%	0.7	5.6
Lotte Chem	011170 KS	2.2	28	77,400	-33%	10%	0.3	0.3	n.a.	n.a.	1.4%	1.6%	n.m.	n.m.
Hanwha Solution	009830 KS	4.5	295	40,450	-20%	50%	0.8	0.7	26.4	10.4	0.8%	0.7%	2.1	7.7
Kumho Petchem	011780 KS	2.1	16	129,600	-12%	7%	0.5	0.5	8.8	7.6	1.9%	2.2%	6.2	6.7
Korea gas	036460 KS	2.0	19	33,900	-13%	-14%	0.3	0.3	3.3	3.2	4.6%	5.4%	8.3	8.0
SK Gas	018670 KS	1.3	13	223,000	-23%	-1%	0.5	0.5	5.3	6.6	5.4%	4.9%	12.4	8.3
POSCO International	047050 KS	6.8	90	59,400	-31%	20%	1.4	1.3	11.8	11.1	3.9%	4.1%	12.5	12.3
KEPCO	015760 KS	15.9	136	37,950	-14%	-20%	0.5	0.4	3.9	3.1	3.1%	4.1%	12.3	13.7
HD Hyundai Group	267250 KS	14.2	46	275,000	-13%	46%	1.9	1.6	10.0	9.2	1.8%	2.0%	19.8	18.3
Doosan Enerbility	034020 KS	41.9	723	100,300	-21%	32%	7.9	7.4	205.8	111.9	n.a.	n.a.	4.4	6.7
Avg					***-18%***	***23%***	***1.7***	***1.6***	***52.1***	***23.0***	***2.3%***	***2.5%***	***8.0***	***9.0***
JP														
ENEOS	5020 JT	22.5	86	1,328	0%	20%	1.1	1.0	16.3	10.3	2.6%	2.8%	6.1	10.8
Idemitsu	5019 JT	10.8	45	1,408	3%	19%	1.0	0.9	13.2	10.7	2.6%	2.9%	6.3	10.3
Cosmo Energy	5021 JT	4.0	21	3,833	-4%	-8%	1.0	0.9	9.2	6.9	4.4%	4.7%	12.2	12.6
Inpex Corp	1605 JP	29.2	288	3,707	-10%	19%	0.9	0.8	9.4	9.2	3.0%	3.4%	9.3	8.8
Chubu electric	9502 JP	13.4	52	2,826	7%	17%	0.7	0.7	11.1	12.2	2.5%	2.8%	6.7	5.8
Tokyo gas	9531 JP	13.2	61	6,292	-5%	1%	1.3	1.2	11.2	15.9	1.5%	1.9%	11.7	7.6
Osaka gas	9532 JP	13.9	47	5,569	-2%	3%	1.2	1.2	13.4	14.9	2.2%	2.3%	9.6	7.8
Kansai Electric	9503 JP	16.4	64	2,358	-2%	-4%	0.8	0.7	7.1	8.8	3.2%	3.4%	11.7	8.7
Avg					***-2%***	***8%***	***1.0***	***0.9***	***11.4***	***11.2***	***2.7%***	***3.0%***	***9.2***	***9.0***

Table 4: India/Australia/ASEAN Energy Valuation comps

	Ticker	Mkt Cap USD bn	ADTV USDm	Share price (LC)	1M share perf.	YTD share perf.	P/BV (x) 2026E	P/BV (x) 2027E	PE (x) 2026E	PE (x) 2027E	Div yld (%) 2026E	Div yld (%) 2027E	ROE (%) 2026E	ROE (%) 2027E
India														
Reliance	Reliance IN	185.7	309	1,313	-8%	-16%	1.9	1.8	22.1	20.4	0.5%	0.5%	8.8	8.8
ONGC	ONGC IN	35.2	72	268	-11%	11%	0.9	0.8	8.1	6.5	4.5%	6.3%	12.4	13.8
Oil India	OIL IN	0.0	0	56	-12%	-9%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IOCL	IOCL IN	20.3	33	137	-3%	-17%	0.9	0.8	5.6	9.4	7.1%	3.9%	18.9	7.0
BPCL	BPCL IN	13.2	46	292	-3%	-24%	1.3	1.2	4.9	14.0	7.2%	3.8%	28.2	8.6
HPCL	HPCL IN	8.5	39	384	3%	-23%	1.3	1.2	5.0	18.2	5.8%	4.0%	28.4	9.5
GAIL India Ltd	GAIL IN	11.3	24	164	0%	-5%	1.2	1.2	12.7	11.4	3.2%	3.4%	10.1	10.7
Petronet LNG Ltd	PLNG IN	4.2	15	270	-2%	-5%	1.8	1.6	10.9	10.2	3.7%	3.7%	17.6	15.6
Indraprastha Gas	IGL IN	2.4	9	161	-3%	-17%	2.0	1.9	13.1	12.9	2.7%	2.9%	15.7	15.5
Mahanagar Gas	MGL IN	0.5	0	4,206	-3%	-14%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gujarat Gas	GUJGA IN	2.9	8	398	5%	-4%	3.0	2.8	25.5	19.9	1.3%	1.8%	12.4	12.9
Mangalore Refinery	MRPL IN	2.8	29	154	-8%	1%	n.a.	n.a.	n.a.	n.a.	1.2%	1.4%	n.a.	n.a.
Chennai Petroleum	MRL IN	1.9	30	1,190	5%	42%	n.a.	1.4	n.a.	n.a.	3.4%	2.9%	n.a.	n.a.
Castrol India	CSTRL IN	1.9	3	183	-1%	-5%	n.a.	n.a.	18.5	17.1	4.7%	5.2%	n.a.	n.a.
Avg					***-1%***	***-1%***	***2.0***	***1.8***	***16.1***	***14.3***	***2.9%***	***3.1%***	***13.9***	***13.7***
Australia														
Woodside	WDS AU	42.5	215	31	-6%	32%	1.1	1.1	10.6	11.0	7.5%	7.2%	10.1	9.3
Beach Energy	BPT AU	1.8	15	1	-7%	-7%	0.8	0.7	6.7	4.8	3.0%	5.6%	11.6	15.6
Origin Energy	ORG AU	13.2	44	11	-11%	-6%	1.9	1.8	15.9	15.2	5.6%	6.0%	11.8	12.5
Ampol	ALD AU	6.0	37	35	-2%	9%	2.4	2.3	9.9	15.3	6.3%	4.6%	22.7	14.2
Viva Energy	VEA AU	2.6	21	2	-10%	9%	2.1	2.2	6.8	9.9	8.6%	6.2%	31.5	22.1
Avg					***-7%***	***8%***	***1.6***	***1.6***	***10.0***	***11.3***	***6.2%***	***5.9%***	***17.5***	***14.7***
ASEAN														
PTTEP	PTTEP TB	17.3	110	143	-7%	27%	1.0	1.0	7.7	8.3	6.9%	6.5%	13.5	11.8
Thai Oil	TOP TB	3.2	28	46	-4%	28%	0.5	0.5	5.6	7.3	5.9%	5.1%	9.7	6.6
PTT Global Chemical	PTTGC TB	4.7	36	35	-13%	64%	0.5	0.5	16.4	16.7	2.4%	3.0%	3.3	3.4
Siam Cement	SCC TB	8.4	40	229	-5%	25%	0.8	0.8	23.6	19.0	2.3%	2.6%	3.3	4.0
Indorama Ventures	IVL TB	4.1	26	24	-7%	48%	1.1	1.0	21.8	15.4	2.6%	2.9%	5.1	6.2
Avg					***-7%***	***39%***	***0.8***	***0.8***	***15.0***	***13.5***	***4.0%***	***4.0%***	***7.0***	***6.4***

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Related Research

Middle East Tracker

Asia Energy: Middle East Escalation Tracker: Demand destruction rose to 4.3mbd in April, versus a continued >11mbd supply loss (26 Apr 2026)

Asia Energy: Middle East (de)-escalation tracker? Assessing inventory and oil price implications under various Hormuz flow resumption scenarios (10 Apr 2026)

Asia Energy: Middle East Escalation Tracker (29 March) Kharg Island risks mount; More governments introduce emergency fuel-saving measures (30 Mar 2026)

Asia Energy: Middle East Escalation Tracker (22 Mar 2026)

China Energy: >$100/bbl realized Tactical OW on Energy, prefer upstream over refiners as government price control efforts start to kick in (9 Mar 2026)

Asia Energy & Chemicals: Pressure for an Iran resolution intensifies; energy infrastructure hit; Chandra Asri declares chemicals force majeure (3 Mar 2026)

China Anti-involution

China Solar "Anti-Involution": Back to the waiting game (9 Mar 2026)

Asia Chemicals: China's Anti-Involution, Part 3: More policy measures crystallize, we upgrade Formosa Group to full house OW; 2026 the start of a 3-year earnings upcycle? (24 Feb 2026)

Asia Chemicals: China anti-involution, Part2: Chem capacity restructions spread to more provinces; Korean government steps in to shut 3.7Mtpa of capacity (22 August 2025)

China Chemicals: Expert Call takeaways: "Anti-involution" for PVC/CA more a case of voluntary exits than forced shutdowns (12 August 2025)

Oil /Refining

PetroChina: Beacon of National Stability and Security; expect gas dollar margin improvement in 2026 (1 May 2026)

Hengli Petrochemical - A: Temporary headwinds as US imposes sanctions on Hengli Lianhua; downgrade to Neutral (27 Apr 2026)

Sinopec A/H: NDRC raises retail gasoline/diesel price ceiling by lower-than-expected amount (23 Mar 2026)

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Neutral

0386.HK, 386 HK
Price (03 Jun 26):HK$4.37

Price Target (Dec-26):HK$4.80
Prior (Dec-26):HK$5.00

Head of Asia Energy & Chemicals | Asia EV Battery

Parsley Ong [AC]

Sinopec Corp - H

Trim FY27/28E NP by 4%/3%, remain Neutral

In light of accelerating China EV adoption since Apr, we trim our FY27/28E marketing segment OP to reflect weaker gasoline/diesel sales volume, resulting in 4%/3% downward revisions to FY27/28E NP. We cut our Dec-26 PT slightly by 4% to HK$4.8/shr, implying FY26E dividend yield of 5.2%. Maintain Neutral.

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	0.33	0.32	-3.3%
Adj. EPS - 27E (Rmb)	0.45	0.43	-3.5%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	9	10	10	15	10
Growth	91	92	93	82	85
Momentum	34	87	89	21	17
Quality	81	65	71	62	76
Low Vol	12	15	16	13	21
ESGQ	18	7	19	20	19

Figure 14: China NEV % passenger car sales penetration

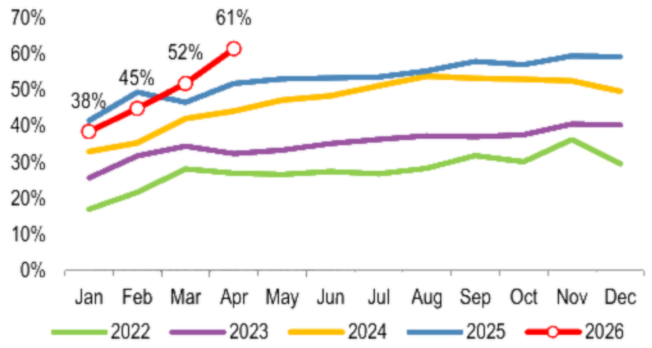


Figure 15: China BEV passenger car registrations and % y/y

thousands cars

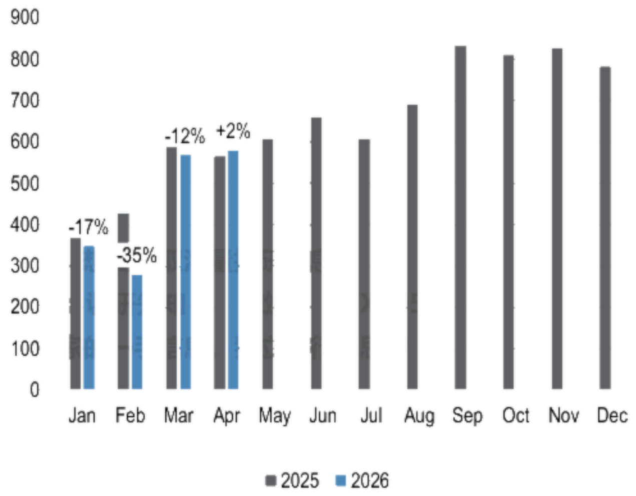


Figure 16: Sinopec qtrly earnings

Financials (Rmb mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26e	3Q26e	4Q26e	2024	2025	2026e	2027e	2028e
Gross sales	**1,269,102**	**1,162,713**	**1,235,453**	**1,175,093**	**1,465,889**	**1,237,291**	**1,228,168**	**1,242,478**	**5,414,956**	**4,842,361**	**5,173,826**	**4,977,439**	**4,926,795**
External sales	**735,356**	**645,031**	**733,054**	**670,142**	**706,695**	**711,674**	**706,427**	**851,125**	**3,074,562**	**2,783,583**	**2,975,921**	**2,867,326**	**2,841,700**
OP	**20,895**	**12,528**	**13,268**	**1,917**	**25,731**	**6,094**	**10,527**	**14,303**	**70,686**	**48,608**	**56,655**	**72,668**	**70,584**
Exploration and Production	12,910	10,728	11,824	10,069	12,356	19,996	19,573	13,599	56,385	45,531	65,524	54,449	49,279
of which LNG import (loss)	(200)	950	1,250	2,000	(830)	1,700	1,300	1,117	1,540	4,000	3,287	4,125	4,750
Refining	2,438	1,097	3,652	2,261	18,788	(16,171)	(11,314)	(1,564)	6,714	9,448	(10,262)	13,084	12,011
Marketing & distribution	4,209	3,750	2,722	(711)	5,651	1,184	1,184	1,184	18,646	9,970	9,204	8,310	8,406
Chemicals	(1,169)	(3,055)	(2,858)	(7,496)	(1,262)	(2,183)	(2,183)	(2,183)	(9,997)	(14,578)	(7,811)	(3,175)	889
Corporate/Others + Elimination	2,507	8	(2,072)	(2,206)	(9,802)	3,267	3,267	3,267	(1,062)	(1,763)	-	-	-
Pretax	**19,041**	**12,076**	**12,061**	**566**	**24,206**				**69,142**	**43,744**	**51,850**	**68,300**	**66,868**
Reported NP (IFRS)	**13,975**	**9,777**	**8,313**	**411**	**17,006**	**4,207**	**7,267**	**10,632**	**48,939**	**32,476**	**39,112**	**52,578**	**51,406**
EPS (Rmb)	**0.12**	**0.08**	**0.07**	**0.00**	**0.14**	**0.03**	**0.06**	**0.09**	**0.40**	**0.27**	**0.32**	**0.43**	**0.43**
DPS (Rmb)		**0.09**		**0.11**		**0.09**		**0.14**	**0.29**	**0.20**	**0.23**	**0.30**	**0.30**
Consensus													
OP	20,895	12,528	13,268	1,917	25,731	12,748	12,748	12,748	83,590	57,456	63,976	70,853	73,562
NP	13,975	9,777	8,313	411	17,006	9,130	9,130	9,130	56,410	38,270	44,396	49,558	51,979
DPS (Rmb)		0.09		0.12		0.09			0.31	0.21	0.26	0.29	0.31
Key operational data													
Sinopec reported GRM ($/bbl)	6.2	5.8	6.3	6.9					5.8	6.3			
Refining OP/bbl ($/bbl)	0.7	0.4	1.0	0.7	6.0	(5.5)	(3.4)	(0.5)	0.5	0.7	(0.8)	1.0	0.9
E&P OP per bbl ex LNG ($/boe)	13.8	10.3	11.2	8.7	14.5	20.0	20.0	13.8	14.8	11.0	16.9	13.6	12.0
E&P lifting cost ($/bbl)	14.4	13.8	16.8	13.0					14.7	14.5			

Price Performance

	YTD	1m	3m	12m
Abs	-6.4%	-5.2%	-19.7%	2.6%
Rel	-2.8%	-4.2%	-19.5%	1.7%

Company Data

Shares O/S (mn)	119,896
52-week range (HK$)	5.70-3.99
Market cap ($ mn)	66,856
Exchange rate	7.84
Free float (%)	91.1%
3M ADV (mn)	177.23
3M ADV ($ mn)	107.8
Volatility (90 Day)	27
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	10|5|2

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	2,726,460	2,913,089	2,802,515	2,774,000
Adj. EBITDA	184,366	187,114	203,351	202,163
Adj. EBIT	48,608	56,655	72,668	70,584
Adj. net income	32,476	39,112	52,578	51,406
Adj. EPS	0.27	0.32	0.43	0.43
BBG EPS	0.31	0.37	0.42	0.44
Cashflow from operations	162,496	170,602	187,052	185,620
FCFF	40,867	42,878	65,024	63,531
Margins and Growth				
Revenue Growth Y/Y (%)	(9.6%)	6.8%	(3.8%)	(1.0%)
EBITDA margin	6.8%	6.4%	7.3%	7.3%
EBITDA Growth Y/Y (%)	(4.9%)	1.5%	8.7%	(0.6%)
EBIT margin	1.8%	1.9%	2.6%	2.5%
Net margin	1.2%	1.3%	1.9%	1.9%
Adj. EPS growth	(33.7%)	20.7%	34.4%	(2.2%)
Ratios				
Adj. tax rate	18.1%	18.1%	18.1%	18.1%
Interest cover	12.6	12.4	13.4	13.3
Net debt/Equity	0.3	0.3	0.3	0.2
Net debt/EBITDA	1.9	1.5	1.3	1.2
ROCE	3.5%	3.9%	5.0%	4.7%
ROE	4.0%	4.8%	6.4%	5.9%
Valuation				
FCFF yield	8.9%	9.4%	14.3%	13.9%
Dividend yield	5.3%	6.0%	8.1%	7.9%
EV/Revenue	0.1	0.1	0.1	0.1
EV/EBITDA	1.9	1.3	1.1	0.9
Adj. P/E	14.1	11.7	8.7	8.9

Summary Investment Thesis and Valuation

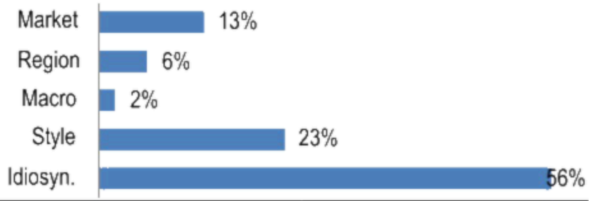
Investment Thesis

Sinopec is the second-largest oil company in China. It is integrated with E&P, refining, marketing and chemicals, with larger downstream leverage versus upstream. Given the rise of electric vehicles and gas-fired heavy trucks in China, we expect Sinopec's domestic oil product sales volume to enter a structural decline of 3% CAGR over the next few years. While the company has pursued multiple transition strategies like EV charging and hydrogen refuelling, profit contribution from these new businesses will take time to ramp up, which may not be able to offset the decline in oil products in the near term. We rate the stock Neutral.

Valuation

Our PT is based on a sum-of-the-parts (SOTP) valuation: We use a DCF approach for Sinopec's upstream business and apply a 0.6x P/B to its refining/chems businesses, in line with peer PetroChina. For Sinopec's marketing business, we ascribe a 10x P/E vs. previous media-reported IPO valuation targets of 14x P/E (source: Reuters).

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.10	0.35
Region: China	0.23	0.27
Macro:		
JPM EM Currency(EMCI) Fixing	0.20	0.21
JP Morgan GBI-EM Global Div	0.12	0.19
Citi Economic Surprise - EM	-0.30	-0.15
Quant Styles:		
Value	0.52	0.45
Growth	-0.50	-0.43
DivYld	0.47	0.39

Investment Thesis, Valuation and Risks

Sinopec Corp - H *(Neutral; Price Target: HK$4.80)*

Investment Thesis

Sinopec is the second-largest oil company in China. It is integrated with E&P, refining, marketing and chemicals, with larger downstream leverage versus upstream. Given the rise of electric vehicles and gas-fired heavy trucks in China, we expect Sinopec's domestic oil product sales volume to enter a structural decline of 3% CAGR over the next few years. While the company has pursued multiple transition strategies like EV charging and hydrogen refuelling, profit contribution from these new businesses will take time to ramp up, which may not be able to offset the decline in oil products in the near term. We rate the stock Neutral.

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Our PT is based on a sum-of-the-parts (SOTP) valuation: We use a DCF approach for Sinopec's upstream business and apply an 0.6x P/B to its refining/chems businesses, in line with peer PetroChina. For Sinopec's marketing business, we ascribe a 10x P/E vs. previous media-reported IPO valuation targets of 14x P/E (source: Reuters).

Segment	Method	Multiple	Book value (Rmb mn)	Enterprise value (Rmb mn)	Value per share (HKD)
E&P	DCF			138,505	1.3
Refining	P/B	0.6	232,353	150,797	1.4
Chems	P/B	0.6	218,114	141,556	1.3
Marketing	P/E	10	9,668	101,509	0.9
Minority interest, net debt & others					(0.1)
H-share PT (HKD)					**4.8**

Risks to Rating and Price Target

Key downside risks include: (1) potential refining losses as oil prices start to rise above $100/bbl, due to China's domestic fuel price cap policy; (2) prolonged disruption to shipping due to the Middle East conflict, resulting in higher logistic costs or crude oil feedstock supply disruption; and (3) a sharp rise in international gas/LNG prices due to geopolitics or unplanned outages, resulting in large gas import losses for Sinopec.

Key upside catalysts include: (1) an improvement in China's GDP/PMI outlook due to stimulus; (2) a hike in dividend payout ratio from the minimum policy level of 65%; and (3) stronger-than-expected oil prices due to geopolitics.

Sinopec Corp - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**3,015,321**	**2,726,460**	**2,913,089**	**2,802,515**	**2,774,000**
COGS	(2,449,614)	(2,185,999)	(2,347,037)	(2,238,326)	(2,217,691)
Gross profit	**565,707**	**540,461**	**566,052**	**564,189**	**556,309**
SG&A	(431,136)	(413,218)	(441,770)	(425,650)	(421,845)
Adj. EBITDA	**193,812**	**184,366**	**187,114**	**203,351**	**202,163**
D&A	(123,126)	(135,758)	(130,459)	(130,683)	(131,579)
Adj. EBIT	**70,686**	**48,608**	**56,655**	**72,668**	**70,584**
Net Interest	(11,174)	(14,654)	(15,118)	(15,231)	(15,156)
Adj. PBT	**69,142**	**43,744**	**51,850**	**68,300**	**66,868**
Tax	(12,966)	(7,934)	(9,404)	(12,388)	(12,128)
Minority Interest	(7,237)	(3,334)	(3,334)	(3,334)	(3,334)
Adj. Net Income	**48,939**	**32,476**	**39,112**	**52,578**	**51,406**
Reported EPS	0.40	0.27	0.32	0.43	0.43
Adj. EPS	**0.40**	**0.27**	**0.32**	**0.43**	**0.43**
DPS	**0.29**	**0.20**	**0.23**	**0.30**	**0.30**
Payout ratio	70.8%	74.6%	70.0%	70.0%	70.0%
Shares outstanding	121,138	121,179	120,926	120,926	120,926

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	91,295	81,053	104,177	114,928	125,068
Accounts receivable	46,946	56,512	55,303	53,285	52,809
Inventories	256,595	230,811	255,226	237,272	235,084
Other current assets	129,679	154,365	160,207	156,909	156,130
Current assets	**524,515**	**522,741**	**574,913**	**562,393**	**569,091**
PP&E	925,830	965,394	975,035	978,848	981,766
LT investments	416	7,156	7,156	7,156	7,156
Other non current assets	630,679	658,194	627,533	636,294	647,752
Total assets	**2,081,440**	**2,153,485**	**2,184,637**	**2,184,692**	**2,205,765**
Short term borrowings	92,464	120,256	140,256	135,256	130,256
Payables	256,597	263,459	282,868	269,765	267,279
Other short term liabilities	324,176	314,838	338,032	322,374	319,402
Current liabilities	**673,237**	**698,553**	**761,155**	**727,396**	**716,937**
Long-term debt	210,496	235,264	235,264	235,264	235,264
Other long term liabilities	225,560	232,792	232,792	232,792	232,792
Total liabilities	**1,109,293**	**1,166,609**	**1,229,211**	**1,195,452**	**1,184,993**
Shareholders' equity	815,815	827,463	805,432	847,912	887,415
Minority interests	156,332	159,413	149,994	141,328	133,356
Total liabilities & equity	**2,081,440**	**2,153,485**	**2,184,637**	**2,184,692**	**2,205,765**
BVPS	**6.73**	**6.83**	**6.66**	**7.01**	**7.34**
y/y Growth	*0.5%*	*1.4%*	*(2.5%)*	*5.3%*	*4.7%*
Net debt/(cash)	265,950	344,287	271,343	255,592	240,452

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**149,360**	**162,496**	**170,602**	**187,052**	**185,620**
o/w Depreciation & amortization	123,126	135,758	130,459	130,683	131,579
o/w Changes in working capital	(37,825)	(11,754)	13,554	(5,489)	(2,017)
Cash flow from investing activities	**(161,240)**	**(146,472)**	**(140,100)**	**(134,496)**	**(134,496)**
o/w Capital expenditure	(139,206)	(133,625)	(140,100)	(134,496)	(134,496)
as % of sales	*4.6%*	*4.9%*	*4.8%*	*4.8%*	*4.8%*
Cash flow from financing activities	**(19,237)**	**(26,074)**	**(7,378)**	**(41,805)**	**(40,984)**
o/w Dividends paid	(42,108)	(27,636)	(27,378)	(36,805)	(35,984)
o/w Shares issued/(repurchased)	9,864	(1,554)	0	0	0
o/w Net debt issued/(repaid)	44,129	52,560	20,000	(5,000)	(5,000)
Net change in cash	**(30,464)**	**(10,242)**	**23,124**	**10,751**	**10,140**
Adj. Free cash flow to firm	**19,233**	**40,867**	**42,878**	**65,024**	**63,531**
y/y Growth	*(1063.7%)*	*112.5%*	*4.9%*	*51.6%*	*(2.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	18.8%	19.8%	19.4%	20.1%	20.1%
EBITDA margin	6.4%	6.8%	6.4%	7.3%	7.3%
EBIT margin	2.3%	1.8%	1.9%	2.6%	2.5%
Net profit margin	1.6%	1.2%	1.3%	1.9%	1.9%
ROE	6.0%	4.0%	4.8%	6.4%	5.9%
ROA	2.4%	1.5%	1.8%	2.4%	2.3%
ROCE	5.3%	3.5%	3.9%	5.0%	4.7%
SG&A/Sales	14.3%	15.2%	15.2%	15.2%	15.2%
Net debt/Equity	0.3	0.3	0.3	0.3	0.2
Net debt/EBITDA	1.4	1.9	1.5	1.3	1.2
Sales/Assets (x)	1.5	1.3	1.3	1.3	1.3
Assets/Equity (x)	2.5	2.6	2.7	2.6	2.5
Interest cover (x)	17.3	12.6	12.4	13.4	13.3
Operating leverage	444.7%	326.0%	241.8%	(744.6%)	281.8%
Tax rate	18.8%	18.1%	18.1%	18.1%	18.1%
Revenue y/y Growth	(4.2%)	(9.6%)	6.8%	(3.8%)	(1.0%)
EBITDA y/y Growth	(4.6%)	(4.9%)	1.5%	8.7%	(0.6%)
EPS y/y Growth	(17.0%)	(33.7%)	20.7%	34.4%	(2.2%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	9.3	14.1	11.7	8.7	8.9
P/BV (x)	0.6	0.6	0.6	0.5	0.5
EV/EBITDA (x)	1.4	1.9	1.3	1.1	0.9
Dividend Yield	7.6%	5.3%	6.0%	8.1%	7.9%

Neutral

600028.SS, 600028 CH
Price (03 Jun 26):Rmb4.86

Price Target (Dec-26):Rmb5.70
Prior (Dec-26):Rmb6.50

Head of Asia Energy & Chemicals | Asia EV Battery

Parsley Ong AC

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	0.33	0.32	-3.3%
Adj. EPS - 27E (Rmb)	0.45	0.43	-3.5%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	19	19	20	21	17
Growth	91	92	93	76	83
Momentum	48	89	85	18	19
Quality	81	68	71	60	77
Low Vol	16	4	8	6	3
ESGQ	18	7	19	20	19

Sinopec Corp - A

Trim FY27/28E NP by 4%/3%, remain Neutral

In light of accelerating China EV adoption since Apr, we trim our FY27/28E marketing segment OP to reflect weaker volume, resulting in 4%/3% downward revisions to FY27/28E NP. Incorporating a lower A-share premium assumption (35% vs. prev: 45%/ current: 20%), we cut our Dec-26 PT by 12% to Rmb$5.7/shr, reflecting FY26E dividend yield of 4.0%. Maintain Neutral.

Price Performance

	YTD	1m	3m	12m
Abs	-21.4%	-9.8%	-37.8%	-15.5%
Rel	-24.3%	-9.2%	-36.9%	-37.0%

Company Data

Shares O/S (mn)	119,896
52-week range (Rmb)	8.11-4.73
Market cap ($ mn)	86,157
Exchange rate	6.76
Free float (%)	8.9%
3M ADV (mn)	355.02
3M ADV ($ mn)	318.0
Volatility (90 Day)	36
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	18|5|2

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	2,726,460	2,913,089	2,802,515	2,774,000
Adj. EBITDA	184,366	187,114	203,351	202,163
Adj. EBIT	48,608	56,655	72,668	70,584
Adj. net income	32,476	39,112	52,578	51,406
Adj. EPS	0.27	0.32	0.43	0.43
BBG EPS	0.32	0.35	0.42	0.46
Cashflow from operations	162,496	170,602	187,052	185,620
FCFF	40,867	42,878	65,024	63,531
Margins and Growth				
Revenue Growth Y/Y (%)	(9.6%)	6.8%	(3.8%)	(1.0%)
EBITDA margin	6.8%	6.4%	7.3%	7.3%
EBITDA Growth Y/Y (%)	(4.9%)	1.5%	8.7%	(0.6%)
EBIT margin	1.8%	1.9%	2.6%	2.5%
Net margin	1.2%	1.3%	1.9%	1.9%
Adj. EPS growth	(33.7%)	20.7%	34.4%	(2.2%)
Ratios				
Adj. tax rate	18.1%	18.1%	18.1%	18.1%
Interest cover	12.6	12.4	13.4	13.3
Net debt/Equity	0.2	0.2	0.2	0.2
Net debt/EBITDA	1.1	1.1	0.9	0.8
ROCE	3.5%	3.9%	5.0%	4.7%
ROE	4.0%	4.8%	6.4%	5.9%
Valuation				
FCFF yield	6.9%	7.3%	11.1%	10.8%
Dividend yield	4.1%	4.7%	6.3%	6.1%
EV/Revenue	0.3	0.3	0.3	-
EV/EBITDA	4.3	4.3	4.1	-
Adj. P/E	18.1	15.0	11.2	11.4

Summary Investment Thesis and Valuation

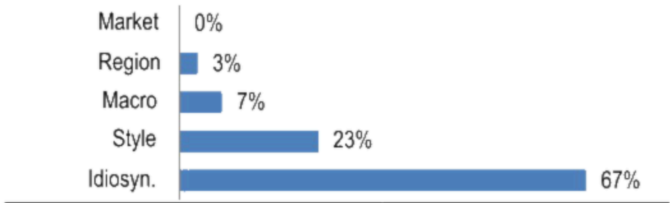
Investment Thesis

Sinopec is the second-largest oil company in China. It is integrated with E&P, refining, marketing and chemicals, with a larger downstream leverage versus upstream. Given the rise of electric vehicles and gas-fired heavy trucks in China, we expect Sinopec's domestic oil product sales volume to enter a structural decline of 3% CAGR over the next few years. While the company has pursued multiple transition strategies like EV charging and hydrogen refuelling, profit contribution from these new businesses will take time to ramp up, which may not be able to offset the decline in oil products in the near term. We rate the stock Neutral.

Valuation

Our PT is based on a sum-of-the-parts (SOTP) valuation: We use a DCF approach for Sinopec's upstream business and apply a 0.6x P/B to its refining/chems businesses, in line with peer PetroChina. For Sinopec's marketing business, we ascribe a 10x P/E vs. previous media-reported IPO valuation targets of 14x P/E (source: Reuters). We apply an A/H premium of 35% to derive the A-share PT.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.24	-0.01
Region: China	0.02	0.12
Macro:		
JPM EM Currency(EMCI) Fixing	0.15	0.19
JPM Forecast Revision EM	0.36	0.18
Citi Economic Surprise - EM	0.08	0.15
Quant Styles:		
Value	0.55	0.48
DivYld	0.49	0.44
LowVol	0.54	0.43

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Investment Thesis, Valuation and Risks

Sinopec Corp - A *(Neutral; Price Target: Rmb5.70)*

Investment Thesis

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Segment	Method	Multiple	Book value (Rmb mn)	Enterprise value (Rmb mn)	Value per share (Rmb)
E&P	DCF			138,505	1.1
Refining	P/B	0.6	232,353	150,797	1.2
Chems	P/B	0.6	218,114	141,556	1.2
Marketing	P/E	10	9,668	101,509	0.8
Minority interest, net debt & others					(0.1)
Total value (Rmb)					**4.3**
A share PT (35% premium, RMB)					**5.7**

Source: J.P. Morgan estimates

Risks to Rating and Price Target

Key downside risks include: (1) potential refining losses as oil price starts to rise above $100/bbl, due to China's domestic fuel price cap policy; (2) prolonged disruption to shipping due to the Middle East conflict, resulting in higher logistics costs or crude oil feedstock supply disruption; (3) a sharp rise in international gas/LNG prices due to geopolitics or unplanned outages, resulting in large gas import losses for Sinopec.

Key upside catalysts include: (1) an improvement in China's GDP/PMI outlook due to stimulus; (2) a hike in dividend payout ratio from the minimum policy level of 65%; (3) stronger-than-expected oil prices due to geopolitics.

Sinopec Corp - A: Summary of Financials

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Revenue	**3,015,321**	**2,726,460**	**2,913,089**	**2,802,515**	**2,774,000**
COGS	(2,449,614)	(2,185,999)	(2,347,037)	(2,238,326)	(2,217,691)
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D&A	(123,126)	(135,758)	(130,459)	(130,683)	(131,579)
Adj. EBIT	**70,686**	**48,608**	**56,655**	**72,668**	**70,584**
Net Interest	(11,174)	(14,654)	(15,118)	(15,231)	(15,156)
Adj. PBT	**69,142**	**43,744**	**51,850**	**68,300**	**66,868**
Tax	(12,966)	(7,934)	(9,404)	(12,388)	(12,128)
Minority Interest	(7,237)	(3,334)	(3,334)	(3,334)	(3,334)
Adj. Net Income	**48,939**	**32,476**	**39,112**	**52,578**	**51,406**
Reported EPS	0.40	0.27	0.32	0.43	0.43
Adj. EPS	**0.40**	**0.27**	**0.32**	**0.43**	**0.43**
DPS	**0.29**	**0.20**	**0.23**	**0.30**	**0.30**
Payout ratio	70.8%	74.6%	70.0%	70.0%	70.0%
Shares outstanding	121,138	121,179	120,926	120,926	120,926

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	145,580	150,873	173,997	184,748	194,888
Accounts receivable	46,946	56,512	55,303	53,285	52,809
Inventories	256,595	230,811	255,226	237,272	235,084
Other current assets	75,394	84,545	90,387	87,089	86,310
Current assets	**524,515**	**522,741**	**574,913**	**562,393**	**569,091**
PP&E	925,830	965,394	975,035	978,848	981,766
LT investments	416	7,156	7,156	7,156	7,156
Other non current assets	630,679	658,194	627,533	636,294	647,752
Total assets	**2,081,440**	**2,153,485**	**2,184,637**	**2,184,692**	**2,205,765**
Short term borrowings	92,464	120,256	140,256	135,256	130,256
Payables	256,597	263,459	282,868	269,765	267,279
Other short term liabilities	324,176	314,838	338,032	322,374	319,402
Current liabilities	**673,237**	**698,553**	**761,155**	**727,396**	**716,937**
Long-term debt	210,496	235,264	235,264	235,264	235,264
Other long term liabilities	225,560	232,792	232,792	232,792	232,792
Total liabilities	**1,109,293**	**1,166,609**	**1,229,211**	**1,195,452**	**1,184,993**
Shareholders' equity	815,815	827,463	805,432	847,912	887,415
Minority interests	156,332	159,413	149,994	141,328	133,356
Total liabilities & equity	**2,081,440**	**2,153,485**	**2,184,637**	**2,184,692**	**2,205,765**
BVPS	**6.73**	**6.83**	**6.66**	**7.01**	**7.34**
y/y Growth	*0.5%*	*1.4%*	*(2.5%)*	*5.3%*	*4.7%*
Net debt/(cash)	157,380	204,647	201,523	185,772	170,632

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**149,360**	**162,496**	**170,602**	**187,052**	**185,620**
o/w Depreciation & amortization	123,126	135,758	130,459	130,683	131,579
o/w Changes in working capital	(37,825)	(11,754)	13,554	(5,489)	(2,017)
Cash flow from investing activities	**(161,240)**	**(146,472)**	**(140,100)**	**(134,496)**	**(134,496)**
o/w Capital expenditure	(139,206)	(133,625)	(140,100)	(134,496)	(134,496)
as % of sales	*4.6%*	*4.9%*	*4.8%*	*4.8%*	*4.8%*
Cash flow from financing activities	**(19,237)**	**(26,074)**	**(7,378)**	**(41,805)**	**(40,984)**
o/w Dividends paid	(42,108)	(27,636)	(27,378)	(36,805)	(35,984)
o/w Shares issued/(repurchased)	9,864	(1,554)	0	0	0
o/w Net debt issued/(repaid)	44,129	52,560	20,000	(5,000)	(5,000)
Net change in cash	**(30,464)**	**(10,242)**	**23,124**	**10,751**	**10,140**
Adj. Free cash flow to firm	**19,233**	**40,867**	**42,878**	**65,024**	**63,531**
y/y Growth	*(1063.7%)*	*112.5%*	*4.9%*	*51.6%*	*(2.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	18.8%	19.8%	19.4%	20.1%	20.1%
EBITDA margin	6.4%	6.8%	6.4%	7.3%	7.3%
EBIT margin	2.3%	1.8%	1.9%	2.6%	2.5%
Net profit margin	1.6%	1.2%	1.3%	1.9%	1.9%
ROE	6.0%	4.0%	4.8%	6.4%	5.9%
ROA	2.4%	1.5%	1.8%	2.4%	2.3%
ROCE	5.3%	3.5%	3.9%	5.0%	4.7%
SG&A/Sales	14.3%	15.2%	15.2%	15.2%	15.2%
Net debt/Equity	0.2	0.2	0.2	0.2	0.2
Net debt/EBITDA	0.8	1.1	1.1	0.9	0.8
Sales/Assets (x)	1.5	1.3	1.3	1.3	1.3
Assets/Equity (x)	2.5	2.6	2.7	2.6	2.5
Interest cover (x)	17.3	12.6	12.4	13.4	13.3
Operating leverage	444.7%	326.0%	241.8%	(744.6%)	281.8%
Tax rate	18.8%	18.1%	18.1%	18.1%	18.1%
Revenue y/y Growth	(4.2%)	(9.6%)	6.8%	(3.8%)	(1.0%)
EBITDA y/y Growth	(4.6%)	(4.9%)	1.5%	8.7%	(0.6%)
EPS y/y Growth	(17.0%)	(33.7%)	20.7%	34.4%	(2.2%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	12.0	18.1	15.0	11.2	11.4
P/BV (x)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (x)	3.9	4.3	4.3	4.1	-
Dividend Yield	5.9%	4.1%	4.7%	6.3%	6.1%

Neutral

600346.SS, 600346 CH
Price (03 Jun 26):Rmb17.51

Price Target (Dec-26):Rmb20.50
Prior (Dec-26):Rmb25.00

Head of Asia Energy & Chemicals | Asia EV Battery

Parsley Ong AC

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.42	1.35	-5.0%

Style Exposure

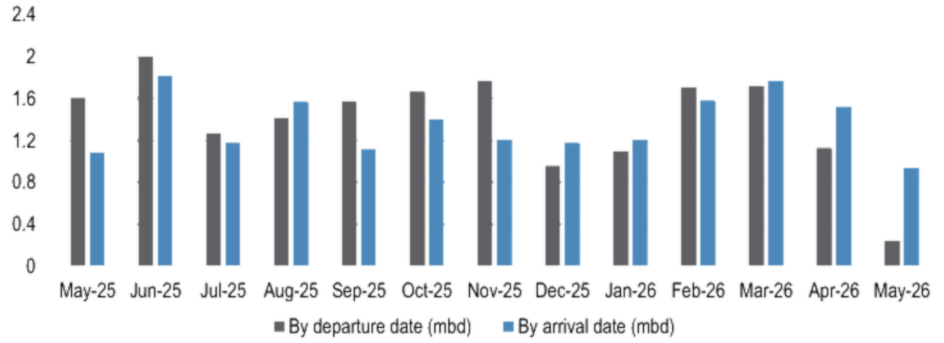
Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	37	27	30	30	31
Growth	63	73	68	94	74
Momentum	11	65	59	97	22
Quality	64	53	42	40	25
Low Vol	44	18	14	30	62
ESGQ	89	24	94	90	-

Hengli Petrochemical - A

Trim NP by 5%, maintain Neutral

On 27 Apr, US OFAC imposed SDN sanctions on Hengli Petrochemical Dalian Refinery (恒力石化 大连 炼化有限公司, or "Hengli Lianhua"), a 100%-owned subsidiary of Hengli Petchem. Hengli has 400kbd of refining capacity at its Dalian refinery; post sanctions, we had expected Hengli to switch to full Iran/Russian/sanctioned oil as seen in the case of Nayara Energy post EU sanctions (JPM note). However, as shown in Figure 17, vessel tracking data has indicated that the US naval blockade caused Iran crude oil exports to China to fall to 0.9 mbd in May (based on arrival date). We trim FY26E NP by 5% to Rmb9.5bn to reflect higher feedstock sourcing costs, and lower our PT to Rmb20.5/sh. This is based on 1.5x P/B, -1SD below the historical average of 2x (previous multiple) to reflect sanctions risks. Our Dec-26 PT of Rmb20.5/shr mirrors 2.6% FY26E yield. Maintain Neutral.

Figure 17: Crude flow from Iran to China based on departure/arrival date



Source: Vortexa, J.P. Morgan Asia Energy Research

Figure 18: Hengli qtrly earnings

Financials (CNY Mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26e	3Q26e	4Q26e	2023	2024	2025	2026e	2027e	2028e
Revenue	57,046	46,841	53,496	43,704	49,210	59.107	56,409	56,409	234.866	236,401	201,087	226,532	213,682	307.185
GP	6,052	6,371	8,838	5,259	6,895	7.388	8,743	3,492	26.482	23,417	26,519	31,067	31,463	39.310
Reported OP	2,601	1,404	2,650	2,653	5,291	1503	2,558	3,185	8.900	8,550	9,308	12,537	13,869	15.534
Pretax	2,609	1,408	2,651	2,753	5,110				8,873	8,820	9,420	12,650	13,982	15.646
NP (GAAP)	2,051	999	1,972	2,052	3,909	1.139	1,939	2,514	6.905	7,044	7,075	9,500	10,500	11.750
EPS	0.29	0.14	0.28	0.29	1.49	1.66	1.04	1.11	0.98	1.00	1.01	1.35	1.49	1.67
FCF	4,719	1,135	7,946	10,209	2,275				(16.205)	918	24,011			
GP margin (%)	10.6%	13.6%	16.5%	12.0%	14.0%	12.5%	15.5%	6.2%	11.3%	9.9%	13.2%	13.7%	14.7%	12.8%
OP margin (%)	4.6%	3.0%	5.0%	6.1%	10.8%	2.5%	4.5%	5.6%	3.8%	3.6%	4.5%	5.5%	6.5%	5.1%
NP Margin (%)	3.6%	2.1%	3.7%	4.7%	7.9%	1.9%	3.4%	4.5%	2.9%	3.0%	3.5%	4.2%	4.9%	3.8%
ND/E %	183%	177%	170%	151%	149%				195%	190%	151%			
L/A % 负债率	77%	77%	76%	75%	74%									
y/y growth (%)														
Revenue	-2%	-14%	-18%	-25%	-14%	26%	5%	29%	6%	1%	-15%	13%	-6%	44%
OP	-4%	-44%	87%	37%	103%	7%	-3%	20%	283%	-4%	9%	35%	11%	12%
NP	-4%	-47%	81%	6%	91%	14%	-2%	22%	198%	2%	0%	34%	11%	12%
Consensus														
Revenue	57,046	46,841	53,496	69,111	61,540	61.540	61,540	61,540	237.596	248,921	226,495	246,161	241,718	250.909
OP									11.707	8,880	8,856	15,492	17,782	21.056
NP	2,051	999	1,972	2,028	2,915	2.915	2,915	2,915	7.903	6,917	7,050	11,659	13,024	15.883

Investment Thesis, Valuation and Risks

Hengli Petrochemical - A *(Neutral; Price Target: Rmb20.50)*

Investment Thesis

Hengli is the fourth-largest polyester producer globally and also owns 400kbd refining and 1.5Mtpa NCC capacities. Hengli is viewed as one of China's 'independent giants', which are part of China's plan to build seven major refining and chemical hubs. We expect Hengli's share price to remain range-bound near term due to challenges in feedstock sourcing due to the Middle East conflict, and recent sanctions on its Hengli Petrochemical Dalian Refinery subsidiary.

Valuation

Our Dec-26 PT of Rmb20.5 is based on a 1-year forward P/B of 1.5x (1SD below historical average of 2.0x) to capture the company's valuation during the chemicals downcycle in recent years and sanctions risks.

Risks to Rating and Price Target

Upside risks to our rating and price target include: 1) stronger-than-expected chemical spreads, 2) lifting of US sanctions or return to 100% utilization, and 3) higher oil price/GRM.

Downside risks to our rating and price target include: 1) a deterioration in polyester/chemicals demand or a surge in operating costs due to tariffs, 2) unplanned outages, and 3) delays in capacity start-up.