China Refineries

Supply-led recovery

Equities
Chemicals

China

- Procurement optimisation, refined oil exports arbitrage and tighter S-D for certain products support 3Q prospects
- Self-imposed supply discipline by producers underpins stable PTA-polyester margins, despite modest demand
- Constructive on refineries (Tongkun > Hengli – both rated Buy); Hold on XFM

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Refiners are set to improve further in 3Q. Following strong profitability in 2Q (*Ex. 2*), we expect China's refinery profitability to improve further in 3Q26e on a sequential basis. This should be supported by emerging supply tightness in chemical products and continued inventory-driven input cost gains, reflecting low-cost crude secured through proactive stock building when oil prices fell in June (*Ex. 5*). Meanwhile, domestic refined oil product sales and exports both rebounded sharply in 3Q, particularly domestic gasoline and diesel exports (*Ex. 9-10*).

Tighter supply is translating into margin improvement, despite modest demand in 2H26e. After several months of declining operating rates and import restrictions, supply contraction is increasingly translating into tighter market balances and stronger margins for certain products (*Ex. 4*). MEG is a clear example, with spreads rising sharply in 3Q (*Ex. 5-7*). Hengli and Tongkun, with 1.8mtpa and 1.1mtpa of MEG capacity, respectively, should benefit directly from the improving MEG market, providing meaningful earnings leverage.

PTA-polyester profit/tonne (T) floor set to sustain in 2H26e; upside hinges on demand. PTA and polyester have seen improving supply discipline since the Middle East conflicts. The industry is increasingly prioritising margin preservation over volume and market share. PTA output declined in 8M26, as leading producers, including Hengli, reduced utilisation rates to rebalance S-D. Polyester has a similar pattern, with tighter supply and improved spreads since 2Q partly offset by weaker output. We, therefore, believe the earnings floor of PTA and polyester has strengthened, given self-imposed supply cuts. However, further profit/T upside will depend mainly on an end-demand recovery. We expect stable margins until we see a strong demand recovery.

Prefer Tongkun over Hengli – both rated Buy. We raise our 2026e earnings estimates for Hengli, Tongkun and Xinfengming, backed by: (1) a more constructive view on refining in 3Q thanks to a sharp earnings improvement for refined oil and a better S-D outlook for chemical products, and (2) better-than-expected supply discipline in the PTA-polyester chain. We think Tongkun's current valuation reflects a stable profit/T of RMB350 for the polyester business backed by industry-wide coordinated production cuts. However, we think the share price has yet to fully reflect the earnings contribution from its 20% equity stake on ZPC and its coal-MEG projects in Xinjiang with subsequent capacity expansion in 2027e. We prefer Tongkun. We think Xinfengming's share price has already reflected the cRMB350/t polyester profits, limiting upside and supporting our Hold rating. See **valuation and risks on *pages 7-13*.**

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Exhibit 1. Summary of target price changes, ratings and multiples

Company	Ticker	Currency	Current Price	TP Old	TP New	Rating Old	Rating New	Upside/ Downside	2026 PE (x)	2027 PE (x)	2026 PB (x)	2027 PB (x)
Hengli	600346 CH	CNY	18.79	27.80	29.40	Buy	Buy	56%	10.2	8.7	1.8	1.6
Tongkun	601233 CH	CNY	25.07	24.10	29.20	Buy	Buy	16%	7.3	9.1	1.3	1.2
Xinfengming	603225 CH	CNY	18.83	17.50	17.80	Hold	Hold	-5%	12.5	12.6	1.6	1.4

Source: Wind, HSBC Qianhai Securities estimate. Note: Priced at close of 8 September 2026. TP – Target Price.

Disclosures & Disclaimer
This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

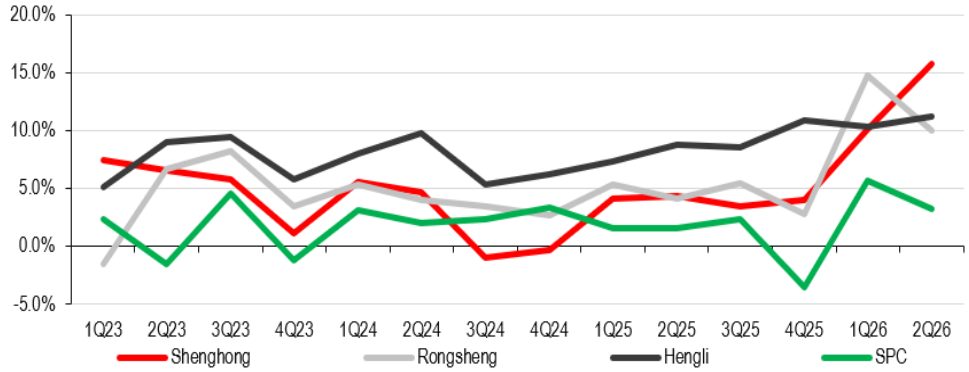
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Diverging crude procurement costs drove 2Q26 refining margin differentiation

2Q26 refining earnings diverged meaningfully, mainly due to differences in crude procurement strategies and timing. Zhejiang Petrochem posted the weakest GPM in 2Q26 among its local private mega peers, primarily because it relies more heavily on Middle East crude, leaving it with relatively limited cost advantages in 2Q. In contrast, Hengli's crude procurement was well-timed, although we believe the company saw limited inventory gains as its 2Q crude procurement cost was already relatively favourable. Eastern Shenghong, meanwhile, benefited significantly from optimised crude procurement, with lower feedstock costs driving a notable improvement in refining margins and supporting net profit growth.

Exhibit 2. China's refineries' GPM (excluding consumption tax)



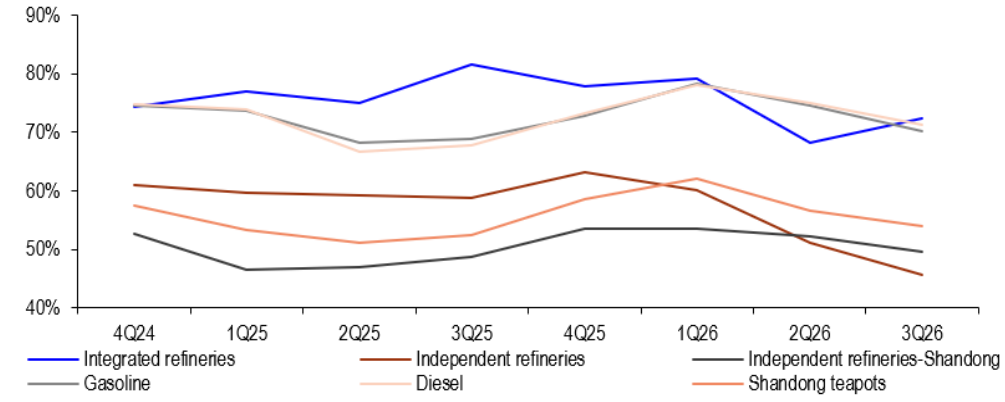
Source: Wind, HSBC Qianhai Securities

Remain positive on near-term refining earnings momentum in 3Q

We expect refining margins to remain solid in 3Q26e, driven by

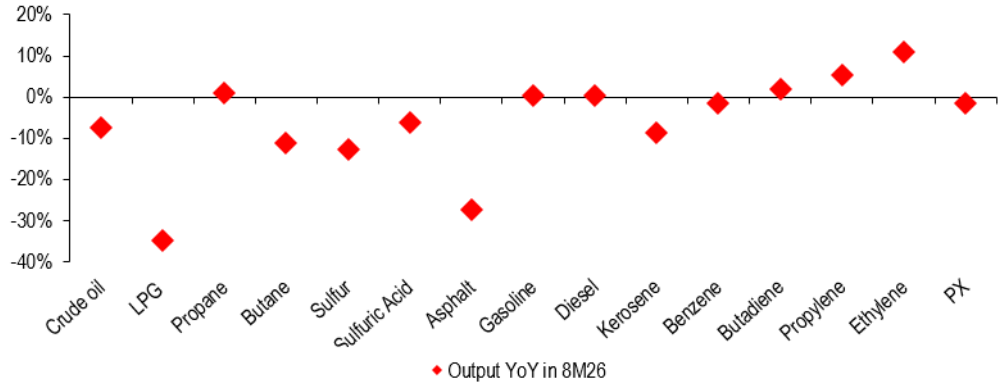
- **Lower refinery utilisation versus 2Q26:** During 3Q, major refiners' utilisation rates have started to recover, while utilisation at Shandong teapots, gasoline and diesel, and independent refiners has continued to decline. This suggests that industry supply only started to weaken in 3Q, with tighter supply supporting a further improvement in industry fundamentals.

Exhibit 3. China refineries' utilisation rate



Source: Wind, HSBC Qianhai Securities

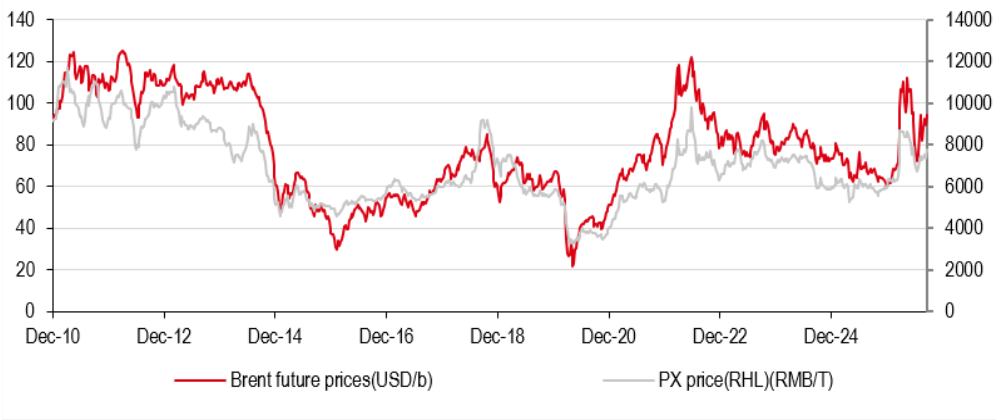
Exhibit 4. Production decline in the majority of refiners' products



Source: Wind, HSBC Qianhai Securities

- **Continued inventory gains:** We remain positive on the near-term refining earnings momentum in 3Q. The sharp decline in crude prices in late June (*Ex. 5*) prompted refiners to accelerate procurement and build inventories at lower costs in late June, which should allow low-cost crude purchased during this period to generate inventory gains in 3Q.

Exhibit 5. Crude oil price trend



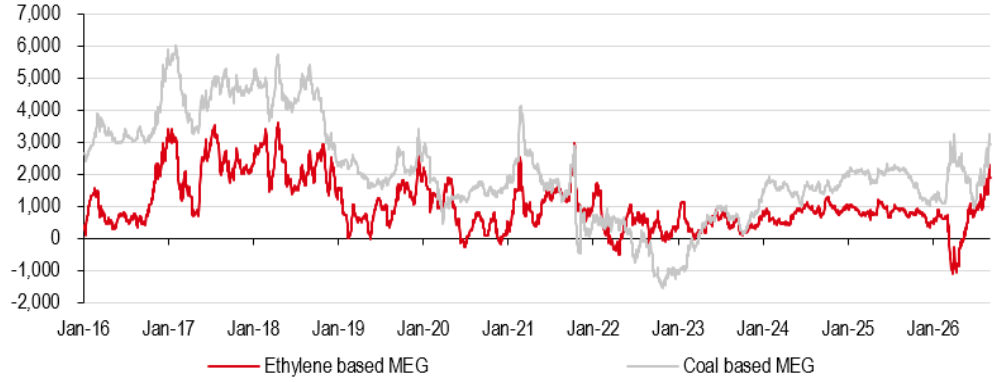
Source: Wind. HSBC Qianhai Securities

- **Chemical products: Improving S-D balance:** Tightness in downstream chemical supply is becoming increasingly evident, particularly for chemicals with high import dependence, such as MEG. MEG imports fell 36% in 7M26, while its import dependence was 27% in 2025(as per Baiinfo). This tighter supply has driven port inventories down to historical lows, supporting a rapid recovery in MEG spreads and margins in 3Q.

  Private mega refiners are also key contributors to MEG production. Zhejiang Petrochemical is the largest MEG producer, with 2.48 mtpa of capacity, followed by Shenghong at 1.9 mtpa. Satellite Chemical and Hengli each have 1.8 mtpa, while Tongkun has 0.6 mtpa of standalone coal-based MEG capacity in Xinjiang. Including Tongkun's 20% stake in Zhejiang Petrochemical, its attributable MEG capacity is c1.1 mtpa.

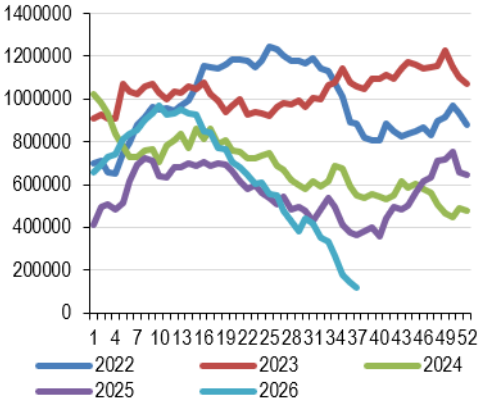
  Based on our estimates, stronger MEG profitability in 3Q versus 2Q could generate incremental profit of c**RMB630m for Hengli** in 3Q q-o-q and **RMB220m for Tongkun** in 3Q q-o-q.

Exhibit 6. MEG margins (RMB/T)



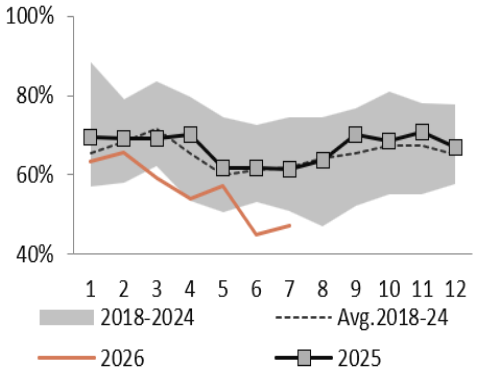
Source: Wind, HSBC Qianhai Securities

Exhibit 7. MEG port inventory(T)



Source: Wind, HSBC Qianhai Securities

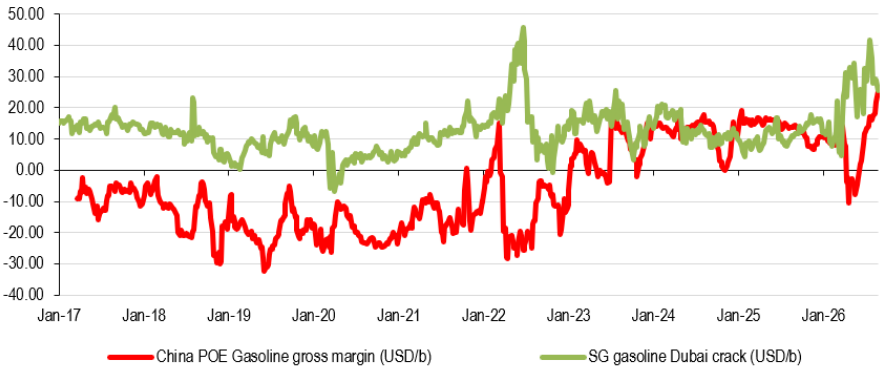
Exhibit 8. MEG run rate



Source: Wind, HSBC Qianhai Securities

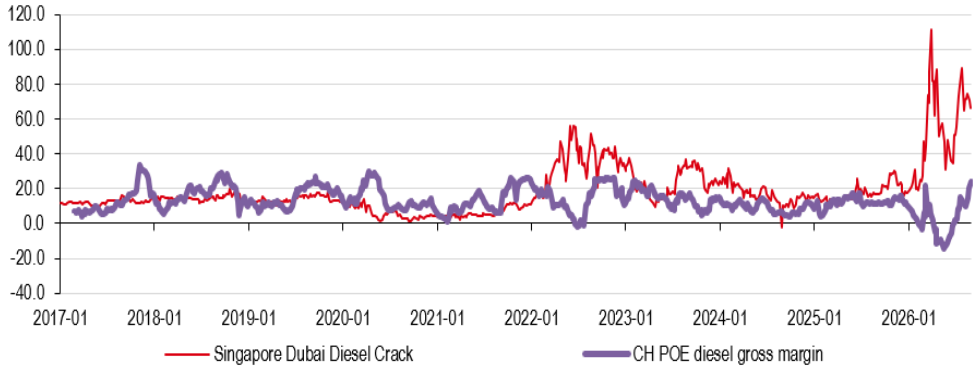
- **Export arbitrage on oil product exports, particularly diesel:** China has eased restrictions on refined product exports in 3Q. Based on current domestic and international price differentials, refined product exports can generate roughly RMB2,000-3,000/t or more of incremental profit for diesel, while the uplift for gasoline is around RMB1,000/t. Refiners with export quotas and capabilities should, therefore, benefit directly.

Exhibit 9. Gasoline ex-factory profits versus exports profits (USD/b)



Source: Wind, HSBC Qianhai Securities estimates

Exhibit 10. Diesel ex-factory profits versus exports profits (USD/b)



Source: Wind, HSBC Qianhai Securities estimates

A resilient earnings floor for PTA and polyester, although further upside needs a stronger demand outlook

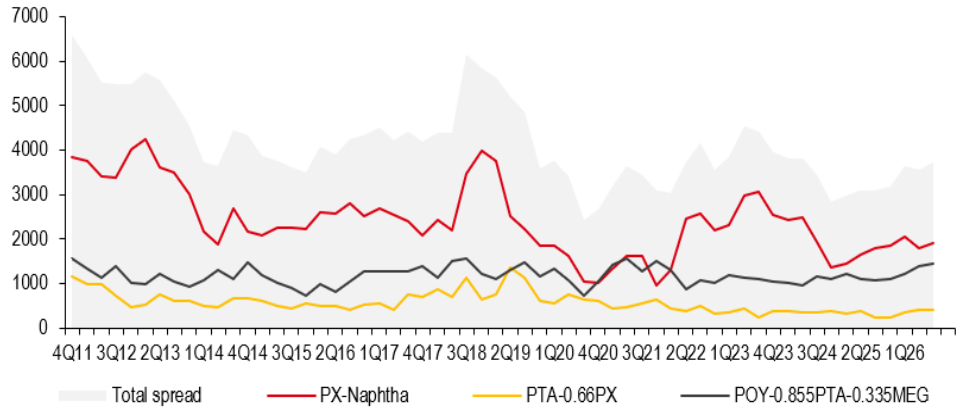
Beyond refining, we believe the downstream PX-PTA-polyester chain also showed signs of a structural improvement in 2Q, and we expect stable margins to continue in the near term.

PTA production in 1H26 declined noticeably, including at Hengli, suggesting that leading producers have been relatively disciplined in managing utilisation rates to preserve industry profitability. We expect this supply discipline to remain in place, keeping PTA margins at a relatively healthy level in the near term.

The polyester filament industry has a similar pattern. As supply tightens across the industry, producers have increasingly recognised that production discipline can support industry profitability. Lower production volumes have, therefore, not necessarily translated into lower earnings, as improved margins have more than offset the impact from reduced volumes. With major producers increasingly managing production and sales volumes to balance supply and demand, we believe the polyester industry can maintain a reasonable and stable level of profit/T.

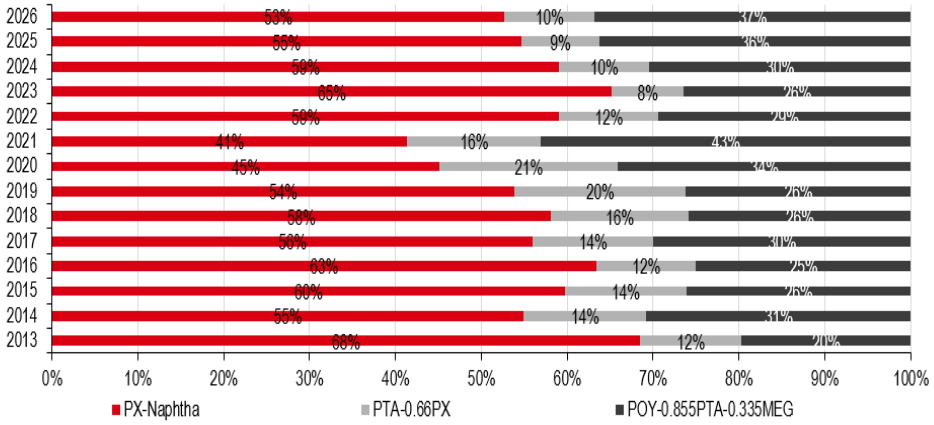
That said, with downstream demand still uncertain, we do not expect significant further earnings expansion for PTA and polyester. Instead, we believe the relatively healthy 2Q per tonne margins could be sustained for an extended period, implying limited upside elasticity but a more durable earnings floor. A stronger demand recovery would be the key catalyst for further earnings upside.

Exhibit 11. PX-PTA-Polyester chain spreads (RMB/T)



Source: Wind, HSBC Qianhai Securities

Exhibit 12. PX-PTA-Polyester chain profit distribution



Source: Wind, HSBC Qianhai Securities

This round of supply discipline in polyester is likely to succeed

Polyester spreads in 3Q retain positive momentum. We continue to see the filament industry's supply and profitability dynamics as broadly stable throughout 2026e.

One key factor is that smaller filament producers (accounting for c30% of total industry capacity) are already operating at close to full utilisation, leaving limited room for further production increases. As a result, even if filament prices rise, incremental supply from smaller producers should remain limited, reducing the risk of supply expansion offsetting production discipline among leading producers.

For leading polyester producers, such as Tongkun and Xinfengming, the focus is increasingly on maintaining a reasonable profit level of around RMB300-400/t rather than maximising market share. They have sacrificed some volume by cutting utilisation, but the competitive threat from smaller producers remains manageable, given their limited capacity expansion because of already high utilisation. Meanwhile, smaller producers can also remain profitable under a supportive pricing environment, which should help sustain industry-wide price discipline.

Constructive on earnings momentum in 2H; prefer Tongkun > Hengli

Given Zhejiang Petrochem's exports capability, we expect Tongkun (holds a 20% stake) to deliver q-o-q earnings improvement among major mega private refiners in China, followed by Hengli.

We remain constructive on 3Q refining earnings, but we believe a structural improvement in industry supply-demand fundamentals has yet to fully emerge. Normalisation of geopolitical conditions in the forecast period would bring lower oil prices and a recovery in Middle Eastern supply, potentially weighing on refining GPM and refined product export profitability.

Hengli (600346 CH, Buy, TP RMB29.40)

We lower our 2026-28e revenue estimates for Hengli to reflect lower production and utilisation rates amid constrained oil supply. However, we raise our 2026-28e GPM assumptions to capture supply side tightening as industry utilisation declines, as well as the cost benefits from inventory gains driven by lower oil prices. As a result, we revise our 2026-28e net profit estimates by 10%, 18% and -1%, respectively.

Our earnings estimates are now slightly above consensus for 2026e and 2027e. We believe the market has yet to fully factor in the potential inventory gains and the product profits upside driven by further industry-wide utilisation rate declines. We expect the share price to continue to recover as the market gradually raises its consensus earnings for the company.

Exhibit 13. Hengli: Estimate changes

	New			Old			Change (%)		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Revenue (RMBm)	209,824	228,031	223,921	271,139	255,786	258,083	-23%	-11%	-13%
Gross profit (RMBm)	31,372	34,865	35,619	34,089	34,187	38,468	-8%	2%	-7%
Tax and surcharges	6,395	7,553	7,532	9,841	9,685	9,708	-35%	-22%	-22%
Sales expense	304	330	324	392	370	374	-23%	-11%	-13%
Administrative expense	2,605	2,831	2,780	3,366	3,175	3,204	-23%	-11%	-13%
Research and development	1,697	1,844	1,811	2,193	2,069	2,088	-23%	-11%	-13%
Financial expense	4,089	3,001	2,624	3,565	2,708	2,279	15%	11%	15%
Operating profit (RMBm)	17,283	20,306	20,548	15,732	17,180	20,817	10%	18%	-1%
Net Income (RMBm)	12,978	15,249	15,430	11,814	12,901	15,632	10%	18%	-1%
Gross profit margin	15.0%	15.3%	15.9%	12.6%	13.4%	14.9%	2.4ppt	1.9ppt	1.0ppt
Operating profit margin	8.2%	8.9%	9.2%	5.8%	6.7%	8.1%	2.4ppt	2.2ppt	1.1ppt
Net Income Margin	6.2%	6.7%	6.9%	4.4%	5.0%	6.1%	1.8ppt	1.6ppt	0.8ppt
EPS (RMB)	1.84	2.17	2.19	1.68	1.83	2.22	10%	18%	-1%

Source: HSBC Qianhai Securities estimates

Exhibit 14. HSBC Qianhai estimates versus consensus

	HSBC Qianhai			Consensus			Difference		
RMBm	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Revenue	209,824	228,031	223,921	231,620	236,178	243,689	-9%	-3%	-8%
Net income	12,978	15,249	15,430	12,519	13,932	15,604	4%	9%	-1%

Source: Wind, HSBC Qianhai Securities estimates

Exhibit 15. Sensitivity analysis of chemical spread versus 2026e EPS changes

Ethylene spread (RMB/t)	2,000	2,200	2,500	2,800	3,000
EPS change	-38%	-23%	0%	23%	38%

Source: HSBC Qianhai Securities estimates

Exhibit 16. Sensitivity analysis of PTA/POY industrial spread versus 2026e EPS

PTA spread (RMB/t)	250	300	350	400	450	500	500
EPS change	-22%	-14%	-7%	0%	7%	14%	22%
POY spread (RMB/t)	**1,200**	**1,250**	**1,300**	**1,350**	**1,400**	**1,450**	**1,500**
EPS change	-9%	-6%	-3%	0%	3%	6%	9%

Source: HSBC Qianhai Securities estimates

Valuation and risks

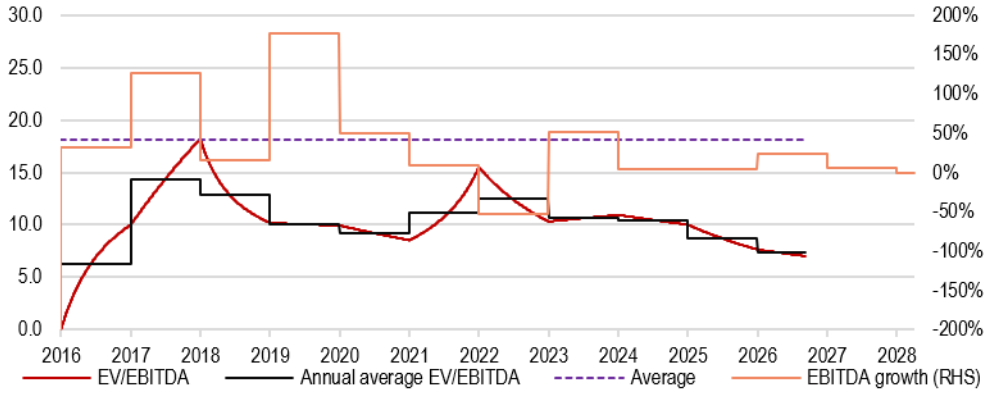
We continue to use an EV/EBITDA multiple to value the stock. We use a rounded EV/EBITDA multiple of 10x (unchanged), which is the average level of China peers in 2025. Applying this multiple to our higher 2026e EBITDA estimate, we arrive at a target price of RMB29.40 (from RMB27.80), implying c56% upside from the current share price. Considering the company's leading position in the industry, we maintain our Buy rating on the stock.

Exhibit 17. EV/EBITDA valuation

	Old	New
EV/EBITDA (x)	10	10
EBITDA (RMBm)	29,570	31,644
EV (RMBm)	340,052	316,442
Cash equivalents (RMBm)	21,820	12,619
Total debt (RMBm)	121,645	121,868
Equity value (RMBm)	240,209	207,175
Target Price (RMB)	**27.80**	**29.40**

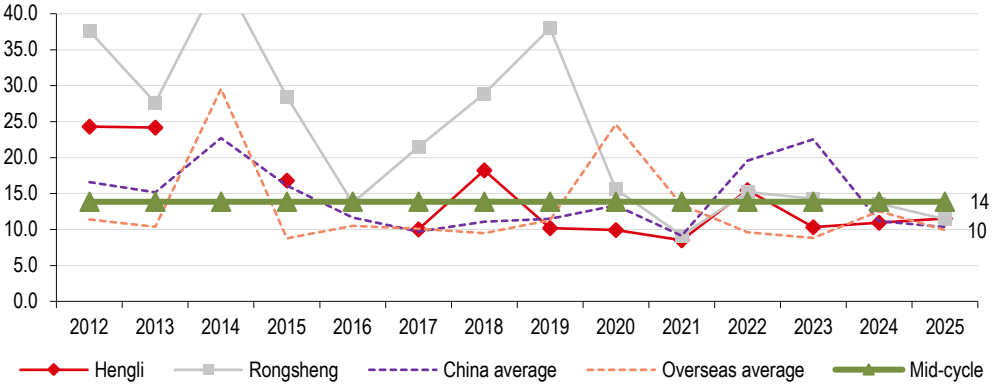
Source: HSBC Qianhai Securities estimates

Exhibit 18. Hengli: Historical EV/EBITDA (x) and EBITDA growth (%) outlook



Source: Bloomberg, HSBC Qianhai Securities estimates. Note: 2026-28e are estimated.

Exhibit 19. Global EV/EBITDA (x) comparison



Source: Bloomberg, HSBC Qianhai Securities

Key downside risks

- Lower-than-expected petrochemical profitability
- Inventory loss due to drastic oil price fluctuations
- De-escalation of international trade tensions that could weigh on pricing, leading to inventory losses
- US restriction movements intensifying

Tongkun (601233 CH, Buy, TP RMB29.20)

Benefiting from the polyester industry's strategy of coordinated production discipline and profit preservation, together with a significant increase in investment income from Zhejiang Petrochemical, Tongkun's net profit rose 378% y-o-y to RMB2.3bn in 2Q.

Looking ahead, we expect investment income to continue increasing in 3Q26e, supported by higher refined product exports from Zhejiang Petrochemical and inventory gains amid significant crude oil price volatility. In addition, based on Tongkun's latest equity incentive plan and its profit growth targets for the core polyester business, excluding Zhejiang Petrochemical's investment income, we raise our 2026-28e net profit estimates by 69%, 18% and 8%, respectively.

Our earnings estimates are now 18% above consensus for 2026e but 15% below consensus for 2027-28e, respectively. We believe consensus underestimates the earnings upside from the tight refining cycle in 2026e. However, we expect refinery profitability to moderate in 2027-28e as the Middle East conflict gradually eases and crude oil prices normalise.

We believe the market has yet to fully price in the potential for 2026e earnings to exceed expectations, leaving further upside for the share price. We, therefore, maintain our Buy rating.

Exhibit 20. Tongkun: Estimate changes

	New			Old			Change		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Revenue (RMBm)	101,700	107,484	113,489	104,705	107,484	113,489	-3%	0%	0%
Gross profit (RMBm)	9,802	9,219	10,244	7,781	9,272	10,860	26%	-1%	-6%
Operating profit (RMBm)	9,187	7,448	8,289	5,427	6,461	7,873	69%	15%	5%
Net income (RMBm)	8,170	6,579	7,252	4,841	5,589	6,718	69%	18%	8%
Gross profit margin	9.6%	8.6%	9.0%	7.4%	8.6%	9.6%	2.2ppt	0.0ppt	-0.5ppt
Operating profit margin	9.0%	6.9%	7.3%	5.2%	6.0%	6.9%	3.9ppt	0.9ppt	0.4ppt
Net income margin	8.0%	6.1%	6.4%	4.6%	5.2%	5.9%	3.4ppt	0.9ppt	0.5ppt
EPS (RMB)	3.42	2.77	3.05	2.02	2.35	2.82	69%	18%	8%

Source: Company data, HSBC Qianhai Securities estimates

Exhibit 21. HSBC Qianhai estimates versus consensus

	HSBC Qianhai			Consensus			Difference		
RMBm	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Revenue	101,700	107,484	113,489	110,363	116,108	122,063	-8%	-7%	-7%
Net income	8,170	6,579	7,252	6,916	7,698	8,484	18%	-15%	-15%

Source: Wind, HSBC Qianhai Securities estimates

Exhibit 22. Sensitivity analysis of PTA/POY industrial spread versus 2026 EPS estimates

PTA spread (RMB/t)	250	300	350	400	450	500	550
EPS change	-57%	-38%	-19%	0%	19%	38%	57%
POY spread (RMB/t)	**1,200**	**1,250**	**1,300**	**1,350**	**1,400**	**1,450**	**1,500**
EPS change	-24%	-16%	-8%	0%	8%	16%	24%

Source: HSBC Qianhai Securities estimates

Valuation and risks

We continue to use a PB-ROE methodology to value the stock. We use a cost of equity of 10.8% (unchanged, based on a risk-free rate of 4.25%, a China equity market risk premium of 4.75%, and a beta of 1.4 (all unchanged) based on the most recent two-year averag target PB multiple of 1.36x (from 1.21x), derived from our 2027e ROE estima 12%) and a long-term growth rate of 3.0% (unchanged). Combining this with estimate of RMB21.49 (from RMB19.96), we arrive at a new target price of R RMB24.10), implying c16% upside from the current share price. We maintain the company sustained supply discipline strategies as a global leading polye



Exhibit 23. Valuation assumptions

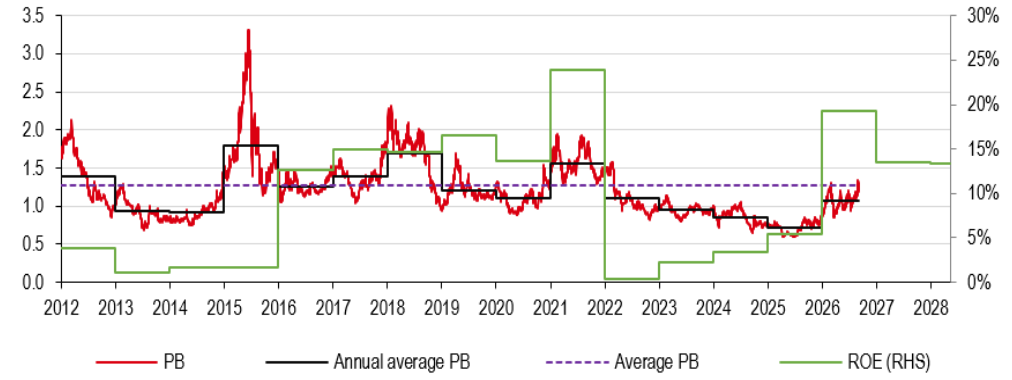
	New	Old
Risk-free rate	4.25%	4.25%
China stock market risk premium	4.75%	4.75%
Beta	1.4	1.4
COE	10.8%	10.8%
ROE estimate (%)	14%	12%
Long-term growth rate	3.0%	3.0%
PB (x)	**1.36**	**1.21**
BVPS (RMB)	21.41	19.96
Target price (RMB)	**29.20**	**24.10**

Source: Bloomberg (beta coefficient), HSBC Qianhai Securities estimates

Key downside risks

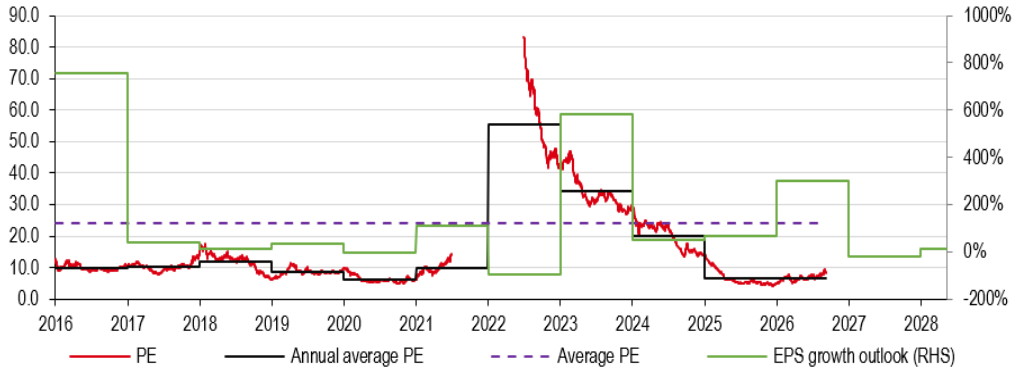
- Lower polyester spreads with unexpectedly weak demand
- Earnings miss from the 40mtpa ZPC petrochemical complex project
- Inventory value loss due to significant fluctuations in crude oil prices

Exhibit 24. Tongkun: Historical PB (x) and ROE (%) outlook



Source: Bloomberg, HSBC Qianhai Securities estimates. Note: 2026-28e are estimated.

Exhibit 25. Tongkun: Historical PE (x) and growth (%) outlook



Source: Bloomberg, HSBC Qianhai Securities estimates. Note: 2026-28e are estimates.

Valuation and risks

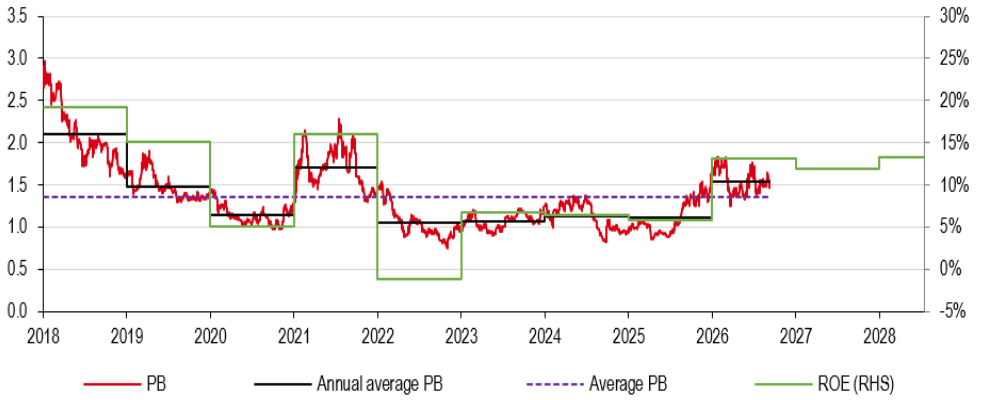
We continue to use a PB-ROE methodology to value the stock. We use a cost of equity of 9.6% (unchanged, based on a risk-free rate of 4.25%, a China equity market risk premium of 4.75%, and a beta of 1.12 (all unchanged)). We use a target PB multiple of 1.35x (from 1.36x), derived from our 2027e ROE estimate of 11.9% (unchanged) and a long-term growth rate of 3.0% (unchanged). Combining this with our 2027e BVPS estimate of RMB13.15 (from RMB12.81), we arrive at a target price of RMB17.80 (from RMB17.50). Our target price implies c5% downside from the current share price; we maintain our Hold rating to reflect stable earnings in the current industry's supply discipline environment.

Exhibit 29. Valuation assumptions

	NEW	OLD
Risk-free rate	4.25%	4.25%
China stock market risk premium	4.75%	4.75%
Beta	1.12	1.12
COE	9.6%	9.6%
ROE estimate (%)	11.9%	11.9%
Long-term growth rate	3.0%	3.0%
PB (x)	**1.35**	**1.36**
BVPS (RMB)	13.15	12.81
Target price (RMB)	**17.80**	**17.50**

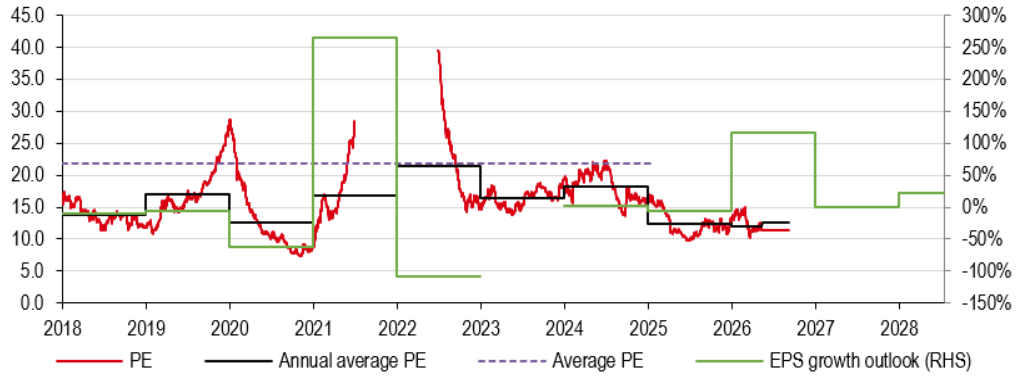
Source: Bloomberg (beta coefficient), HSBC Qianhai Securities estimates

Exhibit 30. Xinfengming: Historical PB (x) and ROE (%) outlook



Source: Bloomberg, HSBC Qianhai Securities estimates. Note: 2026-28 are estimates.

Exhibit 31. Xinfengming: Historical PE (x) and growth (%) outlook



Source: Bloomberg, HSBC Qianhai Securities estimates. Note: 2026-28 are estimates.

Key upside risks

- Higher polyester spreads with unexpected downstream inventory destocking
- Lower-than-expected raw material costs
- Acceleration of polyester market consolidation

Key downside risks

- Lower polyester spreads with unexpectedly weak demand
- Higher-than-expected raw material costs
- Inventory value loss due to significant fluctuations in oil prices

Exhibit 32. Global refinery comparable companies' valuation

Company	Ticker	Ccy	Price	Target Price	Rating	Past 3M %	Market Cap USDm	ADV 3M USDm	PE (x)			PB (x)			EPS Growth			ROE		
									2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Hengli*	600346 CH	RMB	18.79	29.40	Buy	9%	19,707	118	10.2	8.7	8.6	1.8	1.6	1.5	83%	17%	1%	18%	20%	18%
Shenghong	000301 CH	RMB	14.20	NA	NR	18%	13,987	64	19.7	18.6	15.5	2.4	2.2	2.0	1614%	6%	20%	12%	11%	12%
Tongkun*	601233 CH	RMB	25.07	29.20	Buy	31%	8,886	166	7.3	9.1	8.2	1.3	1.2	1.0	297%	-19%	10%	19%	14%	13%
Xinfengming*	603225 CH	RMB	18.83	17.80	Hold	11%	4,706	66	12.5	12.6	10.2	1.6	1.4	1.3	118%	0%	23%	13%	12%	13%
Hengyi	000703 CH	RMB	18.89	NA	NR	47%	10,756	224	8.2	9.0	8.1	2.5	2.2	2.0	1750%	-9%	11%	31%	25%	25%
SPC	600688 CH	RMB	2.94	NA	NR	8%	3,700	45	79.5	61.3	42.0	0.9	0.8	0.7	-170%	30%	46%	-1%	2%	2%
Sinopec**	600028 CH	RMB	5.59	-	-	15%	95,808	199	15.2	13.4	12.2	0.8	0.8	0.8	15%	13%	10%	5%	6%	6%
Huajin	000059 CH	RMB	6.15	NA	NR	39%	1,466	31	11.1	11.9	10.7	1.0	0.9	0.9	-150%	-7%	12%	8%	7%	7%
Average CH						**22%**	**19,877**	**114**	**20.5**	**18.1**	**14.4**	**1.5**	**1.4**	**1.3**	**445%**	**4%**	**17%**	**13%**	**12%**	**12%**
Formosa**	6505 TT	TWD	79.60	-	-	55%	24,060	71	12.1	18.5	12.4	1.7	1.6	1.9	443%	-35%	50%	14%	9%	15%
Indorama Ventures	IVL TB	THB	26.25	NA	NR	13%	4,480	25	17.3	16.7	13.0	1.2	1.1	1.1	-582%	4%	29%	7%	7%	8%
Alpek	ALPEKA MM	MXN	13.21	NA	NR	6%	1,666	4	8.2	17.1	12.5	1.0	1.0	1.0	-756%	-52%	36%	14%	5%	7%
Bharat**	BPCL IN	INR	303.35	-	-	2%	13,905	23	5.1	15.1	8.2	1.3	1.2	1.1	90%	-66%	83%	28%	8%	14%
S-Oil	010950 KS	KRW	16,1500	NA	NR	51%	13,383	50	6.3	8.4	10.3	1.6	1.4	1.3	2096%	-25%	-19%	28%	17%	13%
Phillips 66	PSX US	USD	255.09	NA	NR	45%	103,402	565	9.7	11.1	13.6	2.9	2.5	2.2	327%	-12%	-19%	30%	21%	16%
Valero	VLO US	USD	370.72	NA	NR	51%	110,233	845	8.4	10.9	13.7	3.7	3.3	2.9	335%	-23%	-20%	43%	25%	17%
PBF	PBF US	USD	74.34	NA	NR	83%	9,100	175	4.2	6.2	11.0	1.1	1.0	0.9	-473%	-31%	-44%	35%	15%	10%
Exxon Mobil**	XOM US	USD	159.47	-	-	10%	665,848	2330	13.4	14.8	15.3	2.4	2.4	2.3	70%	-9%	-4%	19%	15%	15%
Average						**31%**	**113,093**	**427**	**10.7**	**13.9**	**12.8**	**1.9**	**1.7**	**1.6**	**156%**	**-24%**	**10%**	**23%**	**13%**	**12%**

Note: *Covered by HSBC Qianhai Securities and HSBC Qianhai Securities estimates are used. **Covered by HSBC Global Research, please refer to the HSBC Global Investment Research website for the latest report. NR – Not Rated. NA – Not Applicable/Available. Priced at close of 8 September2026.
Source: Bloomberg consensus (for Not Rated stocks and HSBC Global Investment Research covered stocks), HSBC Qianhai Securities estimates (for HSBC Qianhai Securities covered stocks)

Financials & valuation: Xinfengming Group

Hold

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (CNYm)				
Revenue	71,557	77,012	91,760	93,663
EBITDA	6,546	8,412	8,753	8,977
Depreciation & amortisation	-3,484	-3,406	-3,316	-3,223
Operating profit/EBIT	3,063	5,006	5,437	5,754
Net interest	-394	-384	-503	-326
PBT	1,089	2,799	2,792	3,428
HSBC Qianhai PBT	1,089	2,799	2,792	3,428
Taxation	-70	-280	-279	-343
Net profit	1,018	2,518	2,510	3,082
HSBC Qianhai net profit	1,018	2,518	2,510	3,082
Cash flow summary (CNYm)				
Cash flow from operations	4,717	6,841	6,131	6,534
Capex	-6,297	-4,147	-2,156	-2,158
Cash flow from investment	-7,903	-3,934	-2,035	-1,940
Dividends	-331	-755	-753	-925
Change in net debt	4,116	-1,979	-2,870	-3,297
FCF equity	-1,580	2,694	3,975	4,376
Balance sheet summary (CNYm)				
Intangible fixed assets	2,195	2,192	2,190	2,187
Tangible fixed assets	37,090	37,835	36,678	35,615
Current assets	16,956	12,982	18,200	18,668
Cash & others	8,542	4,848	8,703	8,994
Total assets	56,774	53,579	57,677	57,120
Operating liabilities	5,736	6,025	7,227	7,344
Gross debt	28,040	22,368	23,353	20,347
Net debt	19,499	17,520	14,650	11,353
Shareholders' funds	17,969	20,156	22,064	24,393
Invested capital	41,964	42,137	41,138	40,132

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
y-o-y % change				
Revenue	6.7	7.6	19.2	2.1
EBITDA	2.7	28.5	4.0	2.6
Operating profit	-9.8	63.5	8.6	5.8
PBT	-13.3	157.0	-0.3	22.8
HSBC Qianhai EPS	-5.5	117.5	-0.3	22.8
Ratios (%)				
Revenue/IC (x)	1.8	1.8	2.2	2.3
ROIC	7.3	10.7	11.8	12.7
ROE	5.8	13.2	11.9	13.3
ROA	2.5	5.2	5.3	5.9
EBITDA margin	9.1	10.9	9.5	9.6
Operating profit margin	4.3	6.5	5.9	6.1
EBITDA/net interest (x)	16.6	21.9	17.4	27.5
Net debt/equity	108.2	86.7	66.2	46.4
Net debt/EBITDA (x)	3.0	2.1	1.7	1.3
CF from operations/net debt	24.2	39.0	41.9	57.6
Per share data (CNY)				
EPS Rep (diluted)	0.69	1.50	1.50	1.84
HSBC Qianhai EPS (diluted)	0.69	1.50	1.50	1.84
DPS	0.22	0.45	0.45	0.55
Book value	12.18	12.02	13.15	14.54

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	0.7	0.6	0.5	0.5
EV/EBITDA	7.7	5.8	5.2	4.7
EV/IC	1.2	1.2	1.1	1.1
PE*	27.3	12.5	12.6	10.2
PB	1.5	1.6	1.4	1.3
FCF yield (%)	-5.0	8.5	12.6	13.9
Dividend yield (%)	1.2	2.4	2.4	2.9

* Based on HSBC Qianhai EPS (diluted)

ESG metrics

Environmental Indicators	12/2024a
GHG emission intensity*	NA
Energy intensity*	NA
CO_2 reduction policy	Yes
Social Indicators	**12/2024a**
Employee costs as % of revenues	3.2
Employee turnover (%)	NA
Diversity policy	No

Governance Indicators	12/2025a
No. of board members	8
Average board tenure (years)	NA
Female board members (%)	25
Board members independence (%)	37.5

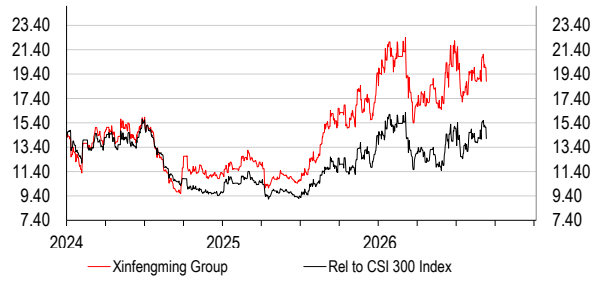
Source: Company data, HSBC Qianhai Securities

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (CNY)	18.83	Free float	14%
Target price (CNY)	17.80	Sector	Chemicals
RIC (Equity)	603225.SS	Country/Region	China
Bloomberg (Equity)	603225 CH	Analyst	Yi Ru
Market cap (USDm)	4,707	Contact	+86 21 5066 2008

Price relative



Source: HSBC Qianhai Securities

Note: Priced at close of 08 Sep 2026

Financials & valuation: Tongkun Group

Buy

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (CNYm)				
Revenue	93,891	101,700	107,484	113,489
EBITDA	8,280	15,354	13,391	14,035
Depreciation & amortisation	-5,253	-5,255	-5,103	-4,958
Operating profit/EBIT	3,027	10,098	8,288	9,077
Net interest	-971	-911	-840	-787
PBT	2,097	9,237	7,498	8,339
HSBC Qianhai PBT	2,097	9,237	7,498	8,339
Taxation	-45	-1,047	-900	-1,068
Net profit	2,033	8,170	6,579	7,252
HSBC Qianhai net profit	2,033	8,170	6,579	7,252
Cash flow summary (CNYm)				
Cash flow from operations	6,423	10,014	8,881	9,962
Capex	-10,820	-4,152	-4,161	-4,169
Cash flow from investment	-11,171	-4,342	-4,553	-4,062
Dividends	-285	-1,634	-1,316	-1,450
Change in net debt	5,144	-4,450	-1,854	-3,797
FCF equity	-4,397	5,863	4,721	5,793
Balance sheet summary (CNYm)				
Intangible fixed assets	6,739	7,602	8,450	9,283
Tangible fixed assets	56,453	54,487	52,696	51,074
Current assets	30,091	27,600	32,851	35,115
Cash & others	15,141	10,581	14,964	16,371
Total assets	113,523	114,119	121,819	126,187
Operating liabilities	8,611	10,377	10,581	11,382
Gross debt	55,876	46,866	49,395	47,004
Net debt	40,734	36,285	34,431	30,633
Shareholders' funds	38,325	46,183	51,128	57,064
Invested capital	69,530	68,730	68,451	67,720

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
y-o-y % change				
Revenue	-7.3	8.3	5.7	5.6
EBITDA	18.0	85.4	-12.8	4.8
Operating profit	43.6	233.7	-17.9	9.5
PBT	119.3	340.5	-18.8	11.2
HSBC Qianhai EPS	68.6	297.2	-19.0	10.2
Ratios (%)				
Revenue/IC (x)	1.4	1.5	1.6	1.7
ROIC	4.5	13.0	10.6	11.6
ROE	5.4	19.3	13.5	13.4
ROA	2.8	7.9	6.2	6.4
EBITDA margin	8.8	15.1	12.5	12.4
Operating profit margin	3.2	9.9	7.7	8.0
EBITDA/net interest (x)	8.5	16.8	15.9	17.8
Net debt/equity	104.8	77.6	66.6	53.1
Net debt/EBITDA (x)	4.9	2.4	2.6	2.2
CF from operations/net debt	15.8	27.6	25.8	32.5
Per share data (CNY)				
EPS Rep (diluted)	0.86	3.42	2.77	3.05
HSBC Qianhai EPS (diluted)	0.86	3.42	2.77	3.05
DPS	0.12	0.68	0.55	0.61
Book value	16.21	19.31	21.49	23.99

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	0.9	0.7	0.6	0.5
EV/EBITDA	9.7	4.7	4.9	4.2
EV/IC	1.2	1.0	1.0	0.9
PE*	29.2	7.3	9.1	8.2
PB	1.5	1.3	1.2	1.0
FCF yield (%)	-7.4	9.8	7.9	9.7
Dividend yield (%)	0.5	2.7	2.2	2.4

* Based on HSBC Qianhai EPS (diluted)

ESG metrics

Environmental Indicators	12/2024a
GHG emission intensity*	NA
Energy intensity*	NA
CO_2 reduction policy	Yes
Social Indicators	**12/2024a**
Employee costs as % of revenues	3.9
Employee turnover (%)	NA
Diversity policy	No

Governance Indicators	12/2025a
No. of board members	11
Average board tenure (years)	NA
Female board members (%)	45.5
Board members independence (%)	36.4

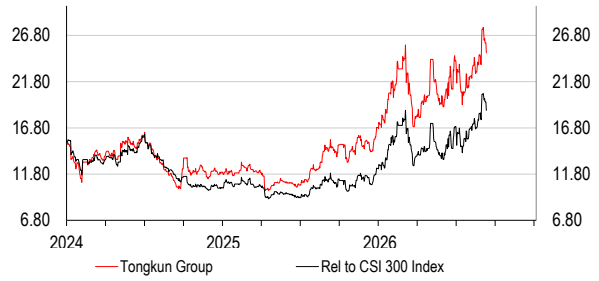
Source: Company data, HSBC Qianhai Securities

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (CNY)	25.07	Free float	98%
Target price (CNY)	29.20	Sector	Chemicals
RIC (Equity)	601233.SS	Country/Region	China
Bloomberg (Equity)	601233 CH	Analyst	Yi Ru
Market cap (USDm)	8,887	Contact	+86 21 5066 2008

Price relative



Source: HSBC Qianhai Securities

Note: Priced at close of 08 Sep 2026

Financials & valuation: Hengli Petrochemical

Buy

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (CNYm)				
Revenue	201,087	209,824	228,031	223,921
EBITDA	25,524	31,644	33,424	33,079
Depreciation & amortisation	-11,720	-10,272	-10,117	-9,908
Operating profit/EBIT	13,804	21,372	23,307	23,172
Net interest	-4,383	-4,089	-3,001	-2,624
PBT	9,420	17,283	20,306	20,548
HSBC Qianhai PBT	9,420	17,283	20,306	20,548
Taxation	-2,346	-4,304	-5,057	-5,118
Net profit	7,075	12,978	15,249	15,430
HSBC Qianhai net profit	7,075	12,978	15,249	15,430
Cash flow summary (CNYm)				
Cash flow from operations	31,122	26,804	28,510	27,932
Capex	7,111	4,000	2,500	2,500
Cash flow from investment	-9,149	-4,235	-2,578	-2,597
Dividends	-2,604	-5,840	-6,862	-6,944
Change in net debt	-13,751	-12,875	-16,147	-15,865
FCF equity	38,233	30,804	31,010	30,432
Balance sheet summary (CNYm)				
Intangible fixed assets	8,911	8,580	8,262	7,956
Tangible fixed assets	181,382	175,440	168,141	161,040
Current assets	71,170	55,201	44,966	59,364
Cash & others	29,453	12,619	1,281	16,061
Total assets	262,259	240,018	222,167	229,156
Operating liabilities	14,794	15,123	16,370	15,957
Gross debt	151,077	121,369	93,884	92,799
Net debt	121,624	108,750	92,603	76,738
Shareholders' funds	66,773	73,911	82,298	90,785
Invested capital	217,216	211,479	203,719	196,341

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
y-o-y % change				
Revenue	-14.9	4.3	8.7	-1.8
EBITDA	4.6	24.0	5.6	-1.0
Operating profit	-1.8	54.8	9.1	-0.6
PBT	6.8	83.5	17.5	1.2
HSBC Qianhai EPS	1.0	82.5	17.5	1.2
Ratios (%)				
Revenue/IC (x)	0.9	1.0	1.1	1.1
ROIC	4.7	7.5	8.4	8.7
ROE	10.9	18.5	19.5	17.8
ROA	3.9	6.4	7.6	7.7
EBITDA margin	12.7	15.1	14.7	14.8
Operating profit margin	6.9	10.2	10.2	10.3
EBITDA/net interest (x)	5.8	7.7	11.1	12.6
Net debt/equity	182.1	147.1	112.5	84.5
Net debt/EBITDA (x)	4.8	3.4	2.8	2.3
CF from operations/net debt	25.6	24.6	30.8	36.4
Per share data (CNY)				
EPS Rep (diluted)	1.01	1.84	2.17	2.19
HSBC Qianhai EPS (diluted)	1.01	1.84	2.17	2.19
DPS	0.37	0.83	0.97	0.99
Book value	9.49	10.50	11.69	12.90

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	1.3	1.1	1.0	0.9
EV/EBITDA	9.9	7.6	6.7	6.3
EV/IC	1.2	1.1	1.1	1.1
PE*	18.6	10.2	8.7	8.6
PB	2.0	1.8	1.6	1.5
FCF yield (%)	28.9	23.3	23.4	23.0
Dividend yield (%)	2.0	4.4	5.2	5.2

* Based on HSBC Qianhai EPS (diluted)

ESG metrics

Environmental Indicators	12/2025a
GHG emission intensity*	NA
Energy intensity*	NA
CO_2 reduction policy	Yes
Social Indicators	**12/2025a**
Employee costs as % of revenues	NA
Employee turnover (%)	NA
Diversity policy	No

Governance Indicators	12/2025a
No. of board members	8
Average board tenure (years)	5.2
Female board members (%)	12.5
Board members independence (%)	37.5

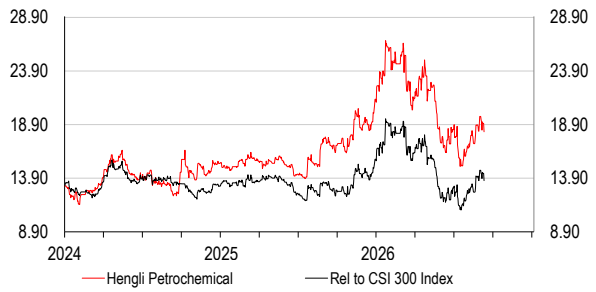
Source: Company data, HSBC Qianhai Securities

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (CNY)	18.79	Free float	66%
Target price (CNY)	29.40	Sector	Chemicals
RIC (Equity)	600346.SS	Country/Region	China
Bloomberg (Equity)	600346 CH	Analyst	Yi Ru
Market cap (USDm)	19,709	Contact	+86 21 5066 2008

Price relative



Source: HSBC Qianhai Securities

Note: Priced at close of 08 Sep 2026

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Yi Ru

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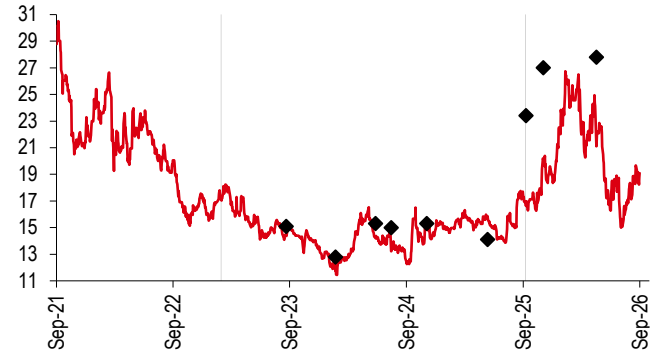
Buy	61%	(13% of these provided with Investment Banking Services in the past 12 months)
Hold	34%	(10% of these provided with Investment Banking Services in the past 12 months)
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For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see "Stock ratings and basis for financial analysis" above.

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Share price and rating changes for long-term investment opportunities

Hengli Petrochemical (600346.SS) share price performance CNY Vs HSBC rating history



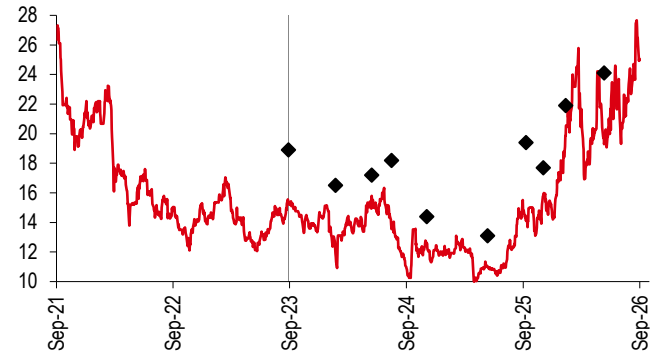
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Buy	Hold	07 Feb 2023	Yi Ru
Hold	Buy	18 Sep 2025	Yi Ru
Target price	**Value**	**Date**	**Analyst**
Price 1	15.10	30 Aug 2023	Yi Ru
Price 2	12.80	31 Jan 2024	Yi Ru
Price 3	15.30	04 Jun 2024	Yi Ru
Price 4	15.00	24 Jul 2024	Yi Ru
Price 5	15.30	12 Nov 2024	Yi Ru
Price 6	14.10	21 May 2025	Yi Ru
Price 7	23.40	18 Sep 2025	Yi Ru
Price 8	27.00	11 Nov 2025	Yi Ru
Price 9	27.80	27 Apr 2026	Yi Ru

Source: HSBC

Tongkun Group (601233.SS) share price performance CNY Vs HSBC rating history



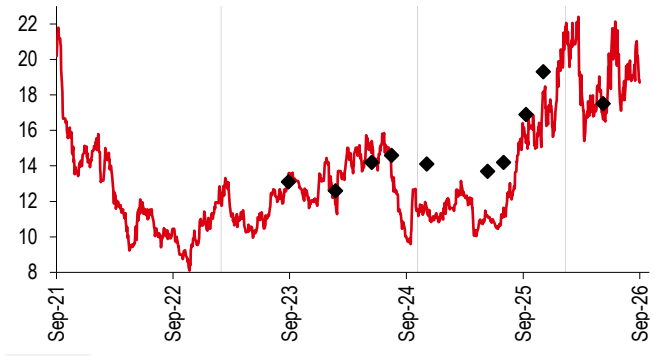
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Buy	06 Sep 2023	Yi Ru
Target price	**Value**	**Date**	**Analyst**
Price 1	18.90	06 Sep 2023	Yi Ru
Price 2	16.50	31 Jan 2024	Yi Ru
Price 3	17.20	23 May 2024	Yi Ru
Price 4	18.20	24 Jul 2024	Yi Ru
Price 5	14.40	12 Nov 2024	Yi Ru
Price 6	13.10	21 May 2025	Yi Ru
Price 7	19.40	18 Sep 2025	Yi Ru
Price 8	17.70	11 Nov 2025	Yi Ru
Price 9	21.90	21 Jan 2026	Yi Ru
Price 10	24.10	21 May 2026	Yi Ru

Source: HSBC

Xinfengming Group (603225.SS) share price performance CNY Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Buy	Hold	07 Feb 2023	Yi Ru
Hold	Buy	14 Oct 2024	Yi Ru
Buy	Hold	21 Jan 2026	Yi Ru
Target price	**Value**	**Date**	**Analyst**
Price 1	13.10	06 Sep 2023	Yi Ru
Price 2	12.60	31 Jan 2024	Yi Ru
Price 3	14.20	23 May 2024	Yi Ru
Price 4	14.60	24 Jul 2024	Yi Ru
Price 5	14.10	12 Nov 2024	Yi Ru
Price 6	13.70	21 May 2025	Yi Ru
Price 7	14.20	10 Jul 2025	Yi Ru
Price 8	16.90	18 Sep 2025	Yi Ru
Price 9	19.30	11 Nov 2025	Yi Ru
Price 10	17.50	18 May 2026	Yi Ru

Source: HSBC

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