

China Petroleum & Chem (Sinopec)

Bloomberg: 386 HK EQUITY | Reuters: 0386.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

30 Aug 2022

BUY

Last Traded Price (29 Aug 2022): HK\$3.76 (HSI : 20,023)
Price Target 12-mth: HK\$5.30 (41% upside)

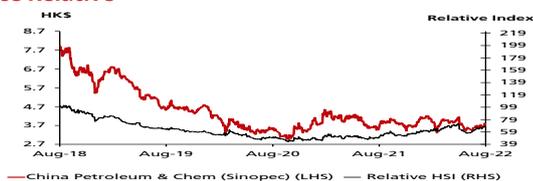
Analyst

Pei Hwa HO +65 6682 3714 peihwa@db.com

What's New

- 2Q22 results were not as weak as expected; lower downstream earnings were offset by strong E&P and inventory gains
- Interim DPS of Rmb0.16 was declared; expect full-year dividend yield of ~10%; launch of first share buyback programme since listing
- Raised FY22/23 earnings forecasts by 16%/19%
- Reiterate BUY; TP HK\$5.30

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2020A	2021A	2022F	2023F
Turnover	2,117,838	2,740,884	3,025,678	3,143,820
EBITDA	117,315	220,611	237,113	249,207
Pre-tax Profit	48,143	109,169	119,456	120,362
Net Profit	33,096	71,975	73,551	74,120
Net Pft (Pre Ex) (core profit)	2,920	71,975	73,551	74,120
Net Profit Gth (Pre-ex) (%)	(94.9)	2,364.9	2.2	0.8
EPS (RMB)	0.27	0.59	0.61	0.61
EPS (HK\$)	0.31	0.68	0.69	0.70
Core EPS (RMB)	0.02	0.59	0.61	0.61
Core EPS (HK\$)	0.03	0.68	0.69	0.70
EPS Gth (%)	(42.4)	117.5	2.2	0.8
Core EPS Gth (%)	(94.9)	2,364.9	2.2	0.8
Diluted EPS (HK\$)	0.31	0.68	0.69	0.70
DPS (HK\$)	0.23	0.54	0.37	0.37
BV Per Share (HK\$)	6.99	7.30	7.63	7.96
PE (X)	12.0	5.5	5.4	5.4
CorePE (X)	136.5	5.5	5.4	5.4
P/Cash Flow (X)	2.4	1.8	2.1	1.9
P/Free CF (X)	10.2	4.9	nm	5.4
EV/EBITDA (X)	4.0	2.0	2.2	2.0
Net Div Yield (%)	6.1	14.3	9.7	9.7
P/Book Value (X)	0.5	0.5	0.5	0.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE(%)	4.5	9.5	9.3	9.0
Earnings Rev (%)			16	19
Consensus EPS (RMB)			0.59	0.58
Other Broker Recs:		B:12	S:2	H:4

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

A greener integrated oil major

Investment Thesis

Unjustifiable low valuation at 0.5x PB. China reopening could lift downstream performance and sentiment on the stock. Sinopec is also accelerating its green energy initiatives, which should reduce the current ESG discount.

Oil price ~US\$100/bbl seems manageable. We expect refining margins to moderate from 2021's high of US\$11.2/bbl to US\$7-8/bbl in view of the higher oil prices at ~US\$100/bbl. This will partially be offset by higher E&P profits with oil price substantially above the breakeven level of US\$50/bbl. We expect the oil price to average US\$100/bbl in FY22, slightly higher than Sinopec's sweet spot of US\$60-80/bbl.

An attractive dividend play with 10% yield. We assume a c.50% payout on elevated earnings in FY22-23, translating to a Rmb0.32 DPS or ~10% yield. The company recently announced its share buyback programme since listing, which could lend further support to its share price.

Valuation:

Our SOTP-based TP of HK\$5.30 is based on a 50% discount to the reported PV-10 (present value of flows from oil & gas reserves) for the E&P segment, 7x PE for chemicals and refining, and DCF for marketing and its PipeChina stake.

Where we differ:

We appreciate that the company is working on addressing the high E&P breakeven, which is yet to be reflected in its share price. The IPO of the marketing business is a potential catalyst that could attract investors to revisit the stock.

Key Risks to Our View:

A slower-than-expected ramp-up in China's industrial sector activity could depress demand for refined products and fuels, which would be negative for Sinopec.

At A Glance

Issued Capital - H shares (m shs)	25,513
- Non H shrs (m shs)	95,558
H shs as a % of Total	21
Total Mkt Cap (HK\$m/US\$m)	558,359 / 71,153
Major Shareholders (%)	
China Petrochemical Corporation	86.6
Major H Shareholders (As % of H shares)	
H Shares-Free Float (%)	100.0
3m Avg. Daily Val. (US\$m)	47.17
GICS Industry: Energy / Oil, Gas & Consumable Fuels	



Watchlist the stock on Insights Direct to receive prompt updates



China Petroleum & Chem (Sinopec)

WHAT'S NEW

1H22 better than expected

1H22 net profit up 11% y-o-y to Rmb44.5bn, better than the expectations of an earnings decline in anticipation of weaker downstream performance with lockdowns in 2Q22. This is a record interim profit for Sinopec, similar to its two Chinese peers.

E&P was the star performer. E&P generated Rmb26.3bn (+322% y-o-y) in operating profits on the back of a higher realised oil price of c.US\$95/bbl and natural gas price of US\$8.94/Mcf.

Refining and marketing fared better than expected, aided by inventory gains on the back of higher oil prices, as Sinopec typically keeps 20 days of inventory for crude oil and 15 days for refined products. Total inventory gains of ~Rmb40bn (pre-tax) were recorded for 1H22. Stripping this out, core profit would have been ~Rmb14.5bn.

While headline profit is expected to moderate in 2H in the absence of significant inventory gains, core margins should improve with stronger demand for refined products post-lockdowns and a shift towards high-value-add products.

Chemicals segment continued to face keen competition and margin squeeze, dipping to a small operating loss in 2Q22.

Overall, **management remains confident on the longer term outlook of the downstream business,** especially with their cost and product optimisation strategies.

Earnings revisions. We have fine-tuned our numbers to reflect higher oil prices, inventory gains, and downstream margins. FY22/23 net profit is lifted by 16%/19%, respectively.

Capex was c.Rmb65bn in 1H22, of which 51% was for E&P, 14% for refining, 28% for chemicals, 5% for marketing, and 2% for corporate & others. This is in line with the strategy to enhance E&P reserves and pivot towards high-value-add

products. FY22 capex guidance of Rmb198bn is maintained.

An interim dividend of Rmb0.16 was declared, same as last year. We expect a final dividend of Rmb0.16, bringing a full-year dividend of Rmb0.32 (based on a ~50% payout ratio). This translates to a lucrative dividend yield of c.10%.

First share buyback mandate approved since listing. The board of directors has approved a general mandate for Sinopec's share buyback programme since listing, which was proposed in early 2022. No details were disclosed for H-share repurchase, though we may take reference from the A-share buyback. Sinopec plans to repurchase Rmb1.2-2.5bn worth of A-shares, implying 0.3%-0.6% of the outstanding shares in China. Coupled with a steady dividend, these signify Sinopec's commitment to shareholder return.

Leading the pack in clean energy transition. Sinopec has completed and commissioned China's first 1mt Carbon Capture, Utilisation, and Storage (CCUS) project in 1H22. It is also building the world's largest green hydrogen production plant from renewable sources. It aims to be the largest hydrogen player in China by building 1,000 hydrogen refuelling stations by 2025 and expanding its hydrogen production capacity from the current 3.9mt/year (already the largest producer in China, with ~11% of China's total production as of end-2021).

Company Background

Sinopec is an integrated oil major based in China, with operations in the upstream and downstream segments (marketing, refining, and chemicals). Sinopec is the largest refiner in China and accounts for about 40% of China's total refinery throughput.

China Petroleum & Chem (Sinopec)

Segmental performance

Profit from Operations (Rmb m)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	Comments
Exploration and production	2,356	3,877	2,475	(4,023)	10,429	15,873	E&P segment EBIT more than quadrupled y-o-y, thanks to high oil prices. Realised oil price was +64% y-o-y to US\$95.4/bbl E&P production output grew 2.9% y-o-y to 242.01mboe in 1H22; crude oil was +1.1% to 139.65mmbbls, while natural gas was +5.4% to 613.92bcf
Refining	19,487	19,911	14,143	11,738	22,493	7,275	Lifting cost was stable at around US\$16.7/bbl (+3.7%) Faced challenges of high oil prices and the pandemic. Crude oil processed down 4.2%. Refinery throughput dropped 4.0% to 121mt in 1H22 Dynamically adjusted utilisation rate and product structure as well as increased exports , as domestic demand is affected by the pandemic; also, optimised the allocation of crude oil resources and reduced procurement costs
Marketing and distribution	8,021	8,047	5,560	(424)	8,564	8,291	Refining margins declined 5.3% to US\$11.18/bbl in 1H22 Faced fierce market competition due to the pandemic Marketing domestic sales volume fell 6.6% y-o-y to 78.46mt in 1H22
Chemicals	7,104	5,901	2,559	(4,458)	1,325	(515)	New business model with comprehensive energy supply, providing refined oil products, natural gas, hydrogen, EV charging & batter swapping, and non-fuel businesses Chemical segment faced strong competition and margin squeeze in 1H22
Corporate and others	(567)	(3,168)	935	(425)	(81)	480	Sinopec has rapidly adjusted production to optimise product mix
Elimination	(7,700)	(5,160)	1,025	7,414	(9,770)	(1,440)	
Total Operating Profit	28,701	29,408	26,697	9,822	32,960	29,964	

Source: Company, DBS HK

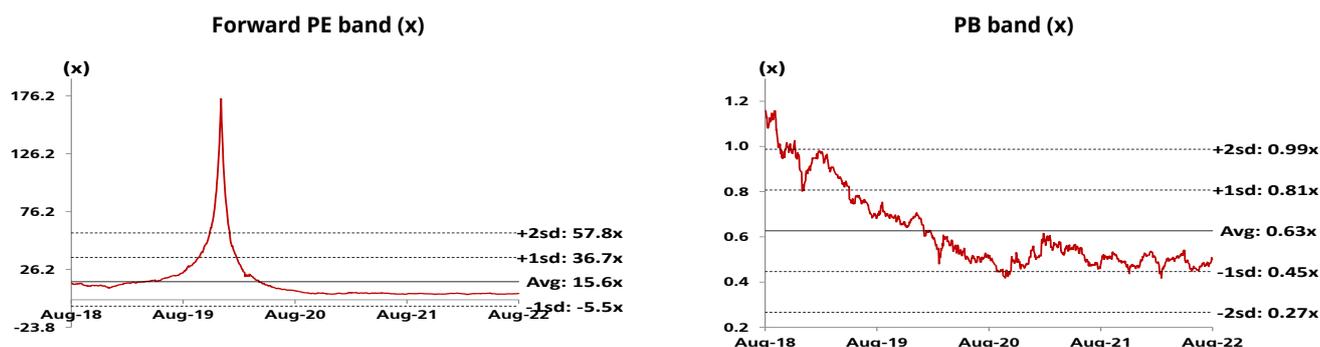
China Petroleum & Chem (Sinopec)

Quarterly / Interim Income Statement (RMBm)

FY Dec	2Q2021	1Q2022	2Q2022	% chg_yoy	% chg_qoq
Revenue	684,621	771,386	840,740	22.8	9.0
Cost of Goods Sold	(615,008)	(688,999)	(766,897)	24.7	11.3
Gross Profit	69,613	82,387	73,843	6.1	(10.4)
Other Oper. (Exp)/Inc	(40,205)	(49,427)	(43,879)	9.1	(11.2)
Operating Profit	29,408	32,960	29,964	1.9	(9.1)
Other Non Op (Exp)/Inc	133	115	(214)	nm	(286.1)
Associates & JV Inc	6,822	3,619	3,708	(45.6)	2.5
Net Interest (Exp)/Inc	(2,609)	(2,356)	(2,756)	(5.6)	(17.0)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	33,754	34,338	30,702	(9.0)	(10.6)
Tax	(7,867)	(7,009)	(7,452)	(5.3)	6.3
Minority Interest	(4,476)	(3,991)	(2,137)	52.3	(46.5)
Net Profit	21,411	23,338	21,113	(1.4)	(9.5)
Net profit bef Except.	21,411	23,338	21,113	(1.4)	(9.5)
EBITDA	64,094	63,388	60,402	(5.8)	(4.7)
Margins (%)					
Gross Margins	10.2	10.7	8.8		
Opg Profit Margins	4.3	4.3	3.6		
Net Profit Margins	3.1	3.0	2.5		

Source: Company, DBS HK

Historical PE and PB band



Source: Thomson Reuters, DBS HK

China Petroleum & Chem (Sinopec)

Key Assumptions

FY Dec	2019A	2020A	2021A	2022F	2023F
Crude oil price forecast (US\$/bbl)	64.0	42.0	43.0	100.0	90.0
Refining margins (US\$/bbl)	7.3	4.7	11.2	8.5	0.0
Crude oil reserves	6.6	6.4	6.2	7.2	8.2

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenues (RMB m)					
Exploration and Production	210,712	167,755	249,998	307,270	313,431
Refining	1,224,156	944,510	1,385,564	1,210,780	1,237,452
Marketing and Distribution	1,430,963	1,102,206	1,411,544	1,493,783	1,563,706
Chemicals	495,234	371,854	505,503	504,210	526,858
Corporate and others	1,484,822	890,283	1,297,701	1,323,655	1,350,128
Elimination	(1,879,694)	(1,358,770)	(2,109,426)	(1,814,019)	(1,847,755)
Total	2,966,193	2,117,838	2,740,884	3,025,678	3,143,820

Operating profit (RMB m)

Exploration and Production	9,284	(16,476)	4,685	42,841	40,639
Refining	30,632	(5,555)	65,279	39,293	42,642
Marketing and Distribution	29,107	20,828	21,204	28,198	28,548
Chemicals	17,151	10,372	11,106	3,814	5,214
Corporate and others	64	(393)	(3,225)	(3,645)	(3,718)
Elimination	(40)	4,417	(4,421)	0	0
Total	86,198	13,193	94,628	110,501	113,325

Operating profit Margins (%)

Exploration and Production	4.4	(9.8)	1.9	13.9	13.0
Refining	2.5	(0.6)	4.7	3.2	3.4
Marketing and Distribution	2.0	1.9	1.5	1.9	1.8
Chemicals	3.5	2.8	2.2	0.8	1.0
Corporate and others	0.0	0.0	(0.2)	(0.3)	(0.3)
Elimination	0.0	(0.3)	0.2	0.0	0.0
Total	2.9	0.6	3.5	3.7	3.6

Source: Company, DBS HK

China Petroleum & Chem (Sinopec)

Income Statement (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	2,966,193	2,117,838	2,740,884	3,025,678	3,143,820
Cost of Goods Sold	(2,742,764)	(1,957,612)	(2,463,759)	(2,724,560)	(2,832,434)
Gross Profit	223,429	160,226	277,125	301,118	311,386
Other Opg (Exp)/Inc	(137,231)	(147,033)	(182,497)	(190,618)	(198,061)
Operating Profit	86,198	13,193	94,628	110,501	113,325
Other Non Opg (Exp)/Inc	749	1,829	574	45	79
Associates & JV Inc	12,777	6,712	23,253	16,295	15,985
Net Interest (Exp)/Inc	(9,797)	(10,391)	(9,286)	(7,385)	(9,028)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	36,800	0	0	0
Pre-tax Profit	89,927	48,143	109,169	119,456	120,362
Tax	(17,894)	(6,219)	(23,318)	(27,484)	(27,686)
Minority Interest	(14,568)	(8,828)	(13,876)	(18,421)	(18,556)
Preference Dividend	0	0	0	0	0
Net Profit	57,465	33,096	71,975	73,551	74,120
Net Profit before Except.	57,465	2,920	71,975	73,551	74,120
EBITDA	192,759	117,315	220,611	237,113	249,207
Growth					
Revenue Gth (%)	2.6	(28.6)	29.4	10.4	3.9
EBITDA Gth (%)	(9.9)	(39.1)	88.0	7.5	5.1
Opg Profit Gth (%)	4.8	(84.7)	617.3	16.8	2.6
Net Profit Gth (%)	(6.7)	(42.4)	117.5	2.2	0.8
Margins & Ratio					
Gross Margins (%)	7.5	7.6	10.1	10.0	9.9
Opg Profit Margin (%)	2.9	0.6	3.5	3.7	3.6
Net Profit Margin (%)	1.9	1.6	2.6	2.4	2.4
ROAE (%)	7.9	4.5	9.5	9.3	9.0
ROA (%)	3.4	1.9	4.0	3.8	3.7
ROCE (%)	4.1	(0.6)	5.0	5.0	4.8
Div Payout Ratio (%)	65.3	73.2	79.1	52.7	52.3
Net Interest Cover (x)	8.8	1.3	10.2	15.0	12.6

Source: Company, DBS HK

China Petroleum & Chem (Sinopec)

Quarterly Income Statement (RMB m)

FY Dec	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022
Revenue	684,621	741,638	737,643	771,386	840,740
Cost of Goods Sold	(615,008)	(674,417)	(662,176)	(688,999)	(766,897)
Gross Profit	69,613	67,221	75,467	82,387	73,843
Other Oper. (Exp)/Inc	(40,205)	(40,628)	(65,541)	(49,427)	(43,879)
Operating Profit	29,408	26,593	9,926	32,960	29,964
Other Non Opg (Exp)/Inc	133	165	200	115	(214)
Associates & JV Inc	6,822	5,903	6,217	3,619	3,708
Net Interest (Exp)/Inc	(2,609)	(2,439)	(1,851)	(2,356)	(2,756)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	33,754	30,222	14,492	34,338	30,702
Tax	(7,867)	(5,970)	(2,399)	(7,009)	(7,452)
Minority Interest	(4,476)	(3,525)	(799)	(3,991)	(2,137)
Net Profit	21,411	20,727	11,294	23,338	21,113
Net profit bef Except.	21,411	20,727	11,294	23,338	21,113
EBITDA	60,852	60,852	30,549	63,388	60,402

Growth (QoQ)

Revenue Gth (%)	18.7	8.3	(0.5)	4.6	9.0
EBITDA Gth (%)	7.5	(5.1)	(49.8)	107.5	(4.7)
Opg Profit Gth (%)	2.5	(9.6)	(62.7)	232.1	(9.1)
Net Profit Gth (%)	15.5	(3.2)	(45.5)	106.6	(9.5)

Growth (YoY)

Revenue Gth (%)	43.0	42.5	31.0	33.7	22.8
EBITDA Gth (%)	111.2	7.3	22.5	6.3	(5.8)
Opg Profit Gth (%)	512.2	0.2	21.6	14.8	1.9
Net Profit Gth (%)	N/A	(55.1)	30.8	25.9	(1.4)

Margins

Gross Margins (%)	10.2	9.1	10.2	10.7	8.8
Opg Profit Margins (%)	4.3	3.6	1.3	4.3	3.6
Net Profit Margins (%)	3.1	2.8	1.5	3.0	2.5

Source: Company, DBS HK

China Petroleum & Chem (Sinopec)

Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	622,423	589,247	598,925	692,554	713,788
Invt in Associates & JVs	152,204	188,342	209,179	230,474	251,458
Other LT Assets	534,588	500,821	523,127	517,423	511,507
Cash & ST Invt	131,246	188,058	221,989	165,283	190,203
Inventory	192,442	151,895	207,433	197,811	194,002
Debtors	54,865	35,587	34,861	58,027	60,292
Other Current Assets	67,303	79,855	93,741	93,741	93,741
Total Assets	1,755,071	1,733,805	1,889,255	1,955,312	2,014,992
ST Debt	83,810	29,033	38,125	33,125	28,125
Creditors	187,958	161,656	215,640	208,617	216,877
Other Current Liab	304,606	331,501	387,515	410,190	410,392
LT Debt	58,782	83,815	91,990	91,990	91,990
Other LT Liabilities	244,080	244,942	240,911	243,087	245,372
Shareholder's Equity	738,150	741,494	774,182	808,990	844,367
Minority Interests	137,685	141,364	140,892	159,313	177,869
Total Cap. & Liab.	1,755,071	1,733,805	1,889,255	1,955,312	2,014,992
Non-Cash Wkg. Capital	(177,954)	(225,820)	(267,120)	(269,229)	(279,234)
Net Cash/(Debt)	(11,346)	75,210	91,874	40,168	70,088
Debtors Turn (avg days)	6.9	7.8	4.7	5.6	6.9
Creditors Turn (avg days)	25.8	34.3	29.2	29.6	28.6
Inventory Turn (avg days)	26.0	33.7	27.8	28.3	26.4
Asset Turnover (x)	1.8	1.2	1.5	1.6	1.6
Current Ratio (x)	0.8	0.9	0.9	0.8	0.8
Quick Ratio (x)	0.3	0.4	0.4	0.3	0.4
Net Debt/Equity (X)	0.0	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	0.0	CASH	CASH	CASH	CASH
Capex to Debt (%)	99.0	113.9	110.2	158.4	112.5
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

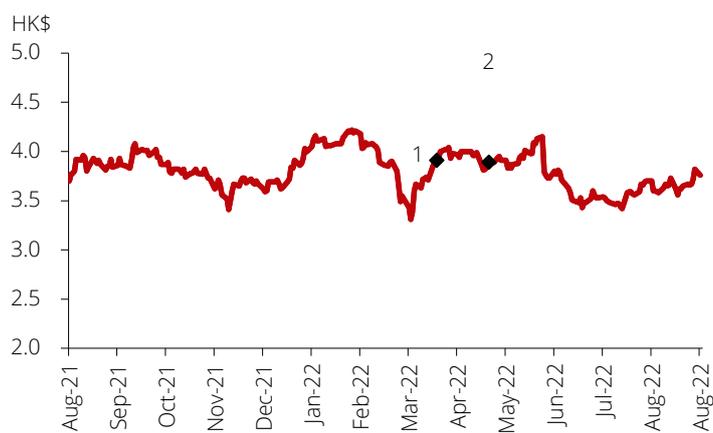
Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	89,927	48,143	109,169	119,456	120,362
Dep. & Amort.	93,035	95,581	102,156	110,274	119,819
Tax Paid	(19,523)	(9,022)	(23,786)	(4,809)	(27,484)
Assoc. & JV Inc/(loss)	(12,777)	(6,712)	(23,253)	(16,295)	(15,985)
(Pft)/ Loss on disposal of FAs	0	0	0	0	0
Chg in Wkg.Cap.	(36,323)	19,255	15,859	(20,566)	9,802
Other Operating CF	39,081	20,273	45,029	2,176	2,285
Net Operating CF	153,420	167,518	225,174	190,236	208,799
Capital Exp.(net)	(141,141)	(128,533)	(143,443)	(198,198)	(135,135)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	(3,810)	45,140	10,598	(5,000)	(4,999)
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	37,009	10,929	(12,353)	0	0
Net Investing CF	(107,942)	(72,464)	(145,198)	(203,198)	(140,134)
Div Paid	(46,008)	(31,479)	(35,110)	(38,743)	(38,743)
Chg in Gross Debt	(12,242)	18,665	18,227	(5,000)	(5,000)
Capital Issues	0	0	0	0	0
Other Financing CF	(26,463)	(20,871)	(28,158)	0	0
Net Financing CF	(84,713)	(33,685)	(45,041)	(43,743)	(43,743)
Currency Adjustments	147	(1,239)	(1,003)	0	0
Chg in Cash	(39,088)	60,130	33,932	(56,705)	24,922
Opg CFPS (RMB)	1.57	1.22	1.73	1.74	1.64
Free CFPS (RMB)	0.10	0.32	0.68	(0.07)	0.61

Source: Company, DBS HK

China Petroleum & Chem (Sinopec)

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	30-Mar-22	HK\$3.89	HK\$5.30	Buy
2:	29-Apr-22	HK\$3.88	HK\$5.30	Buy

Source: DBS HK

Analyst: Pei Hwa HO

China Petroleum & Chem (Sinopec)

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 30 Aug 2022 08:57:46 (HKT)

Dissemination Date: 30 Aug 2022 09:04:05 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK"). This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), and DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

China Petroleum & Chem (Sinopec)

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates have a proprietary position in China Petroleum & Chemical Corp (386 HK) recommended in this report as of 24 Aug 2022.
2. **Compensation for investment banking services:**
DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.
3. **Disclosure of previous investment recommendation produced:**
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;"> Wong Ming Tek, Executive Director, ADBSR</p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.
Thailand	<p>This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.</p> <p>For any query regarding the materials herein, please contact [Chanpen Sirithanarattanaku] at [research@th.dbs.com]</p>
United Kingdom	<p>This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority</p> <p>This report is disseminated in the United Kingdom by DBS Bank Ltd, London Branch ("DBS UK"). DBS Bank Ltd is regulated by the Monetary Authority of Singapore. DBS UK is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBS UK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS UK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>

China Petroleum & Chem (Sinopec)

Dubai International Financial Centre	<p>This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.</p> <p>This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates.</p> <p>DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see http://www.dbs.com/ae/our--network/default.page.</p> <p>Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC.</p> <p>Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010).</p> <p>The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way.</p> <p>Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.</p>
United States	<p>This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
Other jurisdictions	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

DBS Bank (Hong Kong) Limited

13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

China Petroleum & Chem (Sinopec)

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam

13th Floor One Island East,
18 Westlands Road, Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Paul Yong

12 Marina Boulevard,
Marina Bay Financial Centre Tower 3

Singapore 018982

Tel: 65 6878 8888

e-mail: groupresearch@dbs.com

Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower
Ciputra World 1, 32/F

Jl. Prof. Dr. Satrio Kav. 3-5

Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,
9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand