中国石化
SINOPEC

中石化石油工程技術服務股份有限公司
Sinopec Oilfield Service Corporation

(Stock Code　A Share : 600871 ;　H Share : 1033)

2024
Annual Report

IMPORTANT NOTE

1. The Board of directors and the supervisory committee of the Company and its directors, supervisors and senior management warrant that there are no false representations, misleading statements or material omissions in this annual report ("Annual Report") and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Annual Report.

2. The 2024 Annual Report has been approved at the seventh meeting of the eleventh session of the Board. A total of 6 directors of the Company attended the meeting. Mr. Du Kun, a director, and Ms. Liu Jiangning, an independent director, were absent from the meeting due to other working arrangements, and had authorized Ms. Zhang Lili, a director, and Mr. Zheng Weijun, an independent director, to attend the meeting and to exercise their rights on their behalf respectively.

3. The financial statements of the Company for 2024, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises ("PRC ASBE") and International Financial Reporting Standards ("IFRS") have been audited by BDO China Shu Lun Pan CPAs (LLP) and BDO Limited, respectively. Both auditors have issued unqualified opinions on the financial statements.

4. Mr. Wu Baizhi, Chairman of the Board, Mr. Zhang Jiankuo, General Manager, Mr. Cheng Zhongyi, Chief Financial Officer and Ms. Zhang Xueping, Manager of the Asset and Accounting Department of the Company warranted the authenticity, accuracy and completeness of the financial statements contained in the Annual Report.

5. Consideration of the profit distribution proposal or the reserve capitalization proposal by the Board during the reporting period.

   In 2024, after the audit by BDO China Shu Lun Pan CPAs (LLP) and prepared in accordance with the PRC ASBE, the net profit attributable to shareholders of the Company is RMB631,606,000 (in accordance with the IFRS, the net profit attributable to shareholders of the Company is RMB620,631,000), and the parent company's undistributed profit at the end of 2024 is RMB-1,820,779,000. Since the undistributed profit of the parent company at the end of the year is negative, the Board recommends that no cash dividend distribution will be made for the financial year 2024, nor the capital reserve conversion to share capital. The proposal is subject to consideration at the general meeting.

6. Due to the uncertainty of the forward-looking statement about the future plan and development strategy in the Annual Report, these forward-looking statements do not represent any guarantee made by the Company to the investors. Investors are advised to exercise caution when making investments.

7. There was no appropriation of funds by the controlling shareholder of the Company and its connected parties for non-operation purpose.

8. The Company did not provide external guarantees in violation of required decision-making procedures.

9. There is no situation where more than half of the directors of the Company cannot guarantee the authenticity, accuracy and completeness of the Company's 2024 annual report.

10. There are no significant risks that need to be prompted in the Company.

Contents

Section I Definitions

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meanings:

Company	Sinopec Oilfield Service Corporation, a joint stock limited company incorporated in the PRC whose A Shares are listed on the SSE (Stock code 600871) and H Shares are listed on the Main Board of the HKSE (Stock code 1033)
Group	The Company and its subsidiaries
Board	The board of directors of the Company
Articles of Association	The articles of association of the Company, as amended, modified or supplemented from time to time
CPC	China Petrochemical Corporation, a wholly state-owned company established in the PRC and the controlling shareholder of the Company
Sinopec	China Petroleum & Chemical Corporation, a joint stock limited company established in the PRC and listed on the Main Board of the HKSE as well as SSE, and the subsidiary of CPC
A Shares	Outstanding shares of the Company which are listed on the SSE and par value per share is RMB1.00
H Shares	Overseas listed foreign share(s) each which is (are) listed on the Main Board of the HKSE and par value per share is RMB1.00
SSE	Shanghai Stock Exchange
HKSE	The Stock Exchange of Hong Kong Limited
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
CSRC	China Securities Regulatory Commission
Century Bright Company	Sinopec Century Bright Capital Investment, Ltd.
Qi Xin Gong Ying Scheme	Qi Xin Gong Ying Scheme for the management of the Company
geophysical exploration or geophysical	A method and theory of exploring the underground mineral and researching the geological formations by using physics principles, such as seismic exploration, electrical and magnetism exploration
drilling	The engineering of drilling formations down to a certain depth by using the mechanical equipment, and finally forming a cylindrical hole
CCUS	Carbon capture, utilization and storage
logging	Collecting, analyzing and interpreting data related to the geological characteristics and hydrocarbon potential of the area obtained downhole by using special tools or equipment and technology
mud logging	Recording and acquiring the information during the drilling process. Mud logging is the most basic technique in oil and gas exploration and development activities, and is the most timely and direct way to find and evaluate the oil and gas reservoir. It has the characteristics of obtaining timely and various downhole information and analyzing and interpreting it quickly.
downhole operation service	Providing all oil, gas and water wellbore operations for oil and gas field exploration and development, except for drilling, logging and mud logging, mainly including oil and gas testing, acid fracturing, workover and completion etc.
Two dimensional geophysical or 2D	A method for seismic data gathering by using a set of sound source and one or more collection point; 2D is generally used for drawing geographical structure for a preliminary analysis
Three dimensional geophysical or 3D	A method for seismic data gathering by using two sets of sound source and two or more collection point; 3D is generally used for acquiring sophisticated seismic data, and improving the chances of successful drilling to the oil and gas wells
HSE	Health, safety and environment management system
LPR	The loan interest rate announced by the People's Bank of China
CNPC	China National Petroleum Corporation
CNOOC	China National Offshore Oil Corporation
Four improvements	The improvement of the quality, efficiency, service speed and production
Five transformations	Standardized design, factory prefabrication, modular construction, mechanized operation and informatization management
PipeChina	China Oil & Gas Pipeline Network Corporation
CNSPC	SINOPEC Star Petroleum Co.,Ltd
PRC	People's Republic of China
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China

Section II Company Profile and Principal Financial Indicators

1. Company Information

Company's Chinese Name	中石化石油工程技術服務股份有限公司
Abbreviation of the Company's Chinese name	石化油服
Company's English name	Sinopec Oilfield Service Corporation
Abbreviation of the Company's English name	SSC
Legal representative	Wu Baizhi

2. Contact Person and Contact Information

	Secretary to the Board	Company Secretary/ Securities Affairs Representative
Name	Ke Yuehua	Shen Zehong
Address	Office of the Board, #9 Jishikou Road, Changyang District, Beijing, China.	
Telephone	86-10-59965998	
Fax	86-10-59965997	
Email	ir.ssc@sinopec.com	

3. Company Profile

Registered address	No.22 Chaoyangmen North Street, Chaoyang District, Beijing, PRC
Historical changes of registered address	The Company's registered address was changed to No.22 Chaoyangmen North Street, Chaoyang District, Beijing, PRC from Yizheng City, Jiangsu Province, PRC in June, 2016
Office address	No.9 Jishikou Road, Chaoyang District, Beijing, PRC
Post Code of Office address	100728
Company Internet Website	http://ssc.sinopec.com
E-mail	ir.ssc@sinopec.com

4. Disclosing information and inspection place

Domestic Newspapers disclosing information	China Securities Journal, Shanghai Securities News, Securities Times
Websites designated by the stock exchange to publish the annual report	http://www.sse.com.cn http://www.hkexnews.hk
Place where the Annual Report available for inspection	Office of the Board

5. Stock Briefs

Share Type	Place of listing	Stock name	Stock Code	Stock name before altering
A Share	SSE	SINOPEC SSC	600871	–
H Share	HKSE	SINOPEC SSC	01033	–

6. Other related Information

Domestic Auditors	Name	BDO China Shu Lun Pan CPAs (LLP)
	Address	4th Floor, 61 Nanjing East Road, Shanghai
	Signing accountants	Jin Chunhua, Miao Song
Overseas Auditors	Name	BDO Limited
	Address	25th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong
	Signing accountants	Chen Zihong
Name of the domestic Legal advisor	Beijing Haiwen & Partners	
	Address	20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing
Name of the overseas Legal advisor	Zhong Lun Law Firm	
	Address	4/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Share registrars and transfer office	A Share	China Securities Registration and Clearing Corporation Limited Shanghai Branch
	Address	No.188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone
	H Share	Computershare Hong Kong Investor Services Limited
	Address	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Roads East, Hong Kong

7. The financial principal information and financial indicators of the Company in the last 3 years (Extracted from the consolidated financial statements prepared in accordance with the PRC ASBE)

(1) Principal financial data

Unit: RMB'000

	For the year ended 31 December 2024	For the year ended 31 December 2023	Increase/ (Decrease) (%)	For the year ended 31 December 2022
Operating income	**81,096,178**	79,980,939	1.4	73,772,688
Operating profit	**1,036,512**	899,969	15.2	732,392
Profit before income tax	**1,132,523**	928,340	22.0	729,361
Net profit attributable to equity shareholders of the Company	**631,606**	589,216	7.2	475,898
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	**133,487**	359,452	-62.9	389,447
Net cash inflow from operating activities	**3,100,854**	5,576,913	-44.4	4,197,869

	As at 31 December 2024	As at 31 December 2023	Year-on-year change(%)	As at 31 December 2022
Net assets attributable to shareholders of the Company	**8,648,802**	8,023,202	7.8	7,429,734
Total assets	**77,340,105**	75,162,974	2.9	71,208,061

(2) Principal financial indicators

Unit: RMB'000

	For the year ended 31 December 2024	For the year ended 31 December 2023	Year-on-year change(%)	For the year ended 31 December 2022
Basic earnings per share (RMB)	**0.033**	0.031	6.5	0.025
Diluted earnings per share (RMB)	**0.033**	0.031	6.5	0.025
Basic earnings per share deducted extraordinary gain and loss (RMB)	**0.007**	0.019	-63.2	0.021
Weighted average return on net assets (%)	**7.58**	7.63	decreased by 0.05 percentage points	6.70
Weighted average return on net assets deducted extraordinary gain and loss (%)	**1.60**	4.65	decreased by 3.05 percentage points	5.49

Explanations of the principal financial information and financial indicators of the Company in the last 3 years.

☐ Applicable √ Not Applicable

8. Differences between the financial statements of the Company prepared in accordance with PRC ASBE and IFRSs

Unit: RMB'000

	Net profit ("-" for losses) attributable to owners of the Company		Net assets attributable to owners of the Company	
	2024	2023	For the year ended 31 December 2024	For the year ended 31 December 2023
PRC ASBE	**631,606**	589,216	**8,648,802**	8,023,202
Difference items and amount:				
Special reserve (a)	**-10,975**	-13,133	**–**	–
IFRS	**620,631**	576,083	**8,648,802**	8,023,202

Explanation of differences between domestic and foreign accounting standards:

(a) Special reserve

In accordance with the PRC ASBE, the safety production expenses withdrawn in accordance with national regulations are recorded in the current profit and loss and separately reflected in the special reserve in the owner's equity. When expenses related to production safety are incurred, the special reserve is directly offset. When using fixed assets related to production safety, the special reserve shall be written off according to the cost of forming the fixed assets, and the accumulated depreciation of the same amount shall be confirmed, and the relevant assets will no longer be depreciated in future periods. In accordance with the IFRS, expense expenditures are included in profit or loss when incurred, capital expenditures are recognized as fixed assets when incurred, and depreciation is accrued according to the corresponding depreciation method.

9. Quarterly Financial Data of 2024 (Prepared in accordance with PRC ASBE)

Unit: RMB'000

	The first quarter (January~March)	The second quarter (April~June)	The third quarter (July~September)	The fourth quarter (October~December)
Operating income	18,533,340	18,288,104	18,063,296	26,211,438
Net profit attributable to equity shareholders of the Company ("-" for loss)	177,466	274,341	224,419	-44,620
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company ("-" for loss)	135,847	115,334	166,807	-284,501
Net cash inflow from operating activities ("-" for outflow)	-765,461	575,395	-1,444,521	4,735,441

Explanations of the differences between the quarterly data and the data in the disclosed periodically report

☐ Applicable √ Not Applicable

10. Extraordinary gain and loss items and amounts (Extracted from the financial statements prepared in accordance with PRC ASBE)

Unit: RMB'000

Extraordinary gain and loss item	2024	2023	2022
Gain and loss on disposal of non-current assets	**126,242**	156,514	-6,205
Government grants recognised in profit or loss during the year	**43,987**	83,467	104,391
Gain and loss from debt restructuring	**28,110**	34,011	18,157
In addition to the company's normal business-related effective hedging business, holding transactional financial assets, derivative financial assets, transactional financial liabilities, the fair value of profits and losses, and the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other creditor's rights investment of investment income	**–**	-1,020	798
Reversal of provision for impairment of receivables and contractual assets subject to separate impairment test	**374,842**	49,867	–
Other non-operating income and expenses excluding the aforesaid items	**45,169**	-40,300	-7,642
Tax effect	**-120,231**	-52,775	-23,048
Total	**498,119**	229,764	86,451

11. Items measured by fair value

Unit: RMB'000

Item	Balance for the year ended 31 December 2023	Balance for the year ended 31 December 2024	The change during the period	Affected amount of profit during the period
Other benefits tools	135,763	137,441	1,678	0
Receivables financing	2,735,081	2,557,311	-177,770	0
Total	2,870,844	2,694,752	-176,092	0

12. Financial information extracted from the financial statements prepared in accordance with IFRSs

Unit: RMB'000

	As at 31 December				
	2024	2023	2022	2021	2020
Total assets	**77,340,105**	75,162,974	71,208,061	64,052,447	61,091,195
Total liabilities	**68,691,303**	67,139,772	63,778,327	57,190,930	54,368,329
Equity attributable to owners of the Company	**8,648,802**	8,023,202	7,429,734	6,861,517	6,722,866
Net assets per share attributable to owners of the Company (RMB)	**0.46**	0.42	0.39	0.36	0.35
Equity ratio of owners	**11.18%**	10.67%	10.43%	10.71%	11.00%
Return on net assets	**7.18%**	7.18%	7.86%	2.05%	(0.53%)

	For the year ended 31 December				
	2024	2023	2022	2021	2020
Revenue	**81,096,178**	79,980,939	73,772,688	69,533,053	68,073,394
Profit/(Loss) before income tax	**1,121,548**	915,207	837,162	451,181	233,339
Income tax expense	**500,917**	339,124	253,463	310,731	269,076
Profit/(Loss) attributable to owners of the Company	**620,631**	576,083	583,699	140,450	(35,737)
Basic and diluted earnings/(loss) per share (RMB)	**0.033**	0.030	0.031	0.007	(0.002)

Section III Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Sinopec Oilfield Service Corporation, I would like to express my sincere gratitude to our shareholders and people from all walks of life for your interest and support to the Company.

In 2024, facing the severe and complex market situation, the Board of Directors of the Company united and led the management and all employees to overcome difficulties and continued to work diligently. By anchoring to the goal of high-quality development, making every effort to optimize the production and operation organization, strengthening reform and innovation, coordinating and optimizing resources, the Company achieved steady growth in operating results. According to the Chinese Accounting Standards for Business Enterprises, we realized consolidated operating revenue of RMB81.1 billion, representing a year-on-year increase of 1.4%, it was the best level achieved since the 13th Five-Year Plan. The non-production expenses decreased by 13.4% year-on-year, and net profit attributable to shareholders of the Company was RMB630 million, representing a year-on-year increase of 7.2%.

Firstly, the core functions were effectively performed. Bearing in mind the primary duties and responsibilities, in the practice of serving national strategies and ensuring energy security, the Company effectively promoted the improvement of technical capabilities, the upgrading of core equipment and the transformation of production organization model, so as to help Sinopec proving the first domestic shale gas field exceeding one trillion cubic meters and its oil and gas production equivalent hit record high level. For the full year, the average daily efficiency of 3D seismic acquisition increased by 3.9%, the average drilling cycle was shortened by 5.6%, the time efficiency of complex faults was reduced by 12%, the fracturing efficiency increased by 10.7%, 478 wells achieved "daily progress of thousand meters", more than 50 wells achieved "daily progress of a mile", "one-trip drilling" technology was implemented on a scale of over 1,300 well-times. The integrated ground engineering promoted standardized design, standardized procurement, factory prefabrication and modular construction, and the "four improvements" and "five transformations" achieved obvious results. We had fully undertaken and participated in deep ground engineering, Fuling shale gas field, million-ton CCUS project, geothermal development and utilization, the construction of the Shengli Jiyang shale oil national demonstration zone and the Kuche green hydrogen demonstration project, which were honored as the top ten achievements of Sinopec's high-quality developments.

Secondly, the market structure was optimized and upgraded. Pursuant to the strategies of refining the Sinopec market, making profits in the domestic and external markets, and expanding the overseas market, the high-quality large-scale market and the light-asset technical service market were expanded proactively. The value of new contracts signed throughout the year reached RMB91.2 billion, representing a year-on-year increase of 10.7%, hitting a new record high level, of which the new contract value signed in domestic external markets was RMB44.2 billion, representing a year-on-year increase of 36.4%, and the share of external market shot up to a historical high level of 48.5%. By giving full play to integrate advantages, the Company successfully renewed related party transaction agreements with the largest shareholder, China Petrochemical Corporation, for three years in respect of mutual supply of products, comprehensive services, engineering services and technological research and development, the base for efficacy creation was strengthened, ensuring stable expectations for sustainable development of the Company. Many domestic and external markets voluntarily withdrew from the long-term ineffective, heavy-asset and inefficient businesses, and further shifted their focus to CNPC, CNOOC and PipeChina, and the contracts awarded by PipeChina exceeded RMB10 billion for the first time. In the overseas market, the Company successfully won the bid of the Southern Kuwait Drilling Contract Project for works on 212 wells, and the Company accelerated to "go overseas" in terms of technical services and high-end businesses such as well logging, cementing, drilling fluid and reservoir services, generating revenue of RMB18.23 billion for the year.

Thirdly, momentum for reforms and innovations was strong. Reforms, deepening and upgrading actions were vigorously promoted, and optimization of resources was expanded and extended to the whole chain at all levels in all elements such as the organizational structure, team structure and equipment structure, and the gravity of work was promoted to focus on value creation and the flow of resources to value creation. By adopting measures such as elimination of project employees, switching from outsourcing to self-operation, and undertaking external contracting business, 271 institutions and 124 teams were optimized and less pressurized, organizational operating expenses reduced by RMB150 million on a year-on-year basis, while revenue from undertaking external contracting business increased by RMB186 million year-on-year. An asset operation branch company was established to promote the precise allocation of incremental assets, the effective revitalization of existing assets and the rapid liquidation of depleted assets, direct creation efficiency and optimization resulted in cost reduction by RMB230 million. Continued efforts were exerted to promote the establishment of a world-class technology-leading oilfield service company, the research and development expenditure for the full year reached RMB2.25 billion with an investment intensity of 2.8%. We won 15 science and technology awards of provincial and ministerial levels, filed applications for 1,034 patents and 779 patents were authorized, the number of patent applications ranked first among companies of the China Petrochemical Corporation. New breakthroughs were achieved in technological applications for overcoming difficulties in the areas of intelligent node acquisition, ultra-deep well drilling and completion, rotary geo-steering, high-temperature and high-pressure well logging and electric fracturing. The deepest geothermal exploration well in China was drilled in Hainan, supporting 8,000-meter deep well in Shunbei and the drilling cycle was controlled within 100 days.

Fourthly, the ESG level has been steadily improved. Green enterprise initiatives were solidly carried out, accelerating the electric transformation of oil and gas exploration and development engineering equipment and the development of low-carbon technologies. The domestic electric drilling rigs completed 66.2% of drilling footage, and electric drive fracturing accounted for 41.6%, reducing carbon emissions by 1.656 million tons on a year-on-year basis. Energy efficiency improvement plan deepened implementation, on-site energy efficiency management was strengthened, energy-saving and clean production technological measures were applied, resulted in a reduction of 11% in the consolidated energy consumption per RMB10,000 of industrial production output throughout the year. Emerging markets such as geothermal power, wind power, photovoltaics, hydrogen energy and CCUS were developed vigorously. With active participation in rural revitalization and social welfare activities, rural poverty alleviation products of RMB33.10 million were purchased and RMB3.214 million were donated for education purpose.

In 2025, the Company will adhere to the general principle of seeking progress while maintaining stability, fully, accurately and comprehensively implement the new development philosophy, and focus on tackling difficulties and creating efficiency, market development, technological innovation, reform and optimization, risk prevention and control, to promote high-quality development in an all-round manner so as to accelerate the pace of building a world-class technology-leading oilfield service company, complete the targets and tasks of the 14th Five-Year Plan with high quality and laying a solid foundation for a good start for the "15th Five-Year Plan".

Firstly, the Company will accomplish the annual targets and tasks with high quality. 2025 is the final year of the 7-year action plan for increasing oil and gas reserves and production and the development plan of the 14th Five-Year Plan. It is of great significance to do a good job throughout the entire year. The Company will acquire deep understanding and fully grasp the new trend of energy market changes, strengthen strategic prediction, enhance adaptability and do well in various tasks to promote the transformation of positive factors in all aspects into actual development achievements, and strive to achieve reasonable growth in the effective improvement of production and operation quality and quantity. The annual planned amount of newly signed contracts will be RMB83.5 billion, the operating cost per RMB100 of revenue will be controlled within RMB92.4. The "one profit and five rates" will accomplish "steady growth of total profits and continuous optimization of five rates" to achieve a high-quality conclusion of the 14th Five-Year Plan.

Secondly, we will coordinate and fight the "five major battles". In 2025, the Company will firmly uphold the concept of "important participants in oil and gas reservoir operations" to strengthen support and protection for exploration and development. The concept of "value creation for full-chain and full-elements" will be firmly upheld to accelerate the improvement of low-cost competitiveness, and the concept of "science and technology is the primary productive force" will be firmly upheld for striving to create a new pole of growth in benefits, and the concept of "all accidents are avoidable" will be firmly established to consolidate the foundation of safe production. Efforts will be stepped up to optimize resources in all elements, reduce costs and fees throughout the process, and tap potential and increase efficiency throughout the chain. We will fight the "five major battles" of safety and fundamental governance, support and protection, market development, optimization of resources, and cost control and fee reduction, striving to achieve the goals of tackling tough problems and creating benefits, and make contributions in petroleum engineering to safeguard national energy security.

Section III Chairman's Statement

Thirdly, we will prepare the planning for the "15th Five-Year Plan" scientifically. In 2025, the Company will adhere to strategic guidance to prepare the development planning for the "15th Five-Year Plan" with high quality to focus on the strategic positioning of building a world-class technology-leading oil service company. By planning the "high-end, green, intelligent and international" development paths systematically, we will strive to enhance quality, transform and upgrade towards low-cost, light-asset, and high-value development, vigorously cultivate new advantages of integrating new businesses such as "wind, solar, hydrogen and heat storage" with traditional oil service industry, and actively explore the future development layout of new industries, to accelerate the move towards "light-asset oil service", "green oil service" and "smart oil service".

Fourthly, the Company will continue to improve corporate governance capability by thoroughly implementing the requirements of deepening the reforms of the Supervisory Committee, revising and improving the governance systems such as the Articles of Association, the Rules of Procedure for the Shareholders' Meeting and the Rules of Procedure for the Board of Directors, to consolidate the institutional foundation for standard governance. The internal supervision system will be further optimized to strengthen supervision on the responsibilities of the Audit Committee and coordinate the relevant functions of the Supervisory Committee to ensure that the Audit Committee will be able to fully exercise its supervisory role to protect the interests of shareholders and businesses. The guidelines to internal control authority will be revised to clarify the boundaries of power and responsibility of governance bodies such as the Party Committee, the Board of Directors and the management, so as to continuously improve the Company's governance mechanism with respect to legal rights and responsibilities, transparency in power and responsibility, coordinated operations and effective checks and balances, so as to continue improving the Company's level of standardized operations.

Fifthly, we will continue to improve the level of ESG management. By actively implementing the new development concepts, continuously integrating ESG governance with operational management and enhancing sustainable development capability, overall enhancement to economic, environmental and social performances will be promoted. By adhering to the orientation of building a green enterprise, increasing upgrading and transformation efforts in the electrification of equipment, strictly controlling environmental risks caused by wastewater pollution, solid and hazardous waste pollution and air pollution, reducing pollution at source and reducing consumption of resources, we will strive to achieve high quality corporate development and coordinated progress in ecological and environmental protection. Active efforts will also be dedicated to public welfare and charitable activities such as poverty alleviation, rural revitalization, caring and education assistance, to make contributions to the community and pursue harmonious coexistence between enterprises and society.

Dear shareholders, the race of a thousand sailing ships has started, those who advance bravely will win the competition. In the new year, we will follow the development ideas, goals and tasks determined by the general meeting of shareholders, with the joint efforts of all employees and the strong support of various sectors of society, to fully serve and safeguard national energy security, comprehensively coordinate development and security, make full use of both international and domestic markets and their resources and accelerate the cultivation and creation of new quality productivity to speed up the building of a world-class leading oil service company, strongly elevate the Company's high-quality development to a new level and create greater value for shareholders and society.

Wu Baizhi

Chairman

Beijing, PRC

18 March 2025

Section IV Report of the Board

1. Discussion and analysis of operation during the reporting period

Financial figures, except where specifically noted, contained herein have been extracted from the consolidated financial statements prepared in accordance with the PRC ASBE.

Annual Results

In 2024, the Company actively seized the boom cycle of the oilfield service industry, continued to optimize the production operation and market layout, expanded the market with both quality and quantity, further expanded the high-quality scale market, improved the proportion of high-end business in overseas markets, deepened the optimization of human resources, equipment and other resources, tapped the potential of cost reduction, firmly promoted scientific and technological innovation, and steadily implemented the development of characteristic business. The Company promoted the transformation of innovation advantages into industrial advantages, achieved better growth in major production and operation indicators such as newly signed contracts, operating income, total profits and net profits, and effectively promoted high-quality development.

In 2024, the Company's consolidated revenue was RMB81.1 billion, representing a year-on-year increase of 1.4%, and net profit attributable to shareholders of the Company amounted to RMB630 million, representing a year-on-year increase of 7.2%. Basic earnings per share was RMB0.033, representing a year-on-year increase of RMB0.002. Net cash generated from operating activities amounted to RMB3.1 billion, representing a year-on-year decrease in net inflow of RMB2.48 billion.

Operation Review

In 2024, the total cumulative amount of newly signed contracts of the Company reached RMB91.2 billion, representing a year-on-year increase of 10.7%, the best level since the beginning of history, of which the newly signed contracts in the China Petrochemical Corporation's market amounted to RMB47 billion, representing a year-on-year decrease of 5.8%; the newly signed contracts in domestic external markets amounted to RMB19.9 billion, representing a year-on-year increase of 26.8%; the newly signed contracts in overseas markets amounted to RMB24.3 billion, representing a year-on-year increase of 45.5%. Engineering technical services were of high quality and efficiency, and 363 new records of engineering construction were set throughout the year; breakthroughs in technological innovation were accelerated, and a number of key core technologies were successfully tackled. Resource optimization achieved remarkable results, the construction of project management system was steadily promoted, and all kinds of risks could be controlled. Production and operation remained safe and stable throughout the year, and the level of service and operation efficiency was improved, which strongly supported the increase of oil and gas reserves and production efficiency.

1. Geophysical services

In 2024, the Company's operation revenue from the principal business of geophysical service was RMB5.90 billion, representing an increase of 4.0% from RMB5.67 billion in the same period of the previous year. The completed 2D seismic exploration accumulated for 5,836 kilometers in the year, representing a year-on-year increase of 109.7%; while the completed 3D seismic exploration accumulated for 15,600 square kilometers, representing a year-on-year increase of 2.1%. The pass rate of 2D and 3D records was 100%, and the proportion of the seismic data acquired with first-grade quality was 4.4 percent points higher than required by the contracts. The promotion and application of a number of new technologies such as autonomous excitation system, offshore OBN node and high-efficiency acquisition of controllable vibration source have effectively improved production efficiency and service quality. Beidou business contributed RMB130 million in contracts, becoming an important growth pole; new businesses such as wellbore seismic, energy conservation and environmental protection, gravity, magnetism and electricity have maintained growth for five consecutive years.

2. Drilling service

In 2024, the Company's operation revenue from the principal business of drilling service was RMB40.18 billion, representing an increase of 0.9% from RMB39.8 billion in the same period of the previous year. Our completed drilling footage reached 10.97 million meters, which was basically in line with the previous year. The Company made every effort to promote the work of "Four Improvements", further improving the efficiency of drilling construction, the average drilling cycle of completed wells was shortened by 5.6% year-on-year, and the time on complicated failures was reduced by 12% year-on-year. We optimized and upgraded engineering equipment, increased the upgrading and supporting facilities of enhanced and modern drilling rigs, and jointly promoted the transformation of production organization models, setting new records such as 2,340 meters of daily drilling footage and 3.5 days of drilling cycle for deep wells over 3,000 meters. The average drilling team utilization rate for the whole year was 90.2%, representing an increase of 0.2 percentage point year-on-year; Zhengshen 101 Well set the deepest record for completed wells in the Junggar Basin, with a completed well depth of 8,962.85 meters.

3. Logging/Mud logging service

In 2024, the Company's operation revenue from the principal business of logging and mud logging service was RMB3.59 billion, representing an increase of 1.0% from RMB3.56 billion in the same period of the previous year. Our completed logging projects had a total of 266.36 million standard meters, representing a decrease of 13.5% year-on-year. Our completed mud logging projects had a total footage of 8.49 million meters, representing a decrease of 2.2% year-on-year. The pass rate of logging and mud logging data was 100% and the one-time success rate of logging was above 97%. The Company continued to increase efforts in scientific research and overcoming difficulties, breakthroughs were made in a number of key technologies and steadily improved the logging and mud logging service capabilities. By leveraging the advantages of concentration of resources, we had deep participation in geological and engineering integration work. We were committed to obtaining complete and accurate data, precisely discovering and evaluating oil and gas reservoirs, and making every effort to ensure safe, high-quality and fast drilling and completion and increase the drilling encounter rate of reservoirs, helping to optimize well site deployment and speed up drilling projects, providing strong support for high-quality exploration and efficient development.

4. Downhole operation service

In 2024, the Company's operation revenue from the principal business of downhole operation service was RMB10.97 billion, representing an increase of 2.5% from RMB10.7 billion in the same period of the previous year. It completed downhole operation for 5,726 wells, representing a decrease of 17.7% year-on-year. The one-time pass rate of downhole operation was 99.8%, the efficiency of fracturing construction increased by 10.7% year-on-year. The Company continued to improve its technical service capabilities for downhole operations, helping Sinopec achieve breakthroughs in production volume in multiple exploration areas. The fracturing test of Ziyang 2 Well in the Sichuan Basin produced 1.257 million cubic meters of shale gas per day, and the Xingye L1005HF Well test produced 156.8 tons of shale oil and gas equivalent per day. The 175MPa ultra-high pressure fracturing equipment was used for the first time in Qiye Shen 1 Well, providing safety and technical protection for ultra-deep shale gas exploration and development. We further promoted the cooperative development of difficult-to-use reserves, continued to increase cooperation in Shengli, Zhongyuan, Jianghan, Southwest and other regions, and successfully built 8 demonstration areas for efficient use of difficult-to-use reserves, using 49.035 million tons of crude oil reserves and 700,000 tons of new production capacity throughout the year.

5. Engineering and construction service

In 2024, the Company's operation revenue from the principal business of engineering and construction service was RMB17.81 billion, which was the same as RMB17.82 billion in the same period last year. In 2024, the cumulative value of newly signed contracts was RMB25.12 billion, representing an increase of 11.4% year-on-year. The main wet gas pressurization project in the Puguang Gas Field undertaken by the Company was completed and put into operation 56 days ahead of schedule. It is the first large-scale high-sulfur pressurization demonstration station in China, providing strong support for the development of key oil and gas fields by China Petrochemical Corporation, ensuring the construction of national backbone natural gas pipeline network, three tender sections of the Fourth West-East Natural Gas Transmission Pipeline have met the conditions for commissioning on schedule, demonstrating the excellent construction capabilities and technical advantages of long-distance pipeline construction. We continue to expand the market of China Oil & Gas Pipeline Network Corporation ("PipeChina"), and won bids for multiple sections such as the Sichuan Gas Eastward Transmission Line 2, with a workload of over 2,000 kilometers, and the contract value of the winning bid exceeded RMB10.0 billion for the first time. By leveraging our professional advantages in civil engineering, electrical instrumentation and marine engineering, the contracting of marine engineering projects undertaken throughout the year reached RMB2.29 billion, the value of the winning bid for the Jiangsu province expressway project amounted to RMB920 million, and the scale of pipeline technical inspection and testing business undertaken reached a new record high level.

International business

In 2024, the Company's operation revenue from the principal business of international business service was RMB18.10 billion, representing an increase of 12.5% from RMB16.09 billion in the same period of the previous year, accounting for 22.6% of the revenue from our principal business, with a year-on-year increase of 2.2 percentage points. In 2024, the Company's international business adhered to integrated management and professional operation, deeply cultivated key markets and kept a close eye on major projects, and achieved a new record high in operating efficiency. In the Saudi market, 11 drilling rigs were granted a 10-year contract extension; the construction project of two new pipelines were newly signed with Saudi Aramco with a contract value of more than US$1.1 billion; Saudi Aramco's S84 3D acquisition project was granted a 2-year contract extension by Saudi Aramco for the first time; the market share of service projects, such as continuous tubing and hydrogen sulfide detection, continued to expand, and Grant's patented buckle maintenance authorization was obtained. In the Kuwait market, the wellbore general contracting business achieved major breakthrough, the tender for the southern drilling general contracting project of 212 wells was won, breaking the monopoly of the "four major international oil service companies" in the Middle East high-end business; a new contract for 11 new drilling rigs was for a "5+1 year" period, and renewal contract for 30 drilling rigs was signed with a renewal contract value of US$1.16 billion; and we passed the deep well drilling fluid and cementing qualification review. In the Ecuador market, the renewal of the two general contracting projects of SACHA and WARYA was successfully completed; the tenders for well drilling and repair projects of Schlumberger and Halliburton were successfully negotiated and signed. In the Mexican market, we continued to deepen our cooperation with Petróleos Mexicanos and signed a negotiated tender for the ALACTE 3D geophysical exploration project with a contract value of US$290 million.

Technology research & development

In 2024, the Company continued to increase its efforts in key core technologies to overcome difficulties for transformation and application, and won 15 science and technology awards at the provincial and ministerial levels; applications for 1,034 patents were filed, including 9 foreign patents, and were licensed for 779 patents; 4 national measurement technical standards and 7 petroleum industry standards were formulated and revised. Sinopec's key logging and mud logging laboratory was put into operation and took the lead in establishing the Petroleum Drilling (Logging) Sub-Technical Committee under the National Petroleum Special Measurement and Testing Technical Committee. The "MSAMR-175 Azimuth Resistivity Boundary Detection Instrument for Drilling" was selected into the list of the fourth batch of first (set) major technical equipment in the energy field of the National Energy Administration. The "Digital Drill Bit Parameter Perception and Optimization Control Technology" was selected as an excellent case of China's oil and gas artificial intelligence technology. The self-developed rotary steering was applied in 286 wells with a footage of 350,000 meters, meeting the needs of high-temperature shale gas wells in the Shengli Shale Oil National Demonstration Area and the Southwest Work Area. The series of ultra-high temperature and high-pressure cable logging and high-temperature storage logging instruments effectively supported deep-earth exploration and development. Low-cost technologies such as continuous tubing sidetracking and casing drilling were promoted and applied on-site, and the industrialization of products and the transformation of scientific and technological achievements achieved an output value of RMB3.9 billion. A digital resource center for petroleum engineering was built with professional digital scenarios. The Beidou operation service platform commenced operation and promoted the application of professional software such as geological engineering integration, well site data intelligence box, remote decision-making integration, equipment MRO Internet of Things system, and fracturing intelligent early warning analysis system, to accelerate the realization of digital development.

Internal reform and management

In 2024, the Company coordinated and optimized resources, strengthened lean management, and accelerated the enhancement of low-cost competitiveness. Firstly, in respect of optimizing human resources, by insisting on using optimizing human resources as a strategic measure for high-quality development, we implemented strict measures in “three aspects” by reducing the total number of employees, reducing expenses by turning external contractors to self-operated enterprises and increasing revenue by undertaking contracting business. 4,524 employees were transferred from positions in external contracting to self-operated coordination and optimized positions, 5,518 employees were dispatched to undertake external contracting business and generated revenue of RMB510 million. Secondly, in respect of optimizing assets and equipment, by adhering to light asset development, establishing asset operation branch company, breaking up barriers of adjusting and revitalizing assets among various units, giving full play to the role of the Company’s resources on the coordination and sharing platform, the Company’s asset operation was enhanced in efficacy creation capabilities. Thirdly, in respect of solidly improving management and reducing costs, by strengthening budget management, promoting lean management experience of the Yellow River Drilling Company, reducing non-production expenses and streamlining team structures continuously, 124 teams were reduced throughout the year, including 29 drilling teams. 271 project departments and affiliated bodies were eliminated and the Company’s annual 100 yuan revenue and operating costs decreased by 0.57 yuan compared with the same period last year.

Capital expenditures

In 2024, the Company’s actual completed capital expenditure was RMB3.48 billion, including the completion of fixed asset investment of RMB2.86 billion. In 2024, the Company was oriented to improve exploration and development service capabilities and market competitiveness, by actively optimizing its equipment structure, increasing investments in upgrading and transformation of drilling rigs and electric fracturing equipment, continuously promoting the standardized construction of drilling sites and downhole operation sites, and increasing investments in equipment required by overseas quality markets so as to further enhance competitiveness in the markets of high-end businesses. Throughout the year, arrangements were mainly made for upgrading and transforming 19 drilling rigs, 75,000 geophysical acquisition instruments, 3 sets of rotary steerable instruments, 2 sets of high-temperature measurement while drilling instruments, and the construction of 1 dual-fuel support vessel and 1 geological survey vessel, as well as investment projects such as safety hazard control and environmental protection.

2. The industry situation of the Company in the reporting period

In 2024, the world economy continued to recover, China’s economy rebounded, and the annual gross domestic product (GDP) grew by 5.0% year-on-year, which promoted the overall growth of domestic consumption of crude oil and natural gas. International oil prices showed a trend of rising and falling, but the overall price remained relatively high. The average spot price of Brent crude oil in the North Sea for the whole year was $80.52 per barrel, down by 2.1% from the previous year. The international oil price running at a higher price pushed oil companies to continue to increase investment in upstream exploration and development, and oil and gas development continued to be active, effectively boosting the prosperity of the oil service industry. At the same time, benefiting from the vigorous promotion of the national energy security strategy and the “seven-year action plan” to increase reserves and production, domestic oil and gas production continued to rise, and the domestic oilfield service market maintained a good warming trend. Affected by this, the team utilization rate, the amount of newly signed contracts and the operating income of the Company increased to varying degrees.

3. The business situation of the Company in the reporting period

With more than 60 years of business operation and rich experience in project execution, the Company is a large-scale, integrated, and professional oil and gas engineering and technical service company in China and a leader in providing integrated and full industrial-chain oilfied services. By the end of 2024, the Company provided oilfield services with more than 70 basins and more than 550 blocks in more than 20 provinces in China, while its overseas business scale keeps growing with execution in more than 30 countries and regions.

The Company has five major business sectors – geophysics, drilling, logging & mud logging, downhole operation service and engineering construction, covering the full industrial-chain from exploration, drilling, completion, oil and gas production, collection and transportation.

The Company has a technological R&D supporting system covering the full industrial-chain from oil and gas exploration to production and is able to provide integrated services in high-acid oil & gas, tight oil & gas, shale oil, shale gas and heavy oil reservoirs. The Company was awarded National first prize for Progress in Science and Technology and the Golden Prize of National High-Quality Project for the Sichuan-Eastern China Natural Gas Transmission Pipeline project. The Company has shale gas oilfield supporting technologies featuring five technological series of drilling, logging, fracturing and testing, equipment manufacturing, amd engineering and construction and has completed the ultra-deep shale gas well Qiyeshen 1, with a reservoir vertical depth of 4,881 meters, and the ultra-long horizontal shale gas well Jiaoye 18-S12HF, with a horizontal section length of 4,286 meters. Most key and core technologies have realized localization, which making the Company a national leader in this respect.

Committed to the vision of “serving customers, supporting oil and gas, leading technology, creating value”, the Company will vigorously promote its specialized, market-oriented, international, high-end and distinctive development strategy. It will expand its business from onshore to offshore fields, from domestic to international markets, from conventional to unconventional fields, and from single engineering service to integrated reservoir services in order to realize its corporate vision – a world-class technology leading oilfield service company.

4. Analysis on core competitiveness in the reporting period

The Company has the service ability to cover the full industrial-chain of oilfield service. As of the end of 2024, there were 597 land drilling rigs (including 329 rigs above 7,000 meters), 11 offshore drilling platforms, 59 seismograph hosts, 122 imaging logging systems, 476 integrated logging tools, and 352 sets of 2500 above fracturing trucks, 84 workover rigs above 750HP, 1,464 drilling, geophysical and other professional teams. The Company has ranked top in the comprehensive ranking of drilling contractors of Saudi Aramco, Kuwait Oil Company and Ecuador National Oil Company for many years, and is an important international geophysical contractor in Algeria.

The Company is the large-scale integrated provider of petroleum engineering services and integrated oilfield technical services in China, with over 60 years of experiences for oilfield service and strong execution capabilities. Its representative projects include Puguang gas field, Fuling shale gas, Yuanba gas field, Tahe oilfield, Shunbei oil and gas field, Shengli Jiyang shale oil national demonstration zone, etc.

The Company has advanced exploration and development technologies as well as strong R&D abilities. It has a number of advanced technologies with proprietary intellectual property rights, such as shale gas, shale oil, highly acidic oil and gas reservoirs, and ultra-deep well drilling, etc. which can bring sustainable high added-value to its services.

The Company has the experienced management as well as highly efficient and well-organized operation team.

The Company has a stable and growing client base. It has the solid client base such as Sinopec Group in China, and the growing number of clients overseas.

During the reporting period, there was no material change in the core technical team and key technical personnel of the Company.

5. Statement of main business during the reporting period

(1) Main business analysis

A. The analysis table of changes related to the income statement and cash flow statement

	2024	2023	The rate of change
	RMB'000	RMB'000	(%)
Operating revenue	**81,096,178**	79,980,939	1.4
Operating cost	**74,762,298**	74,187,497	0.8
Selling and distribution expenses	**84,485**	82,689	2.2
General and administrative expenses	**2,405,659**	2,394,486	0.5
Financial expenses	**729,521**	894,073	-18.4
Research and development expenditures	**2,247,111**	2,083,796	7.8
Net cash inflow from operating activities	**3,100,854**	5,576,913	-44.4
Net cash inflow from investing activities	**-3,458,464**	-4,059,383	Not applicable
Net cash inflow from financing activities	**1,044,645**	-558,226	Not applicable

The change in operating revenue was mainly due to the increase in overseas exploration and development workload and the corresponding increase in revenue.

The change in operating costs was mainly due to the increase in overseas operating revenue and the increase in operating costs.

The change in selling expenses was mainly due to the increase in investment in product industrialization and warehousing.

The change in administrative expenses was mainly due to the increase in investment in hidden danger treatment and repair costs.

The changes in financial expenses were mainly due to the year-on-year decrease in interest expenses for optimizing the structure of deposits and loans and the year-on-year increase in exchange gains from the appreciation of the US dollar.

The main reason for the change of R&D expenditure is to continue to increase investment in key core technology research and application research.

The change in net cash flow from operating activities was mainly due to the extension of the on-account period of the owner's project funds at the end of the year, the failure to pay the funds on schedule, the decrease in bill settlement and the increase in cash settlement.

The change in net cash flow from investing activities was mainly due to the year-on-year decrease in equipment purchase expenses.

The change in net cash flow from financing activities was mainly due to the replenishment of operating cash flow and the increase in loan inflow.

The detailed description of material change in Company business type, profit composition or source of profit

☐ Applicable √ Not Applicable

B. Income and cost analysis

a. Statement of operations by industries and products

Industry	Operating income for 2024	Operating cost for 2024	Gross profit margin	Increase or decrease in operating income as compared with last year	Increase or decrease in operating cost as compared with last year	Gross profit margin compared with last year
	RMB'000	RMB'000	(%)	(%)	(%)	
Geophysical	5,899,180	5,375,401	8.9	4.0	3.4	Increased by 0.6 percentage points
Drilling	40,178,343	37,526,324	6.6	0.9	-0.2	Increased by 1.1 percentage points
Logging/Mud logging	3,592,013	2,957,653	17.7	1.0	0.9	Increased by 0.1 percentage points
Downhole operation	10,965,379	10,169,073	7.3	2.5	2.1	Increased by 0.4 percentage points
Engineering and construction	17,809,820	16,455,558	7.6	0.0	-0.2	Increased by 0.1 percentage points
Other	1,553,004	1,538,828	0.9	12.7	13.2	Decreased by 0.4 percentage points
Total	79,997,739	74,022,837	7.5	1.4	0.7	Increased by 0.7 percentage points

b. Statement of operation by regions

Region	Operating income for 2024	Operating cost for 2024	Gross profit margin	Change in operating income as compared with last year	Change in operating cost as compared with last year	Gross profit margin compared with last year
	RMB'000	RMB'000	(%)	(%)	(%)	
Mainland China	61,892,946	58,240,300	5.9	-1.5	-2.2	Increased by 0.7 percentage points
Hong Kong, Macau, Taiwan, and overseas	18,104,793	15,782,537	12.8	12.5	12.8	Decreased by 0.2 percentage points

c. **Cost analysis**

Unit: RMB'000

Product	Item of costs structure	Amount in 2024	Percentage of amount in 2024 in total cost	Amount in 2023	Percentage of amount in 2023 in total costs	Year-on-year change
		RMB'000	(%)	RMB'000	(%)	(%)
Geophysical Service	Raw materials	445,835	8.3	431,687	8.3	3.3
	Fuel and power	244,719	4.5	243,921	4.7	0.3
	Employees costs	1,466,108	27.3	1,497,900	28.8	-2.1
	Depreciation and amortization	489,560	9.1	488,898	9.4	0.1
	Subcontracting costs and outsourcing services expenditures	347,123	6.5	338,068	6.5	2.7
	Others	2,382,056	44.3	2,200,569	42.3	8.2
	Sub-total	5,375,401	100	5,201,043	100	3.4
Drilling Service	Raw materials	7,835,317	20.9	8,347,632	22.2	-6.1
	Fuel and power	1,924,219	5.1	1,799,982	4.8	6.9
	Employees costs	8,645,134	23.1	8,686,049	23.1	-0.5
	Depreciation and amortization	3,869,684	10.3	3,609,787	9.6	7.2
	Subcontracting costs and outsourcing services expenditures	3,866,694	10.3	3,873,000	10.3	-0.2
	Others	11,385,276	30.3	11,285,495	30	0.9
	Sub-total	37,526,324	100	37,601,945	100	-0.2
Logging/Mud logging Service	Raw materials	721,043	24.3	721,358	24.6	0
	Fuel and power	39,313	1.3	39,587	1.3	-0.7
	Employees costs	1,601,547	54.1	1,559,120	53.2	2.7
	Depreciation and amortization	326,398	11	327,423	11.2	-0.3
	Subcontracting costs and outsourcing services expenditures	89,314	3	90,703	3.1	-1.5
	Others	180,038	6.2	192,069	6.6	-6.3
	Sub-total	2,957,653	100	2,930,260	100	0.9
Downhole operation service	Raw materials	2,198,130	21.6	2,230,634	22.4	-1.5
	Fuel and power	765,078	7.5	699,333	7	9.4
	Employees costs	1,678,339	16.5	1,728,405	17.4	-2.9
	Depreciation and amortization	913,848	9	806,151	8.1	13.4
	Subcontracting costs and outsourcing services expenditures	2,398,762	23.6	2,242,675	22.5	7
	Others	2,214,916	21.8	2,250,989	22.6	-1.6
	Sub-total	10,169,073	100	9,958,187	100	2.1
Engineering and construction service	Raw materials	3,408,353	20.7	3,264,599	19.8	4.4
	Fuel and power	287,610	1.7	317,579	1.9	-9.4
	Employees costs	2,305,343	14	2,439,978	14.8	-5.5
	Depreciation and amortization	315,225	1.9	296,754	1.8	6.2
	Subcontracting costs and outsourcing services expenditures	2,421,921	14.7	2,341,060	14.2	3.5
	Others	7,717,106	47	7,826,671	47.5	-1.4
	Sub-total	16,455,558	100	16,486,641	100	-0.2

d. Changes in the equity of major subsidiaries during the reporting period led to changes in the scope of mergers

☐ Applicable √ Not Applicable

e. Changes in business, products or services during the reporting period

☐ Applicable √ Not Applicable

f. Information about major customer and major suppliers

During the reporting period, the aggregate operating revenue from the top five largest customers was RMB64,611,678,000, accounting for 79.7% of the Company's total operating revenue in 2024. Among the operating revenue form the top five largest customers, the sales amount of related parties was RMB52,761,465,000, accounting for 65.1% of the Company's total operating revenue in 2024. The operating revenue of the top five customers in 2024 are as follows:

Number	Name of client	Amount	Percentage to operating income
		(RMB'000)	(%)
1	CPC and its subsidiaries	**48,776,711**	60.1
2	SAUDI ARABIAN OIL COMPANY	**6,613,138**	8.2
3	PipeChina	**3,984,754**	4.9
4	KUWAIT OIL COMPANY	**3,371,161**	4.2
5	CNOOC	**1,865,914**	2.3
Total		**64,611,678**	79.7

During the reporting period, the aggregate purchase amount from the top five largest suppliers was RMB14,165,196,000, accounting for 24.8% of the Company's total purchase amounts in 2024. Among the purchase amount form the top five largest suppliers, the purchase amount of related parties was RMB12,513,735,000, accounting for 21.9% of the Company's total purchase amount in 2024. The purchase amount from the largest supplier accounted for 20.1% of the total purchase amount of the Company. The largest supplier was China Petrochemical Corporation and its subsidiaries.

During the reporting period, except the disclosure information about the connected transactions with controlling shareholder and its subsidiaries in the part of "Information on connected transactions" in "Significant Events", the directors, supervisors of the Company and their close contacts or any other shareholders holding over 5% of shares of the Company are not found having any equity interest in the above main customers and suppliers.

During the reporting period, procurement proportion from an individual supplier exceeded 50% of the total or the existence of a new supplier among the top five suppliers or relying on a small number of suppliers.

☐ Applicable √ Not Applicable

C. Expense

Item	2024	2023	Year-on-year change	Reason for change
	RMB'000	RMB'000	(%)	
General and administrative expenses	**2,405,659**	2,394,486	0.5	Mainly due to the increase in investment in hidden danger treatment and repair costs
Selling and distribution expenses	**84,485**	82,689	2.2	Mainly due to the increase investment in product industrialization and warehousing
Financial cost	**729,521**	894,073	-18.4	Mainly due to the year-on-year decrease in interest expenses for optimizing the structure of deposits and loans and the increase in exchange gains from the appreciation of the US dollar
Credit impairment loss	**-465,785**	-398,994	Not applicable	Mainly due to the recovery of arbitration payments and the reversal of provision for bad debts for long-aged payments
Asset impairment loss	**133,218**	707	18742.7	Mainly due to the recovery of arbitration payments and the reversal of provision for bad debts for long-aged payments
Income tax expenses	**500,917**	339,124	47.7	Mainly due to the increase in overseas profit

D. Statement of research and development expenditure

a. research and development expenditure

Unit: RMB'000

Expenditure research and development expenditure for 2024	2,247,111
Capitalized research and development expenditure for 2024	–
Total research and development expenditure for 2024	2,247,111
Percentage of total research and development expenditure in operating income (%)	2.8
The proportion of R&D investment of capital (%)	–

In 2024, the Company's research and development expenditure was RMB2,247,111,000, representing an increase of 7.8% as compared with RMB2,083,796,000 in last year. It is mainly to the continuing increase investment in tackling key core technologies and applications.

b. R&D personnel status sheet

Number of R&D personnel in Company	3,292
Percentage of R&D personnel number in the total personnel number of the Company (%)	5.47

Academic structure of R&D personnel	
Education level	**Number of personnel**
Doctor degree	74
Postgraduate degree	991
Undergraduate degree	1,762
Junior college education	262
High school and below	203

Age structure of R&D personnel	
Age structure	**Number of personnel**
Under 30 years old (not include 30)	282
30-40 years old (include 30, not include 40)	695
40-50 years old (include 40, not include 50)	1,217
50-60 years old (include 50, not include 60)	1,025
60 years old and above	73

E. Changes in cash flow statement items

Unit: RMB'000

Item	2024	2023	Increased/ decreased by	Change (%)	Reason for change
Net cash inflow from operating activities ("-" for outflow)	**3,100,854**	5,576,913	Net inflow decreased by 2,476,059	Inflow decreased by 44.4%	Mainly due to the extension of the on-account period of the owner's project funds at the end of the year, the failure to pay the funds on schedule, the decrease in bill settlement and the increase in cash settlement
Net cash inflow from investing activities ("-" for outflow)	**-3,458,464**	-4,059,383	Net outflow decreased by 600,919	Not applicable	Mainly due to the year-on-year decrease in equipment purchase expenses
Net cash inflow from financing activities	**1,044,645**	-558,226	Net inflow increased by 1,602,871	Not applicable	Mainly due to the replenishment of operating cash flow and the increase in the inflow of loan funds

(2) Explanations of significant changes in profit led by the non-core business

☐ Applicable √ Not Applicable

(3) Statement of assets and liabilities analysis

a. Assets and liabilities

Item	Amount at 31 December, 2024	Percentage of amount at 31 December, 2024 in total assets	Amount at 31 December, 2023	Percentage of amount at 31 December, 2023 in total assets	Changes from the end of the preceding year to the end of this year
	RMB'000	(%)	RMB'000	(%)	(%)
Cash at bank and on hand	3,648,514	4.7	2,816,116	3.7	29.6
Accounts receivable	13,294,827	17.2	10,602,242	14.1	25.4
Accounts receivable financing	2,557,311	3.3	2,735,081	3.6	-6.5
Inventories	1,009,501	1.3	1,204,295	1.6	-16.2
Contract assets	16,763,754	21.7	16,203,248	21.6	3.5
Other current assets	2,616,835	3.4	2,492,849	3.3	5.0
Long-term equity investments	251,551	0.3	553,496	0.7	-54.6
Investment in other equity instruments	137,441	0.2	135,763	0.2	1.2
Fixed assets	24,238,814	31.3	24,870,821	33.1	-2.5
Construction in progress	793,487	1.0	695,614	0.9	14.1
Right-of-use assets	620,413	0.8	799,633	1.1	-22.4
Intangible assets	424,226	0.5	442,778	0.6	-4.2
Long-term deferred and prepaid expenses	7,208,900	9.3	7,938,767	10.6	-9.2
Short-term borrowings	22,870,449	29.6	19,907,435	26.5	14.9
Notes Payable	3,387,769	4.4	8,821,760	11.7	-61.6
Accounts Payable	28,266,046	36.5	26,373,928	35.1	7.2
Contract liabilities	7,909,917	10.2	5,361,274	7.1	47.5
Other payables	3,712,039	4.8	3,362,683	4.5	10.4
Non-current liabilities due within one year	272,460	0.4	436,121	0.6	-37.5
long-term borrowings	0	0.0	318,722	0.4	-100.0
Lease liabilities	304,333	0.4	317,120	0.4	-4.0
Long-term payables	90,987	0.1	58,829	0.1	54.7
Deferred income	24,758	0.0	18,189	0.0	36.1
Other comprehensive income	30,193	0.0	22,618	0.0	33.5
Special reserves	302,874	0.4	313,849	0.4	-3.5
Taxes payable	965,079	1.2	1,000,904	1.3	-3.6
Deferred income tax liabilities	78,065	0.1	87,027	0.1	-10.3
Salaries payable to employees	719,036	0.9	863,071	1.1	-16.7
Estimated liabilities	90,365	0.1	212,709	0.3	-57.5

Reasons for the changes:

(1) Long-term equity investments decreased by RMB301,945,000 as compared with the end of last year, mainly due to the provision for impairment of long-term investments in joint ventures.

(2) Bills payable decreased by RMB5,433,991,000 as compared to the end of last year, mainly due to the increase in the proportion of fund settlement by subcontractors and suppliers.

(3) Contract liabilities increased by RMB2,548,643,000 as compared to the end of last year, mainly due to the receipt of prepayments for new projects.

(4) Non-current liabilities due within one year decreased by RMB163,661,000 as compared with the end of last year, mainly due to the decrease in lease liabilities due within one year.

(5) Long-term borrowings decreased by RMB318,722,000 as compared with the end of last year, mainly due to the repayment of all US dollar loans.

(6) Long-term payables increased by RMB32,158,000 as compared to the end of the previous year, mainly due to the increase in security funds returned for disaster claims and hidden danger management.

(7) Deferred income increased by RMB6,569,000 as compared to the end of last year, mainly due to the increase in government grants for scientific research projects.

(8) Other comprehensive income increased by RMB7,575,000 as compared to the end of the previous year, which was mainly due to the recognition of foreign currency translation differences of joint ventures.

(9) Estimated liabilities decreased by RMB122,344,000 as compared with the end of last year, mainly due to the reversal of restructuring expenses related to the completion of judicial restructuring proceedings in Brazil.

b. Statement of overseas assets

The amount of overseas assets is RMB27,397,772,000, accounting for 35.4% of total assets.

Relevant instructions on the relatively high proportion of overseas assets

√ Applicable ☐ Not Applicable

Unit: RMB'000

Overseas assets	Forming reason	Operation pattern	Operating income in this reporting period	Net profit in this reporting period
Drilling machines, well repair machines, geophysical collection instruments, ground construction equipments, engineering receivables, monetary funds, etc.	Undertake overseas oilfield engineering projects	Self-operation	18,104,793	1,828,328

c. Limitation of main assets by the end of the reporting period

√ Applicable ☐ Not Applicable

On 31 December 2024, the Company's funds with restricted use such as margin deposit, etc. was RMB207,116,000 (On 31 December 2023: RMB27,318,000).

(4) Analysis of the industry operation information

1. Market of crude oil and natural gas

In 2024, the domestic oil and gas production equivalent continued to grow, and the production of crude oil and natural gas increased. According to the data of the National Bureau of Statistics, the annual industrial crude oil output was 213 million tons, representing a year-on-year increase of 1.8%, and the crude oil output was more than 200 million tons for three consecutive years. The annual industrial natural gas output was 246.4 billion cubic meters, representing a year-on-year increase of 6.2%, and the increase was more than 10 billion cubic meters for eight consecutive years. The momentum of stable and increased oil and gas production was good, and the level of independent supply steadily improved.

In 2024, the domestic demand for refined oil products was expected to be 400 million tons, with a year-on-year increase of 0.3%. The consumption growth rate dropped significantly. The consumption of gasoline and kerosene increased, but the consumption of diesel decreased. The crude oil processing volume remained stable as a whole, with the regulated industrial crude oil processing volume of 708.43 million tonnes, representing a year-on-year decrease of 1.6%. The demand for natural gas continued to grow rapidly, and the apparent consumption of natural gas nationwide was 426.05 billion cubic meters, representing a year-on-year increase of 8.0%.

2. The capital expenditure in exploration and exploitation of domestic and overseas companies

In 2024, the international oil price fluctuated in a wide range, showing the overall characteristics of rising first and then declining. International oil companies continued to increase investment in exploration and development, and the global investment in exploration and development increased by about 2% year on year, which continued to drive the expansion of the global engineering and technical service market. Domestic oil companies also continued to promote the "seven-year action plan" to increase reserves and production, the annual investment in oil and gas exploration and development was approximately RMB400 billion, representing a year-on-year increase of 2.9%, and the oil and gas production equivalent maintained growth.

3. Business information in oilfield service industry

In 2024, the oil service industry would continue to maintain a boom cycle globally, the market scale would continue to expand, technological innovation and business expansion would make significant progress, business performance would be improved, but it would also face challenges such as oil price fluctuations and cost control. With China's oil and gas exploration and development entering deep, deepwater and unconventional fields in an all-round way, old oilfields entered a new stage of high water cut, the difficulty of exploration and development was increasing, and technological innovation need to be upgraded iteratively. Under the overall requirements of ensuring national energy security, the tasks of ultra-deep wells, ultra-long horizontal wells and unconventional oil and gas resources exploitation would be further aggravated.

(5) Analysis of investments

1. Significant equity investment

During the reporting period, no significant equity investment items of the Company occurred.

2. Significant non-equity investment

During the reporting period, no significant non-equity investment items of the Company occurred.

3. Information of financial assets measured at fair value

☐ Applicable √ Not Applicable

4. Specific progress of major asset reorganization and integration during the reporting period.

☐ Applicable √ Not Applicable

(6) Sales of major assets and equity

During the reporting period, no sales of major assets and equity of the Company occurred.

(7) Information on the Company's subsidiaries and shareholding companies

Name of company	Registered capital	Shareholding percentage	Amount of total assets	Amount of total liabilities	Amount of total net assets	Amount of net profit	Main Business
		%	RMB'000	RMB'000	RMB'000	RMB'000	
Sinopec Shengli Oil Engineering Company Limited*	RMB 700,000,000	100	12,594,526	11,912,906	681,620	222,687	Petroleum engineering technical service
Sinopec Zhongyuan Oil Engineering Company Limited*	RMB 450,000,000	100	12,154,053	12,123,820	30,233	-37,826	Petroleum engineering technical service
Sinopec Jianghan Oil Engineering Company Limited*	RMB 250,000,000	100	4,419,798	3,071,863	1,347,935	32,249	Petroleum engineering technical service
Sinopec Southwest Oil Engineering Company Limited*	RMB 300,000,000	100	6,182,741	2,899,229	3,283,512	20,352	Petroleum engineering technical service
Sinopec North China Oil Engineering Company Limited*	RMB 890,000,000	100	4,807,902	2,934,877	1,873,025	901	Petroleum engineering technical service
Sinopec East China Oil Engineering Company Limited*	RMB 860,000,000	100	4,967,576	4,630,263	337,313	-219,254	Petroleum engineering technical service
Sinopec Offshore Oilfield Services Company*	RMB 2,000,000,000	100	4,254,966	395,242	3,859,724	103,313	Offshore Oil Engineering Technology Service
Sinopec International Petroleum Service Corporation*	RMB 700,000,000	100	2,034,786	765,275	1,269,511	170,367	Petroleum engineering technical service
Sinopec Oil Engineering and Construction Corporation*	RMB 500,000,000	100	27,540,699	26,340,491	1,200,208	202,041	Construction
Sinopec Oil Engineering Geophysical Company Limited*	RMB 300,000,000	100	5,634,200	5,287,263	346,937	10,318	Geophysical exploration
Sinopec Jingwei Company Limited	RMB 1,000,000,000	100	4,477,704	2,568,453	1,909,251	223,479	Testing, logging and locating service

Name of company	Revenue	Operating profit
	RMB'000	RMB'000
Sinopec Shengli Oil Engineering Company Limited*	16,940,196	324,272
Sinopec Zhongyuan Oil Engineering Company Limited*	11,886,516	68,588
Sinopec Jianghan Oil Engineering Company Limited*	5,932,976	65,790
Sinopec Southwest Oil Engineering Company Limited*	6,529,586	50,874
Sinopec North China Oil Engineering Company Limited*	4,764,422	18,250
Sinopec East China Oil Engineering Company Limited*	3,869,328	-210,410
Sinopec Offshore Oilfield Services Company*	2,407,263	116,154
Sinopec International Petroleum Service Corporation*	1,979,299	260,212
Sinopec Oil Engineering and Construction Corporation*	17,935,310	152,625
Sinopec Oil Engineering Geophysical Company Limited*	5,779,468	48,229
Sinopec Jingwei Company Limited	5,750,137	241,436

* Note: 1.The market price of some engineering services of Sinopec Zhongyuan Oil Engineering Company Limited declined, the gross profit also declined, and the fixed cost were not effectively diluted, which resulted in the current operating loss.

2.The domestic engineering service market workload of Sinopec East China Oil Engineering Company Limited declined, the revenue also decreased, and fixed costs were not effectively diluted, which resulted in current operating losses

(8) Information on the structured subjects controlled by the Company

☐ Applicable √ Not Applicable

6. Discussion and analysis on the Company's business in the future

(1) Competitive Structure and Development Trend

Looking forward to 2025, the world economy will continue to recover moderately, and the supporting conditions and basic trends for the long-term improvement of China's economy remain unchanged. The energy issue has always been the most sensitive and active topic in the world, and the global demand for crude oil will continue to grow. The average price of Brent crude oil for the whole year is expected to be $65-75 per barrel, which is expected to support the investment in upstream exploration and development to keep stable. In 2025, China will formally implement the Energy Law and the New Mineral Resources Law, and formulate a medium – and long-term action plan for increasing oil and gas reserves and production, which is bound to lead high-quality oil and gas exploration and development. At the same time, China is vigorously developing green low-carbon, new energy, CCUS and other businesses, ushering in rare opportunities for new business development. Overall, the oil service industry is facing more favorable factors than unfavorable conditions, the industry's prosperity is expected to continue.

(2) Operation Plans for 2025

In 2025, the Company will follow the principle of maximizing the operating value of oil and gas reservoirs, take strong technology and cost reduction as the main line, promote the optimization of resources by all factors vigorously, reduce costs and fees in the whole process, and tap potential and efficiency in the whole chain, continue to give full play to its comprehensive oil and gas service capabilities and technological advantages, and fight for support, market development, resource optimization, cost control and cost reduction. The Company will strive to promote the level of business efficiency to achieve new improvements, and accelerate the building of a world-class technology-oriented oil service company. The Company plans to sign new contract to reach a yearly value of over RMB83.5 billion, in which RMB49.5 billion will be from China Petrochemical Corporation's internal market, RMB15.2 billion from domestic external market, and RMB18.8 billion from overseas market. The Company puts emphasis on the following aspects:

1. Geophysical service

In 2025, the Company continues to improve the autonomous excitation system, node instrument deployment system, offshore OBN efficient acquisition and enhances the efficient field acquisition capability. Focus is placed on developing 5G node technology, efficient production command system, video monitoring and other quality control methods, and promoting the application of high-density seismic acquisition technology, upgrading and improving full-node seismic acquisition technology, improving data quality and assisting in oil and gas exploration breakthroughs. We continue to tackle difficulties in DAS optical fiber testing technology and tremor source from wells, and work on seismic development continuously. Technical advantages of new businesses such as wellbore seismic and pipelines are consolidated. Beidou technology is vigorously developed to support replacement by Beidou in the petroleum and petrochemical industry. Moderate diversification persists while expanding into new fields and new tracks, further efforts are exerted on geothermal exploration and gas reservoirs, CCUS monitoring and other new energy engineering construction fields in order to gradually form a stable output value. The annual plan for the full year is to complete 6,090 kilometers of 2D seismic acquisition and 16,140 square kilometers of 3D seismic acquisition.

2. Drilling service

In 2025, the Company will focus on expanding mining rights and developing resources around China Petrochemical Corporation, increasing reserves and production targets, comprehensively deepening linked movements and integrated operations between Party A and Party B, organizing production efficiently, connecting processes closely, strengthening technical support, controlling complicated faults strictly, and continuously improve the reservoir drilling rate and construction quality rate. The electric upgrading and transformation of drilling rigs and deployment of intelligent devices will be accelerated, "factory-based" drilling will be expanded in an orderly manner to effectively enhance construction efficiency and timeliness of production. The drilling cycle will be shortened by 5% throughout the year, the timeliness of complex faults will be reduced by 10%, and the utilization rate of drilling team will be more than 85%. In domestic and external markets, the concentration of high-quality large-scale markets such as China National Petroleum Corporation, China National Offshore Oil Corporation and China Oil & Gas Pipeline Network Group will continue to increase, light asset technical service markets, such as drilling fluids and cementing, will be further expanded to optimize business structure continuously and improve market efficiency. It is planned to complete a drilling footage of 10.30 million meters for the entire year.

3. Logging/Mud logging service

In 2025, the Company will continue to utilize logging and mud logging throughout the entire exploration and development process as well as the advantages of geological data to implement an integrated operation mechanism that highlights model innovation and service upgrades. The realization of construction models with remote measurement and control will be promoted to expand the application of "drilling optimization +". Optimal allocation of market resources will be strengthened to promote simultaneous enhancement of market and operation quality, scale and efficiency, and enhance the service assurance level for wellbore projects. The internal market of China Petrochemical Corporation will be reinforced, full-process and full-coverage assurances will be strengthened. Supporting facilities will be optimized by regions and applicable technical solutions will be promoted to provide more quality services and better assurances. Domestic and external markets will be enhanced by strengthening early research and judgment and prior calculations. Emerging markets such as coalbed methane, geothermal energy and CCUS will be vigorously developed, new cooperation models with renowned companies in the industry will be actively explored. It is planned to complete logging for 263.50 million standard meters and logging footage of 8.6 million meters.

4. Downhole operation service

In 2025, the Company will adhere to the concept of professional development, promote the reform of the production organization model for downhole operations and improve operational efficiency. We will continue to tackle the problems in "deep earth engineering" oil and gas testing technology, promote the application of 175MPa ultra-high pressure fracturing technology and coiled tubing side drilling technology, etc. to optimize and improve the technology for increasing output and cost reduction in the full process of shale oil and gas fracturing. The construction projects of increasing key reserves and production such as Shengli shale oil and Sichuan and Chongqing shale gas three-dimensional development projects, and the Junggar ultra-deep oil testing project, will be assured with full efforts. The annual fracturing construction efficiency will be increased by 5% year-on-year. Focus will be placed on Sinopec's sites of proven unused and low-grade reserves, cooperative development of 52 blocks will be accelerated, demonstration areas for efficient use of difficult-to-use reserves such as Baima and Dingshan will be built, and the scope of cooperation will continue to expand. It is planned to complete downhole operations in 6,430 wells.

5. Engineering and construction service

In 2025, the Company will give full play to its professional and integrated advantages, increase its market share comprehensively, firmly grasps a share in the high-quality markets and insists on creating benefits at the source. In the China Petrochemical Corporation market, we will improve service quality and implement construction of projects such as Dongying crude oil commercial storage, Daniudi gas field ethane recovery project, Maoming branch refinery transformation and upgrading, and ethylene quality improvement. In the domestic and external markets, we will leverage the advantages of large-diameter and long-distance pipelines to expand in the domestic long-distance pipeline engineering market by focusing on tracking with projects of the China Oil & Gas Pipeline Network Corporation, such as the Changchun to Shijiazhuang pipeline project and the Anqing to Wen 23 natural gas pipeline project, to seize the opportunities of new energy development, and strengthen market expansion in large-scale LNG storage tanks, CCUS, green power hydrogen production, offshore wind power and hydrogen transportation. It is planned to sign new contracts with the value of RMB2.33 billion for the full year, and contracts completed for the full year will reach RMB18.0 billion.

6. International business

In 2025, the Company will continue to promote the optimization and strengthening of high-quality and large-scale markets such as Saudi Arabia, Kuwait, Ecuador and Mexico. We will explore new business growth in the Saudi market. On the basis of stabilizing the scale of the conventional drilling and workover market, we will continue to expand the market share of unconventional business, accelerate the product qualification review process of high-value-added technical services and fracturing fluids, and drive the wellbore "full industrial chain" to enter the market through unconventional drilling contracting and completion fracturing contracting projects. New key breakthroughs will be achieved in the Kuwait market. With the winning bid for the drilling contracting project as an incentive, this will accelerate the qualification review of logging (perforating) services and offshore drilling services, the progress of Kuwait Petroleum Corporation's directional well, mud, drill bit and other projects will be closely monitored in order to be successful in winning tenders. A new advantageous position will be created in the Ecuadorian market, the progress of tender bidding for the new round of geological engineering integrated service projects and oil field block exploration and development projects of the Ecuadorian National Oil Company will be closely monitored. By organizing and achieving good performance in the bidding for new drilling and completion general contracting projects, the formation of a "drilling and completion general contracting + geological engineering integrated services" dual market structure will be consolidated. In the Mexican market, we will focus on new development targets, closely monitor the needs of key owners such as Petróleos Mexicanos, and take high-quality geophysical exploration, geological engineering integration and wellbore technical service projects as the main direction of expansion and work diligently to achieve greater market breakthroughs.

7. Technology development

In 2025, the Company will adhere to the innovation-driven development strategy, optimizes and improves the systems and mechanisms, continues to promote the scientific and technological innovation organizational models, such as the innovation consortium and the integration of Party A and Party B, actively participates in national projects such as the major national science and technology projects for new oil and gas exploration and development. Efforts will be focused on overcoming difficulties in the transformation of mature products and technologies such as intelligent drilling and completion technology, fully rotating near-drill bit rotary steering system, 10,000-meter ultra-deep well efficient drilling and completion technology and equipment, 10,000-meter ultra-deep well logging key and core equipment, optical fiber sensing technology, full life cycle wellbore integrity and engineering technology equipment, CCUS, etc. The construction of 18 product lines such as rotary steering, chemical additives, and measurement while drilling will be promoted, the annual output value of industrialization and new technology transformation will exceed RMB4.0 billion. Digital and intelligent development will be promoted, the establishment of an "integrated" digital and intelligent oil service business support platform for full life cycle management and control will be accelerated, industrial software and systems such as "drilling optimization +" and "geological steering +" will be developed and promoted. The research and manufacturing of automated equipment and supporting facilities such as fully automatic drilling rigs and welding robots will proceed further to accelerate the realization of automated operations at engineering sites and unmanned construction operations. New energy related new businesses such as optical fiber monitoring and sensing, development and utilization of hot dry rocks, deep and far offshore large-capacity floating wind power platforms and the production, storage, transmission and utilization of hydrogen energy will be actively developed to cultivate new poles of economic growth.

8. Internal reform and management

In 2025, the Company will continue to optimize resources, vigorously control costs and reduce expenses, and make all-out efforts to improve low-cost development capabilities. Firstly, the number of institutions and teams will be reduced, direct management of base level teams by professional operating units will be promoted and the pilot scheme of "big department" management will be implemented in the organization, more than 30 institutions of all kinds will be reduced throughout the year, optimizing the size of teams will continue and 47 teams will be reduced throughout the year, including 15 drilling teams. Secondly, human resources are optimized, the staffing standards of five major professions have been revised to remove non-continuous production positions and eliminate some social employment and increase the adjustments to surplus and shortage of employees. More than 15,000 employees are exported throughout the year by changing external outsourcing to self-operation and undertaking of business. Thirdly, equipment assets are revitalized, by giving full play to the role of the sharing platform of the asset operation branch company and increasing the adjustment of surplus and shortage of existing assets, equipment investments are reduced. Unified leasing of equipment has been coordinated and commenced to reduce leasing costs; various methods such as industrial and financial cooperation and market exchange services are adopted to meet the demand for incremental equipment. Fourthly, we will implement lean management, promote the cost reduction of the whole chain of projects, continuously reduce non-production costs, strive to reduce outsourcing costs and bulk material procurement costs by more than 5%, and reduce the variable cost of 100 yuan income by more than 0.6 yuan year on year.

9. Capital expenditure

In 2025, the Company plans to arrange capital expenditure of RMB3.24 billion, including RMB2.51 billion in fixed assets and equity investments. The Company will keep up with the demand for exploration and development, and continue to increase investment in high-end equipment and core technology, mainly arranging for the renovation of 11 drilling rigs, self-developed 9 strings of rotary steering instruments, the purchase of 7 fully automated workover rigs, and the construction of a dual-fuel support vessel. The Company will closely follow the implementation of the "double carbon" action and the development trend of resource recycling, accelerate the application of green equipment and technology, continuously improve the electrification rate of the project site, effectively integrate internal and external resources, and explore multiple ways to maximize the disposal benefits of idle waste equipment and materials.

(3) Potential risks

In the course of its production and operation, the Company actively took various measures to avoid and mitigate various types of risks. However, in practice, it may not be possible to prevent all risks and uncertainties completely.

A. Oil price drop and Market competition risk

At present, the development of new energy is accelerating, the growth of traditional oil and gas energy demand is slowing down, while geopolitical fluctuations and the Trump administration's energy policy may drive a new round of supply-side structural adjustment, increasing the downside risk of oil prices. At the same time, there is no fundamental change in the competition pattern of the current oilfield service market, and there is still a situation of oversupply. In addition, some countries or regions may protect the local oilfield service industry market, so the oilfield service market is still facing greater operational pressure, and the market competition risk is still the risk that the Company needs to face.

B. Health, safety and environmental protection risk

Petrochemical services involve certain risks, which may cause unexpected or dangerous incidents such as personal injury or death, property damage, environmental damage and disruption to operations, etc. In light of Chinese and other countries' governments making tougher supervision requirements in environmental protection, if the Company causes environmental pollution caused by accidents in its operation, it will stand trial and pay compensation. As its operation expands, hazard risks faced by the Company also increase accordingly. Further, new regulations promulgated by the state in recent years set out higher standards for production safety. In addition, natural disasters such as earthquake and typhoon as well as emergency public health events may cause losses to properties and personnel of the Company, and may affect the normal operations of the Company. The Company has implemented strict HSE management system and used its best endeavors to avoid the occurrence of accidents. However, the Company cannot completely avoid potential financial losses caused by such contingent incidents.

C. Overseas operation risk

The Company has business in many foreign countries and regions, and will increase communication with territorial governments, enterprises and staff. Due to the influence of geopolitics, economy, religion, humanity, policy changes, legal differences and other conditions, including political instability, fiscal instability and tax policies, barriers to entry, contract breaches, tax and legal disputes, commercial secret disputes or leaks, the inability of technical equipments to meet competitive needs, etc., the risks of the Company's overseas business development and operations may increase.

D. Exchange rate risk

Because the Company holds US dollar debts and conducts business in many countries and regions abroad, involving the income and expenditure activities of multiple currencies, the exchange rate fluctuation of the RMB against the relevant foreign currency and the exchange rate between currencies will affect the Company's operating costs. Through regular research and analysis of exchange rate trends, the Company reduces exchange risk exposure and controls exchange rate risk.

7. Statements for the Company failed to disclose information in accordance with the standards due to special reasons such as non-applicability, national or business secrets, etc.

☐ Applicable √ Not Applicable

8. Assets, liabilities, equity and cash flow (extracted from the financial statements prepared in accordance with IFRS)

The Group's main sources of funds are operating activities, short-term and long-term borrowings, and the main uses of funds are operating expenses, capital expenditures and repayment of short – and long-term borrowings.

(1) Assets, liabilities and equity analysis

	As at 31 December 2024	As at 31 December 2023	The rate of change
	RMB'000	RMB'000	%
Total assets	**77,340,105**	75,162,974	2.9
Current assets	**43,419,968**	39,402,551	10.2
Non-current assets	**33,920,137**	35,760,423	-5.1
Total liabilities	**68,691,303**	67,139,772	2.3
Current liabilities	**68,193,782**	66,186,004	3.0
Non-current liabilities	**497,521**	953,768	-47.8
Total equity attributable to owners of the Company	**8,648,802**	8,023,202	7.8

Total assets were RMB77,340,105,000, representing an increase of RMB2,177,131,000 from that at the end of 2023, of which: current assets were RMB43,419,968,000, representing an increase of RMB4,017,417,000 as compared to the end of 2023, mainly due to the combined effect of an increase in cash and cash equivalents of RMB652,601,000, an increase in contract assets and performance costs of RMB494,742,000 and an increase in accounts receivable of RMB2,692,585,000. Non-current assets amounted to RMB33,920,137,000, representing a decrease of RMB1,840,286,000 as compared with the end of 2023, which was mainly due to a decrease of RMB305,225,000 in equity interest in a joint venture, a decrease in provision for depreciation of property, plant and equipment of RMB710,990,000, and provision for amortization decreased in other non-current assets of RMB729,867,000.

Total liabilities were RMB68,691,303,000, representing an increase of RMB1,551,531,000 from that at the end of 2023, of which: current liabilities amounted to RMB68,193,782,000, representing an increase of RMB2,007,778,000 as compared to the end of 2023, which was mainly due to an increase of RMB2,799,353,000 in short-term borrowings, a decrease of RMB3,541,874,000 in bills and trade payables, and an increase in contractual liabilities of RMB2,548,643,000. Non-current liabilities amounted to RMB497,521,000, representing a decrease of RMB456,247,000 as compared to the end of 2023, which was mainly due to the combined effect of a decrease in long-term borrowings of RMB331,509,000 and a decrease in estimated liabilities of RMB122,344,000.

Total equity attributable to owners of the Company was RMB8,648,802,000, an increase of RMB625,600,000 as compared with the end of 2023, mainly because the gains attributable to equity holders of the Company in 2024 achieved RMB620,631,000.

As at 31 December 2024, the ratio of total liabilities to total assets was 88.8% compared to 89.3% as at 31 December 2023.

(2) Cash flow analysis

The main items of cash flow of the Group in 2024 and 2023 showed in the following table.

Main items of cash flow	2024	2023
	RMB'000	RMB'000
Net cash (outflow)/inflow from operating activities	3,100,854	5,576,913
Net cash (outflow)/inflow from investing activities	(3,458,464)	(4,059,383)
Net cash (outflow)/inflow from financing activities	1,044,645	(558,226)
Increase/(Decrease) in cash and cash equivalents	687,035	959,304
Effect of exchange rate changes	-34,435	28,344
Cash and cash equivalents at the beginning of the year	2,788,798	1,801,150
Cash and cash equivalents at the end of the year	3,441,398	2,788,798

During the year ended 31 December 2024, the Group's net cash inflow from operating activities was RMB3,100,854,000, representing a decrease of cash inflow by RMB2,476,059,000 as compared with last year. This was mainly due to the extension of the owner's account period, the failure to pay the funds on time, the decrease in bill settlement and the increase in cash settlement.

During the year ended 31 December 2024, the Group's net cash outflow for investing activities was RMB3,458,464,000, representing a decrease of cash outflow by RMB600,919,000 as compared with last year. It was mainly due to the decrease in equipment purchase expenses.

During the year ended 31 December 2024, the Group's net cash inflow from financing activities was RMB1,044,645,000, representing an increase of cash inflow by RMB1,602,871,000 as compared with last year. This was mainly due to supplement operating cash flow and increase the inflow of loan funds.

(3) Bank and affiliated company borrowings

As at 31 December 2024, the Company's bank and related company borrowings were RMB22,713,925,000 (31 December 2023: RMB20,226,157,000). The above borrowings were all fixed rate RMB short-term borrowings.

(4) Gearing ratio

As at 31 December 2024, the gearing ratio of the Group was 69.8% (31 December 2023: 69.4%). The gearing ratio is computed as the following formula: (liability with interest – cash & cash equivalents)/(liability with interest – cash & cash equivalents + shareholders' equity)

9. The required financial information disclosure according to the Listing Rules of HKSE

(1) Assets pledge

As at year ended 31 December 2024, there was no pledge on the Group's assets.

(2) Foreign Exchange Risk Management

It is set forth in note 41 of the financial statements prepared in accordance with the IFRSs of the Annual Report.

(3) Financial Summary

A summary of the results and of the assets and liabilities of the Company for the last five financial years (extracted from the financial statements prepared in accordance with the IFRSs) is set forth in the section "Company Profile and Principal Financial Indicators" of the Annual Report.

A summary of the results and of the assets and liabilities of the Company for the last three financial years (extracted from the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises) is set forth in the section "Company Profile and Principal Financial Indicators" of the Annual Report.

(4) Reserves

Changes in reserves of the Company during the reporting period are set forth in note 29 of the financial statements prepared in accordance with the IFRSs of the Annual Report.

(5) Fixed assets

Movements in fixed assets of the Group, during the reporting period, are set forth in note 17 of the financial statements prepared in accordance with the IFRSs of the Annual Report.

(6) Bank loans and other borrowings

Details of bank loans and other borrowings of the Company as at 31 December 2024 are set out in note 34 of the financial statements prepared in accordance with the IFRSs of the Annual Report.

(7) Retirement plan

Particulars of the retirement plan operated by the Group are set forth in note 16 of the financial statements prepared in accordance with the IFRSs of the Annual Report.

(8) Income tax

As of the twelve months ended 31 December 2024, the Company's incoming tax was RMB500,917,000 (2023: RMB339,124,000). The change in effective income tax rate was mainly due to the fact that the Group paid tax in the foreign countries and regions where it has business activities.

(9) Capitalized Interest

For the year ended 31 December 2024, there was no capitalized interest of the Company.

(10) Donations

During the reporting period, the Group donated approximately RMB3,214,400.

(11) The Company's environmental policy and performance

(1) The Company's environmental policy: guided by the construction of ecological civilization and green low-carbon strategy, the Company continues to carry out clean production, energy saving and emission reduction, carbon asset inventory and verification, and the "Energy Efficiency Doubling" plan, and in-depth implementation of the clear water blue sky environmental protection special action. The effectiveness of energy and environmental work continued to improve.

(2) In 2024, the Company was not included in the list of companies with serious pollution published by the Chinese environmental protection department, and there will be no major environmental protection or other major social safety issues.

(3) The Company has established a comprehensive environmental impact assessment system to further strengthen environmental management and control. In 2024, the Company did not have any environmental pollution accidents.

(12) Compliance with laws and regulations

(1) For details of the relevant laws and regulations that have a significant impact on the Company, please refer to the disclosure of the principal laws and regulations in the Regulatory Overview set out in Appendix I to the circular of the Company dated 27 October 2014 in relation to the significant asset reorganization on the SSE website www.sse.com.cn and the HKSE website www.hkexnews.hk.

(2) In 2024, the Company strictly complied with the relevant laws and regulations that have a significant impact on the Company, and did not receive complaints, nes or sanctions for violating major laws and regulations.

(13) Key employees, customers and suppliers of the company

(1) Employees, customers and suppliers of the Company have no significant influence on the prosperity of the Company.

(2) For details, please refer to item (1) B. (f) of subsection 5 "Statement of main business during the reporting period" in this section.

(14) Management contract

During the reporting period, the Company has not signed or has any contracts for the management and administration of the whole or any important business.

(15) Pre-emptive rights

There are no provisions for pre-emptive rights in the Company's Articles of Association or PRC laws.

(16) Share repurchase, sale and redemption

For details, please refer to "8. Execution of shares repurchase during the reporting period" of section IX "Changes in Ordinary Shares and Information on Shareholders" of the Annual Report.

(17) Directors' interests in competing businesses

Some directors of the Company hold positions in China Petrochemical Corporation and its subsidiaries. For details, please refer to the item 4 "Information on directors, supervisors and senior management holding positions" of section 5 "Corporate Governance" of the Annual Report.

(18) Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, its parent company or any of their subsidiaries was a party during and at the end of the year.

(19) Directors' service contracts

No Director has a service contract with the Company or any of its subsidiaries which is not terminated by the Company within one year without payment of compensation, other than statutory compensation.

(20) Permitted indemnity provisions

During the reporting period, the Company has purchased liability insurance for all directors to minimize their losses that may arise from the proper performance of their duties. The permitted indemnity provisions are provided in such directors' liability insurance in respect of potential liability and costs associated with legal proceedings that may be brought against such directors for negligent acts in the performance of their duties.

(21) Equity-linked agreement

For the year ended 31 December 2024, the Company has not entered into any equity-linked agreement.

On Behalf of the Board

Wu Baizhi

Chairman

Beijing, PRC, 18 March 2025

Section V Corporate Governance

1. Information on Corporate Governance

During the reporting period, the Company strictly complied with domestic and overseas regulatory requirements, adhered to standardized operation, operated in compliance with laws and regulations, and continued to improve the level of corporate governance. In accordance with the provisions of the Articles of Association, relevant laws and the securities regulatory rules of the listed places, and taking into account the actual situation, the Company formulated, improved and effectively implemented various working procedures of the board of directors and its special committees, completed the election of directors and supervisors, the appointment of members of special committees under the board, and the appointment of the general manager and other senior managers to improve the corporate governance structure further. The board of directors of the Company approved important proposals such as financial report, repurchase plan, related party transaction agreement and external guarantee to promote the high-quality development, and timely revised the "Information Disclosure System", "Investor Relations Working System", "Secretary of the Board of Directors Working System" and other systems to continuously consolidate the foundation of standardized operation system.

The Company insisted on high-quality information disclosure, increased transparency, and obtained A-level evaluation of information disclosure from the Shanghai Stock Exchange. We strengthened investor communication, regularly organized performance presentations, communicated with various investors through multiple channels, and successfully held the reverse roadshow for investors on the 10th anniversary of listing, which obtained good market feedback. We strengthened environment, society and governance (ESG) work, enhanced ecological and environmental protection, contributed to rural revitalization, and actively fulfilled its corporate social responsibilities. The Company continued to improve the quality of Party building work, boosted the morale of employees, strengthened discipline inspection and supervision, facilitate the effective implementation of the decisions and arrangements of the board of directors, and promoted the high-quality development of the Company.

During the reporting period, the corporate governance of the Company was in compliance with the requirements of the regulatory documents on corporate governance of listed companies issued by the regulatory authorities and stock exchanges in the places where the Company is listed. Independent directors performed their duties and responsibilities, actively played the role of "participating in decision-making, supervision and checks and balances, professional consultation", carefully reviewed decision-making matters, listened to special reports on major decision-making matters, conducted regular research, and made suggestions for the reform and development of the Company. The Company carried out inside information and insider management in accordance with regulatory requirements and company regulations, continuously optimized the inside information management mechanism, improved the compliance awareness of insiders of inside information, and did a good job in inside information and insiders registration. During the reporting period, there was no insiders' illegal trading of Company's shares by using inside information.

In strict accordance with the requirements of relevant laws and regulations including "Company Law", "the Securities Law", "Administrative Measures for the Disclosure of Information of Listed Companies", domestic and overseas listing rules, the Company will continuously perfect management system of the Company, improve the standard operation and management level of the Company, protect the interests of the Company and all the shareholders and promote the sustainable and healthy development of the Company.

2. The Specific Measures taken by the Company's Controlling Shareholder or De Facto Controller to Guarantee the Independence with respect to Assets, Personnel, Finance, Organisation and Business of the Company and the Solution, Work Progress and Continuous Work Plan to Avoid Affecting the Independence of the Company

☐ Applicable √ Not Applicable

The situation with the controlling shareholder, de facto controller and its controlling unit engaging in the same or similar industry as the Company, as well as the impact on the Company of competition in the same industry or substantial changes in the competition in the same industry, the measures taken to resolve the situation, the progress of the resolution, and the plan to resolve the situation in the future.

☐ Applicable √ Not Applicable

3. Summary of Shareholders' Meetings

During the reporting period, the Company held the annual general meeting for the year 2023, the first A shareholders class meeting for 2024 and the first H shareholders class meeting for 2024 on 12 June 2024 in Beijing, and held the first extraordinary general meeting for the year 2024 on 6 December 2024 in Beijing. Details are as follows:

Name of meeting	Date of meeting	Website designated for searching the resolutions	Domestic disclosure date of resolutions	Resolutions
The annual general meeting for the year 2023	12 June 2024	www.sse.com.cn www.hkexnews.hk	13 June 2024	1. To consider and approve the Report of the Board of the Directors of the Company for the year 2023. 2. To consider and approve the Report of the Supervisory Committee of the Company for the year 2023. 3. To consider and approve the audited financial statements and the auditor's report of the Company for the year 2023. 4. To consider and approve the profit distribution plan of the Company for the year 2023. 5. To consider and approve the resolution to re-appoint the Company's external auditor for the year 2024. 6. To consider and approve the annual cap of continuing related transactions between the Company and China Oil & Gas Pipeline Network Corporation for 2024. 7. To consider and approve the remuneration of the directors and supervisors of the Company for the year 2023. 8. To consider and approve the resolution on the provision of counter-guarantee to China Petrochemical Corporation. 9. To consider and approve the resolution on the remuneration policy for the 11th session of the board of directors and the 11th session of the supervisory committee of the Company. 10. To consider and approve provision of guarantee for wholly owned subsidiaries and joint venture. 11. To consider and approve the authorisation to the Board to repurchase domestic shares and/or overseas listed foreign shares of the Company. 12. To consider and approve the resolution on the election of the directors (excluding independent non-executive directors) of the 11th session of the board of directors of the Company. 13. To consider and approve the resolution on the election of the independent non-executive directors of the 11th session of the board of directors of the Company. 14. To consider and approve the resolution on the election of the non-employee representative supervisors of the 11th session of the supervisory committee of the Company.
The first A shareholders class meeting for 2024	12 June 2024	www.sse.com.cn www.hkexnews.hk	13 June 2024	To consider and approve the authorisation to the Board to repurchase domestic shares and/or overseas listed foreign shares of the Company.
The first H shareholders class meeting for 2024	12 June 2024	www.sse.com.cn www.hkexnews.hk	13 June 2024	To consider and approve the authorisation to the Board to repurchase domestic shares and/or overseas listed foreign shares of the Company.
The first extraordinary general meeting for 2024	6 December 2024	www.sse.com.cn www.hkexnews.hk	7 December 2024	To consider and approve: 1. The Mutual Products Supply Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 2. The General Services Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 3. The Engineering and Construction Services Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 4. The Financial Services Agreement and annual caps for the major continuing connected transactions and non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 5. The Technology R&D Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 6. The Land Use Rights and Property Leasing Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 7. The Equipment Leasing Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 8. Proposal on the plan to repurchase A shares through centralized price bidding.

4. Information about Directors, Supervisors and Senior Management

(1) Information on the changes of shareholdings and the remuneration of directors, supervisors and senior management

Name	Position	Gender	Age	The beginning of the term	The end of the term	Number of shares at the beginning of the year	Number of shares at the end of the year	Reason for change	Salaries from the Company during reporting period (RMB) (before taxation)	Whether get payment from related party of the Company
Wu Baizhi	Chairman	male	54	12 June 2024	11 June 2027	0	0	No Change	518,650	No
	Executive Director									
Zhang Jiankuo	General Manager	male	50	8 December 2023	11 June 2027	0	0	No Change	1,011,427	No
	Executive Director			12 June 2024						
Zhang Lili	Non-Executive Director	female	50	12 June 2024	11 June 2027	0	0	No Change	–	Yes
Du Kun	Non-Executive Director	male	46	12 June 2024	11 June 2027	0	0	No Change	–	Yes
	Deputy General Manager			27 October 2022	12 June 2024				444,192	
Xu Keyu	Non-Executive Director	male	36	12 June 2024	11 June 2027	0	0	No Change	–	No
Zheng Weijun	Independent Non-Executive Director	male	58	2 February 2021	1 February 2027	0	0	No Change	200,000	No
Wang Pengcheng	Independent Non-Executive Director	male	54	12 June 2024	11 June 2027	0	0	No Change	100,000	No
Liu Jiangning	Independent Non-Executive Director	female	45	12 June 2024	11 June 2027	0	0	No Change	100,000	No
Wang Jun	Chairman of the Supervisory Committee	male	57	26 May 2022	11 June 2027	0	0	No Change	906,700	No
Zhang Kun	Supervisor	male	51	12 June 2024	11 June 2027	0	0	No Change	–	Yes
Zhang Xiaofeng	Supervisor	male	54	12 June 2024	11 June 2027	0	0	No Change	–	Yes
Li Wei	Supervisor	male	48	12 June 2024	11 June 2027	0	0	No Change	–	Yes
Zhang Zonglin	Employee Representative Supervisor	male	59	12 June 2024	11 June 2027	0	0	No Change	516,350	No
Zhang Bailing	Employee Representative Supervisor	male	59	2 February 2021	11 June 2027	0	0	No Change	734,000	No
Wang Zhonghong	Employee Representative Supervisor	male	57	12 June 2024	11 June 2027	0	0	No Change	512,850	No
Zhang Congbang	Deputy General Manager	male	54	8 December 2023	11 June 2027	0	0	No Change	988,300	No
Cheng Zhongyi	Chief Financial Officer	male	48	27 April 2021	11 June 2027	0	0	No Change	890,384	No
	Secretary to the Board			3 August 2021	20 August 2024					

Name	Position	Gender	Age	The beginning of the term	The end of the term	Number of shares at the beginning of the year	Number of shares at the end of the year	Reason for change	Salaries from the Company during reporting period (RMB) (before taxation)	Whether get payment from related party of the Company
Sun Bingxiang	Deputy General Manager	male	53	3 August 2021	11 June 2027	50,300	50,300	No Change	874,244	No
Ke Yuehua	Secretary to the Board	male	54	20 August 2024	11 June 2027	0	0	No Change	255,947	No
Chen Xikun	Former Chairman	male	60	19 December 2019	12 June 2024	0	0	No Change	522,050	No
	Former Executive Director			8 February 2018						
Fan Zhonghai	Former Non-Executive Director	male	59	8 February 2018	12 June 2024	0	0	No Change	–	Yes
Wei Ran	Former Non-Executive Director	male	57	20 June 2018	12 June 2024	0	0	No Change	–	No
Zhou Meiyun	Former Non-Executive Director	male	55	2 February 2021	12 June 2024	0	0	No Change	–	Yes
Chen Weidong	Former Independent Non-Executive Director	male	69	20 June 2018	12 June 2024	0	0	No Change	100,000	No
Dong Xiucheng	Former Independent Non-Executive Director	male	63	20 June 2018	12 June 2024	0	0	No Change	100,000	No
Zhao Jinhai	Former Non-Executive Director	male	54	12 June 2024	10 December 2024	0	0	No Change	–	Yes
Du Jiangbo	Former Supervisor	male	60	16 June 2015	12 June 2024	0	0	No Change	–	Yes
Zhang Qin	Former Supervisor	female	62	9 February 2015	12 June 2024	0	0	No Change	30,000	No
Sun Yongzhuang	Former Employee Representative Supervisor	male	59	2 February 2021	12 June 2024	0	0	No Change	522,350	No
Du Guangyi	Former Employee Representative Supervisor	male	61	2 February 2021	12 June 2024	0	0	No Change	523,950	No

Notes:

1. Mr. Zhang Jiankuo, Mr. Wang Jun, Mr. Zhang Bailing, Mr. Zhang Congbang, Mr. Cheng Zhongyi and Mr. Sun Bingxiang all received 12 months of salary in 2024, Mr. Zheng Weijun received 12 months of director's fee in 2024. Mr. Wu Baizhi started to serve as chairman and executive director of the Company since 12 June 2024 and received 6 months of salary in 2024. Mr. Du Kun transferred from the deputy general manager of the Company to a non-executive director of the Company with effect from 12 June 2024 and received six months' remuneration in 2024. Mr. Zhang Zonglin and Mr. Wang Zhonghong started to serve as employee representative supervisor of the Company since 12 June 2024 and received 6 months of salary in 2024. Mr. Wang Pengcheng and Ms. Liu Jiangning started to serve as independent non-executive directors of the Company since 12 June 2024 and received 6 months of directors' fee in 2024. Mr. Ke Yuehua started to serve as secretary to the board of the Company since 20 August 2024 and received 4 months of salary in 2024.
2. Mr. Chen Xikun resigned as chairman and executive director of the Company on 12 June 2024 and received 6 months of salary in 2024. Mr. Chen Weidong and Mr. Dong Xiucheng resigned as independent non-executive directors of the Company on 12 June 2024 and received 6 months of directors' fee in 2024. Mr. Sun Yongzhuang and Mr. Du Guangyi resigned as employee representative supervisors of the Company on 12 June 2024 and received 6 months of salary in 2024. Ms. Zhang Qin resigned as supervisor of the Company on 12 June 2024 and received 6 months of subsidy in 2024.

Information about current directors, supervisors and senior management

Director

Mr. Wu Baizhi#, aged 54, Chairman, Party Secretary. Mr. Wu is a professor-level senior engineer with a doctoral degree. Mr. Wu joined Shengli Petroleum Administrative Bureau of China Petrochemical Corporation in 1993, and was appointed as Deputy Manager of No. 3 Downhole Operation Company, Deputy Director of Exploration and Development Supervision Department, Deputy Head of Oil Production Department, Director of Tight Oil Reservoir Development Program Department, Head of Oil Production Department, Director and Safety Director of the Engineering Technology Management Center of Shengli Petroleum Administration Bureau consecutively; in January 2017, he was appointed as Deputy Director of Safety Supervision Bureau of China Petrochemical Corporation; in November 2018, he was appointed as General Manager and Deputy Secretary of the Party Committee of Sinopec Zhongyuan Oil Engineering Company Limited; in April 2021, he was appointed as Executive Director, Secretary of the Party Committee and General Manager of Sinopec Jingwei Company Limited; in September 2023, he was appointed as Executive Director and Secretary of the Party Committee of Sinopec Jingwei Company Limited. Since April 2024, he has served as Secretary of the Party Committee of the Company. Since June 2024, he has been appointed as the chairman of the Board and the executive director of the Company.

Mr. Zhang Jiankuo#, aged 50, general manager, executive director. Mr. Zhang is a professor-level senior engineer with a master's degree. In November 2015, he served as the manager and deputy secretary of the Communist Party Committee of Sinopec Shengli Oil Engineering Company Limited. Yellow River Drilling Corporation; in December 2018, he served as the deputy general manager of Sinopec Shengli Oil Engineering Company Limited. In October 2020, he served as the deputy general manager of the Company. In June 2022, he served as the deputy general manager of Petroleum Exploration & Development Research Department of China Petroleum & Chemical Corporation. Since December 2023, he has been appointed as the general manager of the Company. Since June 2024, he has been appointed as the executive director and the general manager of the Company.

Ms. Zhang Lili*, aged 50, non-executive director. Ms. Zhang is a professor-level senior accountant with a bachelor's degree. In 1995, Ms. Zhang joined Sinopec Corp. Tianjin Branch, and was appointed as Deputy Head and Head of the Finance Department of China Petrochemical Corporation Chemical Commercial Holding Company Limited; in April 2018, she was appointed as Chief Accountant of Sinopec Corp. Guangxi Petroleum Branch; in December 2020, she was appointed as Chief Accountant of Sinopec Corp. Beijing Yanshan Branch. Since December 2022, she has served as Deputy General Manager of the Finance Department of China Petrochemical Corporation. Since September 2024, she has also been a director of Sinopec Oilfield Equipment Corporation. Since June 2024, she has been appointed as the non-executive director of the Company.

Mr. Du Kun*, aged 46, non-executive director. Mr. Du is a senior engineer with a master's degree. Mr. Du joined Shengli Petroleum Administrative Bureau of China Petrochemical Corporation in 2000, and was appointed as Manager of Yan'an Project Management Department of Sinopec Shengli Oil Engineering Company Limited (middle-level deputy position), Manager of Fuling Project Management Department (middle-level deputy position), Manager of Southwest Branch & Manager of Fuling Project Management Department consecutively; in December 2020, he was appointed as Deputy General Manager of Sinopec Shengli Oil Engineering Company Limited; in August 2022, he was appointed as Deputy General Manager of the Company. Since April 2024, he has served as Deputy General Manager of Exploration & Production Department of Sinopec Corp. Since June 2024, he has been appointed as the non-executive director of the Company.

Mr. Xu Keyu*, aged 36, non-executive director. Mr. Xu served as a senior manager of the investment banking department of Hua Chuang Securities Co., Ltd. in July 2014; a deputy general manager of the investment banking department of Minsheng Royal Asset Management Co., Ltd. in May 2016; and a director of the second investment department of China Chengtong Fund Management Co., Ltd. in August 2017. He has concurrently served as a director of CIX Technology (Shanghai) Co., Ltd. since October 2023. Since June 2024, he has been appointed as the non-executive director of the Company.

Mr. Zheng Weijun+, aged 58, independent non-executive director, graduated from MBA. Mr Zheng is a certified public accountant, certified tax agent, senior accountant, senior member of the Chinese Institute of Certified Public Accountants, a leading talent in the national certified public accountant industry of the Ministry of Finance and an extracurricular tutor for master's degree students in the college of accounting, Central University of Finance and Economics. From November 2001 to September 2023, he was a partner of ShineWing Certified Public Accountants. Since October 2023, he has been a supervisor of ShineWing International Investment Group Co., Ltd. Since September 2018, he has been a director of Hehui Group Co., Ltd. Since July 2021, he served as an independent director of Shanghai Yaopi Glass Group Co., Ltd. Since April 2023, Mr. Zheng served as an independent director of Huachuang Yunxin Digital Technology Service Co., Ltd., and he has been appointed as the independent non-executive director of the Company since February 2021. Since June 2024, he has been re-appointed as the independent non-executive director of the Company.

Mr. Wang Pengcheng+, aged 54, independent non-executive director, holds a doctoral degree. Mr. Wang is currently a professor and doctoral supervisor at the Business School of Beijing Technology and Business University, and concurrently serves as the director of the Corporate Accounting Standards Specialized Committee of Accounting Society of China, expert member of the ESG Specialized Committee and vice chairman of the CFO Specialized Committee of China Association for Public Companies. Mr. Wang has served successively as a partner of Pan-China Certified Public Accountants, a partner of Deloitte Touche Tohmatsu, and the chief operating officer and the managing partner of audit services of Greater China of Ernst & Young. Since August 2023, he has served as an independent director, the chairman of the audit committee, and a member of each of the nomination and remuneration committee and the related party transactions control committee of the board of the People's Insurance Company (Group) Of China Limited. Since June 2024, he has been appointed as the independent non-executive director of the Company.

Ms. Liu Jiangning+, aged 45, independent non-executive director. Ms. Liu is currently a vice dean, professor and doctoral supervisor of Institute of Common Prosperity, University of International Business and Economics. Ms. Liu is a post-doctoral fellow in economics at Peking University and a doctor of Law at Shandong University. In October 2017, Ms. Liu was selected by the Ministry of Education for the honour of "National Ideological and Political Theory Teaching Expert in Colleges and Universities", and won the award of "Outstanding Paper of Chinese Young Economic Scholars" in 2018 and 2019. Her main research area is the theory and practice of socialist economy with Chinese characteristics. Since June 2024, she has been appointed as the independent non-executive director of the Company.

Executive Director
* Non-executive Director
+ Independent non-executive Director

Section V Corporate Governance

Supervisor

Mr. Wang Jun, aged 57, chairman of the supervisory committee. Mr. Wang is a professor-level senior administration engineer with a master degree. In May 2007, he was appointed as the secretary of Communist Party Committee of Bohai Drilling Company of Shengli Petroleum Administration Bureau of China Petrochemical Corporation. In April 2015, he was appointed as the deputy secretary of Committee for Discipline Inspection and director of Inspection Department of Shengli Petroleum Administration Bureau of China Petrochemical Corporation. In August 2017, he was appointed as the deputy secretary of Communist Party Committee, secretary of Committee for Discipline Inspection, Chairman of Labour Union and Supervisor of Sinopec Shengli Oil Engineering Company Limited. Since January 2022, he has been appointed as the deputy secretary of the Communist Party Committee, secretary of the Commission for Discipline Inspection and chairman of the Labour Union of the Company. Since May 2022, he has been appointed as the chairman of the supervisory committee of the Company. Since June 2024, he has been re-appointed as the chairman of the supervisory committee of the Company.

Mr. Zhang Kun, aged 51, supervisor of the Company. Mr. Zhang is a professor-level senior administration engineer with a bachelor's degree. In 1996, Mr. Zhang joined Sinopec Corp. Beijing Design Institute, and was appointed as Deputy Head and Head of the Ideological and Political Work Department of China Petrochemical Corporation consecutively; in December 2012, he was appointed as Deputy Secretary of the Party Committee, Secretary of the Discipline Inspection Committee and Chairman of LabourUnion of Sinopec Corp. Cangzhou Petroleum Refinery; in January 2018, he was appointed as Secretary of the Party Committee and Vice President of Sinopec Corp. Cangzhou Petroleum Refinery; in December 2019, he was appointed as Secretary of Youth League Committee and Deputy Director of the Political Work Department of China Petrochemical Corporation; in May 2021, he concurrently served as the Direct Secretary of Discipline Inspection Committee. Since September 2023, he has served as Secretary of the Youth League Committee (department chief), Deputy Director of the Political Work Department and Direct Secretary of the Discipline Inspection Committee of China Petrochemical Corporation. Since June 2024, he has been appointed as the supervisor of the Company.

Mr. Zhang Xiaofeng, aged 54, supervisor of the Company. Mr. Zhang is a senior economist with a bachelor's degree. In 1995, he joined Sinopec Corp. Yihua Company, and was appointed as Deputy Head and Head of the Legal Affairs Department of China Petrochemical Corporation; in January 2018, he was appointed as Deputy Director of the Legal Affairs Department of China Petrochemical Corporation; since August 2019, he has concurrently served as Supervisor of Sinopec Oilfield Equipment Corporation; since December 2019, he has served as Deputy General Manager of the Business Reform and Legal Affairs Department of China Petrochemical Corporation; and since June 2020, he has concurrently served as Supervisor of Sinopec Shanghai Petrochemical Company Limited. Since June 2024, he has been appointed as the supervisor of the Company.

Mr. Li Wei, aged 48, supervisor of the Company. Mr. Li is a senior auditor with a master's degree. In 1999, Mr. Li joined the Audit Bureau of China Petrochemical Corporation, and was appointed as Deputy Head and Head of the Audit Bureau of China Petrochemical Corporation, and Head and Director of the Audit Department of China Petrochemical Corporation. Since January 2022, he has served as Deputy General Manager of the Audit Department of China Petrochemical Corporation, and Deputy Director of the Audit Committee Office of the Party Committee. Since June 2024, he has been appointed as the supervisor of the Company.

Mr. Zhang Zonglin, aged 59, employee representative supervisor. Mr. Zhang is a professor-level senior engineer with a doctoral degree. Mr. Zhang joined Shengli Petroleum Administrative Bureau of China Petrochemical Corporation in 1984 and has served as deputy director of the Development Management Center of Sinopec Shengli Oilfield Co., Ltd., deputy director and director of the Development Division (Reservoir Operation and Management Office) of Shengli Oilfield Branch, director of Binnan Oil Extraction Plant of Shengli Oilfield Branch, and deputy chief geologist of Shengli Petroleum Administrative Bureau, consecutively; in January 2017, he was appointed as Deputy General Manager of Sinopec Shengli Oilfield Branch Company; in January 2022, he was appointed as General Manager and Deputy Secretary of the Party Committee of Sinopec Shengli Oil Engineering Company Limited; from September 2023, he has served as an executive director and secretary of the Party Committee of Sinopec Shengli Petroleum Engineering Company Limited. Since June 2024, he has been appointed as the employee representative supervisor of the Company.

Mr. Zhang Bailing, aged 59, employee representative supervisor. Mr. Zhang is a professor-level senior engineer with a doctoral degree. Since December 2003, he has successively served as the director of the dispatching department, the director of the production operation department of the Sinopec Southwest Oil and Gas Branch, and the director of the West Sichuan Gas Production Plant; in July 2011, he served as the deputy chief engineer of the Sinopec Southwest Oil and Gas Branch and the deputy manager of the Yuanba Project Department. From August 2012 to November 2020, he served as the deputy general manager of Sinopec Southwest Oil and Gas Branch; in March 2017, he served as the secretary of the Party Committee of Sinopec Southwest Petroleum Engineering Co., Ltd.; in August 2017, he served as secretary of the Party Committee and deputy general manager of Sinopec Southwest Petroleum Engineering Co., Ltd.; in May 2020, he served as executive director and party secretary of Sinopec Southwest Petroleum Engineering Co., Ltd.; from November 2020, he served as executive director and party secretary of Sinopec Zhongyuan Petroleum Engineering Co., Ltd. Since February 2021, he has been appointed as the employee presentative supervisor of the Company. Since June 2024, he has been re-appointed as the employee representative supervisor of the Company.

Mr. Wang Zhonghong, aged 57, employee representative supervisor. Mr. Wang is a professor-level senior engineer with a master's degree. Mr. Wang joined Jianghan Petroleum Administrative Bureau of Sinopec Group in 1988, and has served as chief engineer, deputy director and executive deputy director (at the department level) of the Oil Construction Division of Jianghan Petroleum Administrative Bureau, deputy manager of the project management department of Sinopec International Petroleum Service Corporation, deputy manager of the Brazilian subsidiary (at the department level), consecutively; in November 2010, he was appointed as the deputy general manager (at the deputy bureau level) of Sinopec Group Brazil Co., Ltd; in March 2015, he was appointed as an deputy general manager of Sinopec Oil Engineering and Construction Corporation (deputy position of larger enterprise); in November 2020, he was appointed as the general manager and deputy secretary of the Party Committee of Sinopec Oil Engineering and Construction Corporation; from December 2023, he has served as an executive director and secretary of the Party Committee of Sinopec Oil Engineering and Construction Corporation. Since June 2024, he has been appointed as the employee representative supervisor of the Company.

Senior management

Mr. Zhang Congbang, aged 54, deputy general manager (it is managed according to the principal position of the bureau-level enterprise). Mr. Zhang is a professor-level senior engineer with a bachelor's degree. In May 2006, he served as the deputy general manager of the Saudi Arabia branch of Sinopec International Petroleum Service Corporation; in May 2008, he served as the general manager of the Kuwait branch of Sinopec International Petroleum Service Corporation; in March 2011, he served as the deputy chief engineer of Sinopec International Petroleum Service Corporation and the general manager of the Kuwait branch; in March 2012, he served as the deputy chief engineer of Sinopec International Petroleum Service Corporation and the general manager of the Kuwait branch, UAE Subsidiary branch and Abu Dhabi branch; in July 2019, he served as the deputy general manager of Sinopec International Petroleum Service Corporation; in December 2020, he served as the general manager and deputy secretary of the Communist Party Committee of Sinopec International Petroleum Service Corporation; since December 2023, he served as the executive director and secretary of the party committee of Sinopec International Petroleum Service Corporation. Since December 2023, he has been appointed as the deputy general manager of the Company (it is managed according to the principal position of the bureau-level enterprise).

Mr. Cheng Zhongyi, aged 48, chief financial officer and general counsel. Mr. Cheng is a senior accountant with a master degree in Engineering. In January 2015, he served as deputy director of financial planning department and chief financial officer of overseas engineering management center of Sinopec Shengli Oil Engineering Company Limited. In October 2017, he served as director of financial planning department of Sinopec Shengli Oil Engineering Company Limited. In April 2018, he served as chief financial officer of Sinopec Oil Engineering Geophysical Company Limited. In May 2020, he served as deputy general manager of Sinopec Shared Services Company Limited. Since April 2021, he served as the chief financial officer of the Company, and from August 2021 to August 2024, he served concurrently as the secretary to the Board. Since June 2024, he served concurrently as the general counsel.

Mr. Sun Bingxiang, aged 53, deputy general manager. Mr. Sun is a senior engineer with a master degree. In April 2009, he was appointed as deputy head of general management division of the engineering and technology department of headquarters of Sichuan-East China Gas Transmission Construction project. In February 2011, he served as deputy head of technology information division of petroleum engineering management department of China Petrochemical Corporation. In November 2012, he served as deputy manager of technology development department of Sinopec Oilfield Service Corporation. In January 2018, he served as deputy manager of technology information department of the Company. In August 2018, he served as deputy manager (treated as principal middle-level position) of technology information department of the Company. In July 2020, he served as manager of technology information department of the Company, and since August 2021, he served as the deputy general manager of the Company.

Mr. Ke Yuehua, aged 54, secretary to the Board. Mr. Ke is a senior economist with a master's degree. Since June 2024, he served concurrently as the secretary to the Board. Mr. Ke joined Shengli Petroleum Administration Bureau of China Petrochemical Corporation in 1992, and served successively as manager for project planning and management in the planning and finance department and deputy manager in the planning and development department of Sinopec International Petroleum Exploration and Production Corporation, he also served as deputy manager and manager in the human resources department and manager in the planning and operation department of Sinopec International Petroleum Service Corporation (SSC); he was appointed as manager of the corporate governance and legal affairs department of SSC in November 2012, appointed concurrently as director of the legal affairs center from January 2013 to November 2015; appointed as manager of the corporate reform management department of the Company in March 2015; appointed as manager of the reform and development department of the Company in January 2018; appointed as deputy chief economist and manager of the reform and development department of the Company in December 2019; appointed as principal specialist of corporate reform management of the Company and deputy chief economist and manager of the reform and development department of the Company since May 2022; and served concurrently as the secretary to the Board of the Company since August 2024.

(2) Information on directors, supervisors and senior management holding positions

a. Positions in shareholders

Name	Name of corporate shareholders	Position held in corporate shareholders	The starting date of term in office	The termination date of term in office
Zhang Lili	CPC	Deputy General Manager of Finance Department	December 2022	–
Du Kun	CPC	Deputy General Manager of Oilfield Exploration and Development Department	April 2024	–
Zhangkun	CPC	Secretary of the Youth League Committee, Deputy Director of the Political Work Department, Secretary of the Discipline Inspection Commission	September 2023	–
Zhang Xiaofeng	CPC	Deputy General Manager of Enterprise Reform and Legal Department	December 2019	–
Li Wei	CPC	Deputy General Manager of Audit Department, Deputy Director of the Office of the Audit Committee of the Party Group	January 2022	–

b. Positions in other enterprises

Name	Name of other enterprises	Position held in other enterprises	Beginning date of term	End date of term
Zhang Jiankuo	Sinopec Petroleum Engineering Technology Research Institute Co., Ltd.	Director	April 2023	–
Zhang Lili	Sinopec Oilfield Equipment Corporation	Director	September 2024	–
Zhang Xiaofeng	Sinopec Oilfield Equipment Corporation	Supervisor	August 2019	–
	Sinopec Shanghai Petrochemical Co., Ltd.	Supervisor	June 2020	–
Cheng Zhongyi	Sinopec Finance Co., Ltd.	Supervisor	May 2021	–
Sun Bingxiang	Sinopec Petroleum Engineering Technology Research Institute Co., Ltd.	Director	November 2021	–

(3) Remuneration of the Company's directors, supervisors and senior management

Decision procedure of the remuneration of directors, supervisors and senior management.	The remuneration of directors and supervisors in 2024 is submitted to the general meeting of shareholders after being approved by the remuneration committee of the Board and the Board. The remuneration of senior management is approved by the Board after approved by the remuneration committee of the Board.
Whether the directors have abstained from discussing their own remuneration matters in the board of directors.	No.
Details of the recommendations made by the remuneration and appraisal committee or the special meeting of independent directors on the remuneration of directors, supervisors and senior management.	On 14 March 2025, the Company convened the second meeting of the remuneration committee of the eleventh session of the board, at which the resolution on the remuneration of directors, supervisors and senior management of the Company for the year 2024 was considered and approved, and no objection was raised.
The basis of remuneration determination of directors, supervisors and senior management.	Decided by the duties and responsibilities of directors, supervisors and senior management, and by the performance of the Company.
Actual payment of remunerations to directors, supervisors and senior managers.	RMB9,851,394
As to the end of reporting period, the actual obtained remuneration of the directors, supervisors and senior management.	RMB9,851,394

(4) Information on the change of company's directors, supervisors and senior management

Name	Position	Change	Reasons for change
Chen Xikun	Chairman, Executive director	Resigned	Expiration of term of office
Fan Zhonghai	Non-executive director	Resigned	Expiration of term of office
Zhou Meiyun	Non-executive director	Resigned	Expiration of term of office
Wei Ran	Non-executive director	Resigned	Expiration of term of office
Chen Weidong	Independent non-executive director	Resigned	Expiration of term of office
Dong Xiucheng	Independent non-executive director	Resigned	Expiration of term of office
Du Jiangbo	Supervisor	Resigned	Expiration of term of office
Zhang Qin	Supervisor	Resigned	Expiration of term of office
Sun Yongzhuang	Employee representative supervisor	Resigned	Expiration of term of office
Du Guangyi	Employee representative supervisor	Resigned	Expiration of term of office
Du Kun	Deputy General Manager	Resigned	Expiration of term of office
Wu Baizhi	Chairman, Executive director	Election	Elected by the general meeting and the board meeting
Zhang Jiankuo	Executive director, General manager	Election, appointment	Elected by the general meeting, appointed by the Board
Zhao Jinhai	Non-executive director	Election	Elected by the general meeting
Zhang Lili	Non-executive director	Election	Elected by the general meeting
Du Kun	Non-executive director	Election	Elected by the general meeting
Xu Keyu	Non-executive director	Election	Elected by the general meeting
Wang Pengcheng	Independent non-executive director	Election	Elected by the general meeting
Liu Jiangning	Independent non-executive director	Election	Elected by the general meeting

Name	Position	Change	Reasons for change
Wang Jun	Chairman of the Supervisory Committee	Election	Elected by the general meeting and the supervisory committee
Zhang Kun	Supervisor	Election	Elected by the general meeting
Zhang Xiaofeng	Supervisor	Election	Elected by the general meeting
Li Wei	Supervisor	Election	Elected by the general meeting
Zhang Zonglin	Employee representative supervisor	Election	Elected by the employee's representative meeting
Zhang Bailing	Employee representative supervisor	Election	Elected by the employee's representative meeting
Wang Zhonghong	Employee representative supervisor	Election	Elected by the employee's representative meeting
Zhang Congbang	Deputy general manager	Appointment	Appointed by the Board
Cheng Zhongyi	CFO, Secretary to the board, General counsel	Appointment	Appointed by the Board
Sun Bingxiang	Deputy general manager	Appointment	Appointed by the Board
Ke Yuehua	Secretary to the board	Appointment	Appointed by the Board
Cheng Zhongyi	Secretary to the board	Resigned	Working adjustment of the Company's management
Zhao Jinhai	Non-executive director	Resigned	Change of work

The Company's chairman of the tenth session of the board and executive director Mr. Chen Xikun, non-executive director Mr. Fan Zhonghai, non-executive director Mr. Zhou Meiyun, non-executive director Mr. Wei Ran, independent non-executive director Mr. Chen Weidong, independent non-executive director Mr. Dong Xiucheng, and deputy general manager Mr. Du Kun resigned their positions respectively, due to the expiry of their terms of office with immediate effect from 12 June 2024.

The Company's supervisors of the tenth session of the supervisory committee Mr. Du Jiangbo and Ms. Zhang Qin, employee representative supervisors Mr. Sun Yongzhuang and Mr. Du Guangyi resigned their positions respectively, due to the expiry of their terms of office with immediate effect from 12 June 2024.

The Company expresses its sincere gratitude to Mr. Chen Xikun, Mr. Fan Zhonghai, Mr. Zhou Meiyun, Mr. Wei Ran, Mr. Chen Weidong, Mr. Dong Xiucheng, Mr. Du Jiangbo, Ms. Zhang Qin, Mr. Sun Yongzhuang and Mr. Du Guangyi for their hard work and important contributions during their tenure.

After the election by the shareholders at the Company's annual general meeting for 2023 held on 12 June 2024, Mr. Wu Baizhi, Mr.Zhang Jiankuo, Mr. Zhao Jinhai, Mr. Du Kun, Ms. Zhang Lili, Mr. Xu Keyu, Mr. Zheng Weijun, Mr. Wang Pengcheng and Ms. Liu Jiangning were elected as directors of the eleventh session of the board, with a term of office commencing from 12 June 2024 to the date when the term of the eleventh session of the Board expires (11 June 2027). Each of the above directors confirmed that he or she understood his or her obligations as a director of a listed company and has obtained the legal advice referred to in Rule 3.09D of the Hong Kong Listing Rules on 11 June 2024. Mr. Wang Jun, Mr. Zhang Kun, Mr. Zhang Xiaofeng, Mr. Li Wei were elected as supervisors of the eleventh session of the Supervisory Committee, with a term of office commencing from 12 June 2024 to the date when the term of the eleventh session of the Supervisory Committee expires (11 June 2027). The employee's representative meeting of the Company was held on 12 June 2024, at which Mr. Zhang Zonglin, Mr. Zhang Bailing and Mr. Wang Zhonghong were elected as the employee representative supervisors of the eleventh session of the Supervisory Committee, with a term of office commencing from 12 June 2024 to the date when the term of the eleventh session of the Supervisory Committee expires (11 June 2027).

On 12 June 2024, the Company held the first meeting of the eleventh session of the board and Mr. Wu Baizhi was elected as the chairman of the eleventh session of the board. According to the nomination of the chairman, the board continued to appoint Mr. Zhang Jiankuo as the general manager of the Company; according to the nomination of the general manager, the board continued to appoint Mr. Zhang Congbang and Mr. Sun Bingxiang as deputy general managers of the Company and continued to appoint Mr. Cheng Zhongyi as the chief financial officer of the Company. According to the nomination of the chairman, the board continued to appoint Mr. Cheng Zhongyi as the secretary to the board of the Company. According to the nomination of the general manager, the board appointed Mr. Cheng Zhongyi as the general counsel. Mr. Zhang Jiankuo, Mr. Zhang Congbang, Mr. Cheng Zhongyi and Mr. Sun Bingxiang have a term of office commencing from 12 June 2024 to the date when the term of the eleventh session of the Board expires (11 June 2027).

On 12 June 2024, the Company held the first meeting of the eleventh session of the Supervisory Committee and Mr. Wang Jun was elected as the chairman of the eleventh session of the Supervisory Committee.

On 20 August 2024, the Company held the fourth meeting of the eleventh session of the Board, at which the proposal on adjustment of the secretary to the Board of the Company was approved. Because of the adjustment of the division of the Company's management functions, according to the nomination of the chairman and the qualification review of the second meeting of the nomination committee of the eleventh session of the board, the board agreed to appoint Mr. Ke Yuehua as the secretary to the board for a term of office commencing from 20 August 2024 to the date when the term of the eleventh session of the board expires. Mr. Cheng Zhongyi ceased to serve concurrently as the secretary to the board and continued to serve as the chief financial officer and general counsel of the Company.

On 10 December 2024, Mr. Zhao Jinhai resigned as the non-executive director and member of the strategic committee of the Board of the Company due to a change of work. The Company expresses its sincere gratitude to Mr. Zhao Jinhai for his hard work and important contribution during his tenure.

(5) Information of any punishment by securities regulators in the last three years

☐ Applicable √ Not Applicable

5. Summary of Board Meetings during the Report Period

Name of meeting	Date of meeting	Resolutions
The nineteenth meeting of the tenth session of the Board	26 March 2024	The meeting considered and approved: 1. The Report of the Board of the Directors of the Company for the year 2023. 2. The completeness of goal tasks for 2023 and the work arrangements for 2024. 3. The profit distribution plan of the Company for 2023. 4. The daily related transactions of the Company in 2023. 5. The financial report for the year 2023. 6. Remuneration to the directors, supervisors and senior managers for 2023. 7. The annual report of the Company for the year 2023 and the abstract of the annual report. 8. The Environment, Society and Governance Report of the Company for 2023. 9. The internal control system report for 2023. 10. The internal control assessment report for 2023. 11. Proposal on the revision of five systems including the working system for independent directors, the working rules for the Audit Committee, the working rules for the Remuneration Committee, the working rules for the Strategy Committee and the working rules for the Nomination committee 12. Proposed amendments to the internal control handbook (2024). 13. Proposal on Re-appointment of external auditor for 2024. 14. Proposal on the key points of internal audit work of the Company in 2024. 15. The annual cap of continuing related transactions between the Company and China Oil&Gas Pipeline Network Corporation for 2024. 16. The provision of guarantee for wholly owned subsidiaries and joint venture. 17. Proposal on provision of counter guarantee to China Petrochemical Corporation. 18. The Board's Special Opinions on the self-inspection of the independence of independent directors in 2023. 19. Appraisal Report on the Company's performance of BDO China Shu Lun Pan Certified Public Accountants LLP in 2023. 20. Proposed the authorisation to the Board to repurchase domestic shares and/or overseas listed foreign shares of the Company. 21. Ongoing risk assessment report of Sinopec Finance Co., Ltd. and Century Bright Company. 22. Convening the annual general meeting for the year 2023, the first A shareholders class meeting for 2024 and the first H shareholders class meeting for 2024 of the Company.
The twentieth meeting of the tenth session of the Board	22 April 2024	The meeting considered and approved: 1. The proposal on the nomination of candidates for directors of the eleventh session of the board of directors of the Company. 2. The proposal on the remuneration plan for the eleventh session of directors and the eleventh session of supervisors.
The twenty-first meeting of the tenth session of the Board	25 April 2024	The meeting considered and approved 2024 first quarterly results of the Company.
The first meeting of the eleventh session of the Board	12 June 2024	The meeting considered and approved: 1. Elected the chairman of the eleventh session of the board. 2. Elected the member of the special committees for the eleventh session of the board. 3. Appointed the general manager of the Company. 4. Appointed the deputy general manager and the chief financial officer of the Company. 5. Appointed the secretary to the board and the general counsel of the Company. 6. Appointed Company secretary according to Listing Rules from the Stock Exchange of Hong Kong Limited. 7. Appointed the Company authorized representative in the Stock Exchange of Hong Kong Limited. 8. Appointed securities affairs representative in Company.
The second meeting of the eleventh session of the Board	21 June 2024	The meeting considered and approved the proposal on establishing Asset Operation Company of Sinopec Oilfield Service Corporation.
The third meeting of the eleventh session of the Board	4 July 2024	The meeting considered and approved the proposal on the Company's Action Plan of "Improving Quality, Increasing Efficiency and Emphasizing Returns" in 2024.
The fourth meeting of the eleventh session of the Board	20 August 2024	The meeting considered and approved: 1. 2024 interim financial report. 2. The proposal on adjusting the secretary to the board of the Company. 3. 2024 interim report of the Company and the summary of interim report. 4. The proposal on no dividend distribution for mid of 2024. 5. Risk assessment report of financial business in deposits and loans associated with the Company and Sinopec Finance Co., Ltd. and Century Bright Company. 6. The proposal on repurchase of shares of the Company. 7. The proposal on the amendments to systems of the Company including Information Disclosure Rules, Insider Registration Rules, Working System for Investor Relations Management, Working System for the Secretary to the Board and Regulations on the Management of Shares of the Company Held by Directors, Supervisors and Senior Management and Changes Thereof
The fifth meeting of the eleventh session of the Board	26 September 2024	The meeting considered and approved: 1. The Mutual Products Supply Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 2. The General Services Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 3. The Engineering and Construction Services Framework Agreement and annual caps for the continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 4. The Technology R&D Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 5. The Land Use Rights and Property Leasing Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 6. The Equipment Leasing Framework Agreement and annual caps for the non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 7. The proposal of trademark license agreement with CPC. 8. Executed SPI fund document with CPC and the proposed annual caps of paying premiums ended up to 31 December 2025, 31 December 2026, and 31 December 2027. 9. The Financial Services Agreement and annual caps for the major continuing connected transactions and non-major continuing connected transactions contemplated thereunder for the years of 2025, 2026 and 2027. 10. Ongoing risk assessment report of Sinopec Finance Co., Ltd. and Century Bright Company. 11. The proposal of convening the first extraordinary general meeting for 2024.
The sixth meeting of the eleventh session of the Board	24 October 2024	The meeting considered and approved: 1. The third quarter report of the Company for 2024. 2. The proposal on breakdown of performance appraisal indicators of the Company's leaders in 2024.

6. Performance of the Directors

(1) The Directors' attendance at the Board Meetings and Shareholders' Meetings

Name of Director	Whether as Independent Director	Attendance at shareholders' meetings						Attendance at shareholders' general meetings
		Supposed Number of times for attending at meetings of the Board during the year	Number of times for attending in person (no. of times)	Attendance by correspondence (no. of times)	Attendance by proxy (no. of times)	Absence (no. of times)	Whether not attending in person for two consecutive times	Number of times for attending at shareholders' general meetings
Wu Baizhi	No	6	6	4	0	0	No	4
Zhang Jiankuo	No	6	6	4	0	0	No	4
Zhang Lili	No	6	5	4	1	0	No	3
Du Kun	No	6	6	4	0	0	No	4
Xu Keyu	No	6	5	4	1	0	No	3
Zheng Weijun	Yes	9	9	6	0	0	No	4
Wang Pengcheng	Yes	6	6	4	0	0	No	4
Liu Jiangning	Yes	6	6	4	0	0	No	4
Zhao Jinhai	No	6	6	4	0	0	No	4
Chen Xikun	No	3	3	2	0	0	No	3
Fan Zhonghai	No	3	3	2	0	0	No	0
Wei Ran	No	3	2	2	1	0	No	0
Zhou Meiyun	No	3	2	2	1	0	No	0
Chen Weidong	Yes	3	3	2	0	0	No	3
Dong Xiucheng	Yes	3	3	2	0	0	No	3

The Board meetings held during the year (No. of times)	9
Including: meetings held on site (No. of times)	3
Meetings held by correspondence (No. of times)	6
Meetings held by correspondence on site and by correspondence (No. of times)	0

(2) The information of the objections proposed by the directors

During the reporting period, the Company's directors did not raise objections against the proposals of the meetings of board of directors or the proposals which does not require the review on the board meetings in 2024.

The detail information related to the performance of the independent directors is published in the report of the Company's independent directors 2024 on the websites of SSE and HKSE.

7. Information about Special Committees under the Board of Directors

(1) Members of special committee under the board of directors

Name of special committee	Name of members
Strategy Committee	Director: Mr. Wu Baizhi Commissioners: Mr. Zhang Jiankuo, Mr. Du Kun, Mr. Wang Pengcheng
Audit Committee	Director: Mr. Zheng Weijun Commissioners: Ms. Zhang Lili, Mr. Wang Pengcheng, Ms. Liu Jiangning
Remuneration Committee	Director: Ms. Liu Jiangning Commissioners: Mr. Du Kun, Mr. Zheng Weijun, Mr. Wang Pengcheng
Nomination Committee	Director: Mr. Wang Pengcheng Commissioners: Mr. Wu Baizhi, Mr. Zheng Weijun, Ms. Liu Jiangning

(2) 12 meetings were held in the reporting period

Name of meeting	Date of meeting	Resolutions
The fourteenth audit committee meeting of the tenth session of the board	18 January 2024	Considered the report on the audit plan for 2023 annual financial report and relevant explanation on 2023 financial and accounting statements (unaudited) made by BDO China Shu Lun Pan CPAs, external auditor of the Company.
The fifteenth audit committee meeting of the tenth session of the board	22 March 2024	Considered the Company's statement on the operating results, financial situation and related matters in 2023, as well as the audit opinions of BDO China Shu Lun Pan CPAs on the Company's financial report and internal control in 2023. Ten proposals were approved at the meeting, including the financial report for the year 2023, the profit distribution plan of the Company for 2023, the internal control system report for 2023, the internal control assessment report for 2023, amendments to the internal control handbook (2024), proposal on re-appointment of external auditor for 2024, proposal on the key points of internal audit work of the Company in 2024, the annual cap of continuing related transactions between the Company and China Oil&Gas Pipeline Network Corporation for 2024, report of the audit committee on the performance of supervisory duties of accounting firm in 2023 and the performance report of the audit committee in 2023.
The sixteenth audit committee meeting of the tenth session of the board	25 April 2024	Approved the first quarter financial statement of the Company for 2024.
The first audit committee meeting of the eleventh session of the board	12 June 2024	Approved the proposal on the appointment of the chief financial officer of the Company.
The second audit committee meeting of the eleventh session of the board	16 August 2024	Considered the Company's statement on the financial situation and related matters in the first half of 2024, and approved 2024 interim financial report of the Company, the proposal on no dividend distribution for mid of 2024 and proposal on financial information in the 2024 interim financial report.
The third audit committee meeting of the eleventh session of the board	24 October 2024	Approved the third quarter financial statement of the Company for 2024.
The seventh remuneration committee meeting of the tenth session of the board	22 March 2024	Approved remuneration of directors, supervisors and senior managers for 2023 and the performance report of remuneration committee for the year 2023.
The eighth remuneration committee meeting of the tenth session of the board	22 April 2024	Approved the proposal on the remuneration plan for the directors of the eleventh session of the board and supervisors of the eleventh session of the supervisory committee.
The first remuneration committee meeting of the eleventh session of the board	24 October 2024	Approved the proposal on breakdown of performance appraisal indicators of the Company's leaders in 2024.
The third nomination committee meeting of the tenth session of the board	22 April 2024	Approved the proposal on the nomination of candidates for directors of the eleventh session of the board of directors of the Company.
The first nomination committee meeting of the eleventh session of the board	12 June 2024	Approved the proposal on the remuneration plan for the directors of the eleventh session of the board and supervisors of the eleventh session of the supervisory committee.
The second nomination committee meeting of the eleventh session of the board	16 August 2024	Approved the proposal on adjusting the secretary to the board of the Company.

The audit committee made significant suggestions as follows:

a. Firstly, continue to improve profitability, consolidate and enhance the company's high-quality development foundation. In the past three years, the net profit of the Company continued to grow, but the gross profit margin was still lower than that of the same industry. We suggested that the Company actively exerts the advantages of industrial chain integration, continuously improves the engineering and technical service capabilities, increases the proportion of high-end technical service business, strives to develop high-quality and efficient markets, and improves the gross profit margin. The Company should activate internal assets, dispose of inefficient and ineffective assets, improve the efficiency of asset use, optimize the asset structure, and take various measures to continuously improve the level of cost control.

b. Secondly, the Company should further expand overseas markets, improve the overseas risk management and control system, enhance its ability to resist risks. At present, the overseas market contributes a lot to the Company's benefits, but its revenue only accounts for about 20% of the total revenue, and there is room for further improvement in the future. We suggested to continue to optimize the market layout along the "Belt and Road" and focus on the development of two high-quality markets in Saudi Arabia and Kuwait, use drilling construction services to accelerate the going out of relevant technical services, such as fracturing, drilling fluid, high-end instruments and tools, and strive to improve the level of profitability and efficiency. Meanwhile, the Company should strengthen the whole process of performance supervision, effectively prevent and resolve overseas business risks, build a comprehensive risk management system, do a good job in risk prevention and response, and firmly adhere to the bottom line of overseas business.

c. Thirdly, respond to the national double carbon target actively and coordinate the development of oil service and new energy business. At present, with the further development of green and low carbon, energy transformation needs a long-term process, but it is inevitable. We suggest that the Company should track and study the trend of "double carbon" policy in the country and abroad and the trend of low-carbon transformation and green development of the industry, adhere to the coordinated promotion of carbon reduction, pollution reduction, green expansion and growth, develop green technology of oil service business, and continuously reduce the total carbon emissions in the process of exploration, development and production. At the same time, the Company should also develop new energy businesses such as photovoltaic, geothermal, CCUS, wind power and hydrogen energy actively.

(3) Statements on objected matters

☐ Applicable √ Not Applicable

8. The Information on the Existence of Risk Found by the Supervisory Committee

The supervisory committee has no objection on the supervised matters during the reporting period.

9. Information on the Personnel of the Company and its Subsidiaries at the End of the Reporting Period

(1) Personnel information

The number of the Company' serving staff	111
The number of the Company's main subsidiaries' serving staff	60,051
The total number of the serving staff	60,162
The number of retired staff whose expense should be born by the Company and its subsidiaries	25,040
Professional composition	
Type of Professional	**Number of the staff**
Production Staff	33,089
Technical Staff	18,050
Researcher	3,207
Financial Staff	1,504
Market and Administrative Staff	3,289
Others	1,023
Total	60,162
Education	
Type	**Number of the staff**
Master or above	4,082
Bachelor	20,803
Junior college	12,090
Others	23,187
Total	60,162
Gender	
Male	52,385
Female	7,777
Total	60,162

(2) Remuneration Policies

The Company's Remuneration Distribution system consists of mid/long-term incentives and short-term incentives which include basic salary, allowance, monthly and annual performance bonuses. The Company has established differentiation incentive scheme based on different positions and different kinds of professionals, not only to create a fair competition environment but also give full play to the incentive and restraint role of performance appraisal, linking remuneration incentives to performance appraisal results and job responsibilities and contributions and aiming at stimulating employees' creativity and keeping the remuneration in reasonable income difference.

(3) Training plan

Committed to staff training, the Company has established a differentiated and multi-tiered training management system which focuses on promoting staff fulfillment of responsibilities and talent building. Centered on central tasks in production and operation, the Company carries out the management, professional skills staff, operating skills staff and international staff training programs, highlights trainings in key positions such as domestic and international market development and project managers, and make effective use of various trainings such as on-job training, off-job training and online training to improve the ability of employees to perform their duties and realize the mutual development of employees and the Company.

(4) Labor outsourcing

☐ Applicable √ Not Applicable

10. Profit Distribution Plan for Ordinary Shares or Plan to Convert Surplus Reserves into Share Capital

(1) Formulation, implementation or adjustment of dividend policy

The Company's current dividend policy is as follows: during the reporting period, under the situation of: 1) Company's profit gaining, 2) the Company's positive accumulated undistributed profit and 3) the Company's cash flow meets the requirement of its normal operation and sustainable development, then the Company shall have the dividends and the annual dividends shall not be less than 40% of the current net profit attributed to the Company's shareholders. The specific amount of dividends shall be proposed by the Board of the Company, and be finally approved by the general meeting. During the process of enacting and executing of the Company's dividend policy, the independent directors fulfilled their responsibilities following the corresponding obligations, which fully reflected the opinions and demands of minority shareholders and protected their legitimate rights and interests.

Due to the negative of the Company's undistributed profits at the end of 2024, the Board suggests no cash dividends and no capital reserve conversion to equity for 2024. The proposal still needs to be approved by the shareholders' meeting. The Company would strictly implement its dividend policy in Articles of Association, and as soon as the achievement of capability for cash dividends, the Company will perform decision-making process in accordance with relevant provisions. And independent directors will play their roles to safeguard the legitimate rights and interests of the minority shareholders.

(2) Special statement on cash dividend policy

√ Applicable ☐ Not Applicable

Whether the cash dividend policy in accordance with the rules of Articles of Association or resolutions of shareholders' meeting	√ Yes ☐ No
Whether the dividend standard is accurate and clear	√ Yes ☐ No
Completeness of relevant decision making procedures	√ Yes ☐ No
Whether the independent directors of the board undertake their responsibilities	√ Yes ☐ No
Whether give chance to minority shareholders for expressing opinions and fully protect their rights	√ Yes ☐ No

(3) If the Company records profits and the parent company records a positive distribution of profit available to shareholders of ordinary shares during the Reporting Period but there is no proposal for cash dividend for ordinary shares, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in details

☐ Applicable √ Not Applicable

11. Company's Share Option Incentive Plan and its Respective Effect

☐ Applicable √ Not Applicable

12. Information on Share Option Held by Directors and Senior Management during the Reporting Period

(1) Share option held by current directors and senior management

☐ Applicable √ Not Applicable

(2) Qi Xin Gong Ying Scheme participated by Directors, Supervisors and senior management

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to the China Petrochemical Corporation and the Qi Xin Gong Ying Scheme respectively. Qi Xin Gong Ying Scheme is managed by Changjiang Pension Insurance Co., Ltd., and its shares shall be subscribed by certain Directors, Supervisors, senior management and other core management personnel of the Company. The number of subscribers is 198, and the subscription amount is RMB60.65 million in total. The subscription price for each scheme unit under Qi Xin Gong Ying Scheme is RMB1.00. The duration of Qi Xin Gong Ying Scheme is 48 months commencing from 25 January 2018, and the first 36 months shall be the lock-up period and the last 12 months shall be the unlocking period. On 25 January 2021, the lock-up period of 23,148,854 A shares held by Qixin Gong Ying Scheme with limited selling conditions ended and was listed for trading. In 2021, a total of 11,574,427 A shares were sold through centralized bidding by Qi Xin Gong Ying Scheme, and 11,574,427 A shares were also held at the end of the reporting period.

In Qi Xin Gong Ying Scheme, the Company's incumbent and former directors, supervisors and senior management subscribed for a total of 6.05 million scheme units, accounting for approximately 10.0% of the total units of Qi Xin Gong Ying scheme. The total number of incumbent and former directors, supervisors and senior management of the Company who subscribed for the Qi Xin Gong Ying Scheme was 18 persons. For details of the participation of the incumbent and former directors, supervisors and senior management of the Company in the Qi Xin Gong Ying Scheme, please see the following table.

Name	Position	Subscription scheme amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme units under Qi Xin Gong Ying Scheme (unit)	Subscription price (RMB/A Share)	Approximate subscription amount of A share (share)
Zhang Jiankuo	Director, General Manager	300,000	300,000	2.62	114,503
Wang Jun	Chairman of Supervisory Committee	300,000	300,000	2.62	114,503
Zhang Bailing	Employee Representative Supervisor	350,000	350,000	2.62	133,587
Wang Zhonghong	Employee Representative Supervisor	300,000	300,000	2.62	114,503
Zhang Congbang	Deputy General Manager	300,000	300,000	2.62	114,503
Ke Yuehua	Secretary to the Board	300,000	300,000	2.62	114,503
Chen Xikun	Former Chairman, Secretary of Party Committee	400,000	400,000	2.62	152,671
Sun Yongzhuang	Former Employee Representative Supervisor	300,000	300,000	2.62	114,503
Du Guangyi	Former Employee Representative Supervisor	350,000	350,000	2.62	133,587
Zhang Yongjie	Former Deputy General Manager	350,000	350,000	2.62	133,587
Sun Qingde	Former Deputy Chairman, General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of the Supervisory Committee	350,000	350,000	2.62	133,587
Huang Songwei	Former Supervisor	350,000	350,000	2.62	133,587
Zhang Hongshan	Former Supervisor	350,000	350,000	2.62	133,587
Zuo Yaojiu	Former Deputy General Manager	350,000	350,000	2.62	133,587
Zhang Jinhong	Former Deputy General Manager	350,000	350,000	2.62	133,587
Li Tian	Former Chief Financial Officer	350,000	350,000	2.62	133,587
Li Honghai	Former Secretary to the Board	300,000	300,000	2.62	114,503
Total	/	6,050,000	6,050,000	–	2,309,146

(3) Directors', supervisors' and chief executive's interests in the shares of the Company

As at 31 December 2024, the Company's deputy general manager Mr. Sun Bingxiang as a beneficial owner held 50,300 A shares of the Company, representing 0.00037% of the A shares in issue of the Company and 0.00027% of shares in issue of the Company. Save as the above and Qi Xin Gong Ying Scheme disclosed above, none of the directors, supervisors or other senior management of the Company had any interest or short position in any share, underlying share or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which will have to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors, supervisors and senior management of the Company are taken or deemed to have under such provisions of the SFO), or as recorded in the registry by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Hong Kong Listing Rules.

(4) Directors' and supervisors' service contracts

Each Directors and supervisors entered into a service contract with the Company. Main contents are set out below:

a. More details about the expired date of the terms of directors in the eleventh session of the Board and the supervisors in eleventh session of supervisory committee, please see the section in "Information on the changes of shareholdings and the remuneration of directors, supervisors and senior management."

b. The remuneration for the eleventh session of executive directors, chairman of supervisory committee Mr. Wang Jun and the employee representative supervisors under the service contract shall be determined in accordance with relevant national regulations and the Company's senior management remuneration implementation measures. It is provided in the measures for implementation of remuneration packages for senior management of the Company that the remuneration consists of a basic salary, performance bonus and mid-and-long term incentives, with specific functions and responsibilities of the management members and performance of the Company as a whole being taken into account. An independent non-executive Director entitled to a director's fee of RMB200,000 per annum (pre-tax). Non-executive directors and Mr. Zhang Kun, Mr. Zhang Xiaofeng and Mr. Li Wei, who are non-employee representative supervisors shall not receive any remuneration from the Company.

In addition, the Company has purchase liability insurance for the directors and supervisors in order to safeguard the interests of the directors and supervisors. The permitted indemnity provisions are set out in the liability insurance policy for directors, which will indemnify directors for costs associated with potential legal proceedings arising from negligence in the performance of their duties.

No director or supervisor has entered into a service contract with the Company which is not terminated by the Company within one year without payment other than statutory compensation.

(5) Directors' interests in competing businesses

Some directors of the Company hold positions in China Petrochemical Corporation and its subsidiaries. For details, please refer to this section "Information on directors, supervisors and senior management holding positions" of the report.

(6) Directors' and supervisors' interests in contracts

No directors and supervisors and entities connected with the directors or supervisors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, its parent company or any of their subsidiaries was a party during and at the end of the year.

(7) Special treatment to directors, supervisors and senior management

There has been no special treatment granted to the directors, supervisors or senior management during the reporting period.

(8) Regarding the performance evaluation for senior management, and the establishment and implementation of stimulating mechanism during the reporting period

Under the guidance of the annual operation and management target set by the Board, Remuneration Committee of the Company effectively appraised and inspected the performance of senior management, submitted it to the Board for consideration, and has been working hard to establish and optimize evaluation criteria and a stimulating and binding mechanism for senior management. During the reporting period, the Company continued to implement the tenure system and contractual management for the members of the management team. In accordance with relevant business targets in 2024, the sixth meeting of the eleventh session of the Board of the Company considered and approved the proposal on breakdown of performance appraisal indicators of the Company's leaders in 2024.

13. Institute and execute situation about internal control system during the reporting period

In 2024, the Company continued to improve its internal control system, strengthened risk assessment, optimized business processes, and continuously enhanced its ability to prevent and mitigate major risks. The Company attached great importance to the evaluation of the internal control system, reported the internal control work to the board and the audit committee regularly (at least once a year), and carried out relevant work in accordance with the deployment of the board to ensure that the internal control system is perfect and operates effectively. The Board takes responsibility for establishing and maintaining sufficient internal control system. The supervisory committee conduct supervision on the Board about establishment and implement of internal control. Managers take charge of organizing routine operation of internal control. In 2024, the Board assessed internal control of the Company during the past year, in accordance with "basic norms of enterprise internal control", "application guidelines of enterprises internal control", "evaluation guidelines of enterprises internal control" and concluded that there is no important deficiency or significant deficiencies till 31 December 2024. The internal control system of the Company's financial report is sound and effective.

The Board approved the Company's 2024 annual self-assessment of internal control on 18 March 2025. Please visit the website of the HKSE or the website of the SSE for details of the report.

Description about major defects of the internal control during the reporting period

☐ Applicable √ Not Applicable

14. Statement on managing and controlling subsidiaries

☐ Applicable √ Not Applicable

15. Information about the audit report of internal control

Whether disclose the audit report of internal control: yes

BDO China Shu Lun Pan CPAs (LLP) audited the Company's internal control till 31 December 2024 and issued a standard unqualified audit report on internal control. For detailed information, please refer to the 2024 annual internal control audit report disclosed on 19 March 2025.

16. Compliance with Code of Corporate Governance Practices of HKSE

As at 31 December 2024, the Company has been in strict compliance with the code provisions of Corporate Governance of HKSE, and has applied principles recorded in the "Corporate Governance Code" to enterprise governance and general practice. The details are as follows:

A.1 The Board

(1) The Board meets regularly to fulfill their responsibilities. The Board held nine meetings in 2024, including four regular meetings. The directors' attendance of the Board meetings is set forth in item 6 "Performance of the Directors" of this section.

(2) All directors can raise matters in the agenda for the Board meetings and have the right to ask for more related documents.

(3) The notice has been given 14 days before regular meetings and the notice of the other Board meetings has usually been given 10 days before.

(4) The Board Secretary records and keeps the minutes of the Board meetings and meetings of Board Committees. The Articles of Association regulates the contents of the minutes, and the procedure that the minutes should be sent to all Directors for their comment and signature after the Board meetings.

(5) The Board Secretary continuously provides service for the Directors and reminds all Directors in order to ensure them to understand all applicable rules and regulations of domestic and overseas regulatory authorities.

A.2 Chairman and Chief Executive Officer

(1) Mr. Wu Baizhi was elected as Chairman of the Company by the Board. Mr. Zhang Jiankuo was appointed as General Manager of the Company by the Board. The responsibilities between Chairman and General Manager are set out clearly in the Articles of Association. There are no financial, business, domestic or other important relation among the directors, senior managements and main shareholders in the Company.

(2) Procedures to acquire necessary information and data for decision were regulated in the "the Rules and Procedures for the Board" of the Company. Directors can require General Manger or relevant departments through General Manger to provide information and explanation. If necessary, independent non-executive directors can engage independent professionals to issue an independent opinion as a basis for decision, and the Company should pay the relevant expenses.

(3) The Chairman advocates the culture of open and active discussion, encourages directors to fully and conduct in-depth discussions on major decisions of the Company at the board meetings, and promote the maintenance of a good relationship among directors. The Chairman pays attention to the communication with the independent non-executive directors, and meets with the independent non-executive directors alone once a year to communicate about the Company's development strategy, corporate governance, operation and management, etc.

A.3 The Board Composition

(1) The Board of the Company consists of 8 members with extensive professional and management experiences. Among the 8 members, there are 2 executive director, 3 non-executive directors and 3 independent non-executive directors, 2 female directors and 6 male directors. The independent non-executive directors represent more than one third of the Board. The Company's executive directors and non-executive directors have extensive management experiences in petrochemical and large-sized enterprises. Independent non-executive directors have working backgrounds as well-known finance experts, in international capital management and economic research, respectively. The composition of the Board is reasonable and diversified.

(2) The Company has received from each independent non-executive director a letter of confirmation regarding its compliance with relevant independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules. The Company considers that each of the independent non-executive directors is independent. The composition and operation mechanism of the board of directors of the Company can guarantee the board of directors to obtain independent and objective opinions. For example, the company stipulates that related transactions, profit distribution, selection of directors and other matters shall get prior approval or independent opinions of the independent non-executive directors. The Board evaluates the effectiveness of the relevant mechanism each year.

(3) The independent non-executive directors are identified in all corporate communications in which also listed all the directors' names. The list of the current directors of the Company had been published on its website and the HKSE's website.

A.4 Appointment, Re-election and Removal

(1) All Directors are elected by shareholders' general meetings for a term of not more than 3 years. A Director may serve consecutive terms if re-elected upon the expiration of the term. The Board has no right to appoint temporary directors.

(2) The consecutive term of office of independent non-executive directors shall not be more than 6 years. The term of the independent non-executive directors is set forth in the section 4 "Information about Directors, Supervisors and Senior Management" of this Annual Report.

(3) For the newly appointed directors, the company arranges professional consultants, prepares detailed information, informs them of the regulatory rules of each listed place, and reminds them of their rights, responsibilities and obligations as directors.

A.5 Nomination Committee

(1) The Nomination Committee of the Company consists of four directors, of which the chairman is Mr. Wang Pengcheng, an independent non-executive director, and the members are Mr. Wu Baizhi, the Chairman of the Board, Mr. Zheng Weijun and Ms. Liu Jiangning, the independent non-executive directors. The Nomination Committee mainly provides suggestions to the Board on the Board's size and composition and the selecting standards, procedures, and candidates for directors and senior management; and reviews the structure, size and diversity of the Board on an annual basis, to ensure the composition of the Board is in accordance with the Listing Rules. The Terms of References of Nomination Committee was published on the websites of the Company and HKSE, providing the role and authorization of the nomination committee and setting out the procedure for the nomination of directors of the Company. When nominating candidates for directors, the Nomination Committee mainly considers the skills, knowledge, experience and qualifications of the candidates, and also assesses his or her time and energy available for the position, and the Board diversity policy. During the reporting period, the nomination committee held 3 meetings.

(2) The Company understands and acknowledges the benefit of diversifying the Board members, and considers it as a key factor to achieve strategic goals, maintain competitive advantages and complete sustainable development of the Company. On the first meeting of the eighth session of the Board held on 9 February 2015, the Company has approved the Board Diversity Policy of Sinopec Oilfield Service Corporation. Such policy provided that the Company shall consider the diversity of Board members from multiple aspects when setting the composition of Board members, including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge, service tenure and other regulatory requirements of the listed venues of the Company. At present, all of directors of the Board have extensive working experience, and their expertise not only includes management in petrochemical enterprises, but also includes economics, accounting and finance, which can help the Board to make scientific decision. Currently, the Company has 75% male directors and 25% female directors, and has achieved the goal of having at least one female director. With respect to candidates of directors, the Board and the nomination committee will, as and when necessary, seek assistance of industry self-regulatory associations, professional recommendations and other channels to identify potential female directors. The Board will continue to increase the proportion of female directors if suitable candidates are available in the future.

The Company is committed to building a gender-diverse and equal opportunity workplace and plans to actively recruit female employees to increase the diversity of its workforce and provide equal employment opportunities and an environment where all employees can have the space to fully develop their careers featuring their individual characteristics and values. Considering the overall low percentage of female employees in our industry, the percentage of female employees in our Company is 12.9% in 2024. The Company will continue to adhere to the principle of gender equality and ensure that female employees enjoy equal labor rights and social security rights as male employees. For details, please refer to the Company's 2024 Environmental, Social and Governance (ESG) Report.

A.6 Responsibilities of Directors

(1) All the non-executive directors have the same authorities as the executive directors. In addition, the non-executive directors, especially the independent non-executive directors are entitled to certain specific authorities. The Articles of Association and the Rules and Procedures for the Board clearly specify the authorities of directors including independent non-executive directors, which are published on the website http://ssc.sinopec.com.

(2) Each of the directors was able to devote sufficient time and efforts to handling the matters of the Company. Directors shall abstain from voting at the Board meeting due to conflicts of interests.

(3) Each of the directors confirmed that he or she has complied with the Model Code during the reporting period. In addition, the Company formulated the "Rules Governing Shares Held by Company Directors, Supervisors and Senior Manager and changes in shares" and the "Model Code of Securities Transactions by Company Employees" (requirements no less exacting than the Model Code above) to regulate the activities of China Petrochemical Corporation's personnel in purchase and sale of the securities of the Company.

(4) The Company has arranged trainings for directors and provided relevant training fees. In the reporting period, the Company's directors participated in professional training persistently, developing and upgrading their knowledge and skills to ensure that they can hold comprehensive information and make contribution to the Company as required by the Board. The Company's directors and supervisors mainly attended the training courses by way of watching videos or reading articles, which organized by China Listed Company Association, Beijing Listed Company Association and SSE, the independent non-executive directors participated in other relevant follow-up training. The Company organized all independent directors to go to the Shengli work area for on-site investigation, and successively went to the Yellow River Drilling 70183SL Drilling Team, Geological Measurement and Control Technology Research Institute, High-end Equipment Industry Base, Petroleum Engineering Design and Research Institute for investigation, and boarded the new Shengli No.1 offshore drilling platform to know in detail about the key equipment, key oil well construction and offshore oilfield exploration and development. During the investigation period, the independent directors also participated in the investor communication meeting for the 10th anniversary of the listing of the Company, exchanged and communicated with investors cordially, and listened carefully to the opinions and suggestions of investors on the Company. In addition, the Company also provided information for directors regularly about updated ongoing responsibility of the listed company and its directors, and introduced the Group's business operation information through monthly reports.

Statement on participation in training for the current directors of the board of the Company

Name	Position	Corporate governance or rules updated		Accountancy/finance/corporate governance and business operation situation	
		Reading	Attend training or meeting	Reading	Going for research
Wu Baizhi	Chairman of the Board Executive director	√	√	√	√
Zhang Jiankuo	Executive director General Manager	√	√	√	√
Zhang Lili	Non-executive director	√	√	√	√
Du Kun	Non-executive director	√	√	√	√
Xu Keyu	Non-executive director	√	√	√	√
Zheng Weijun	Independent non-executive director	√	√	√	√
Wang Pengcheng	Independent non-executive director	√	√	√	√
Liu Jiangning	Independent non-executive director	√	√	√	√

A.7 Supply of and access to information

(1) The Company provides information relating to business operation of the Company regularly, to help directors to understand the Company's operation. Where any director requires information, the Company will supply the related materials in a timely manner.

(2) All directors usually acquire adequate information and detailed explanations 3 working days before the Board meetings which can help them to make accurate decisions.

(3) The Board Secretary provides sustainable services for all directors. Directors can review all Board documents and relevant information at all times.

B. Remuneration of Directors and Senior Management

(1) The Company has set up the remuneration committee. The remuneration committee under the eleventh session of the Board consists of independent non-executive Director Ms. Liu Jiangning as the Head, the non-executive director Mr. Du Kun and the independent non-executive directors Zheng Weijun and Wang Pengcheng as members, and they have made the working rules. The remuneration committee has its working rules which can be found on the website of the Company or the HKSE. During the reporting period, the remuneration committee held 3 meetings.

(2) Pursuant to the principles approved by the shareholders' general meeting, the service contract which was entered into between the Company and each director or supervisor, the proposal raised by the remuneration committee and with reference to the operating results, the Board considered and approved the remuneration of the directors, supervisors and senior management. The details of the remuneration of the directors during the reporting period are set forth in this section 4 "Information about Directors, Supervisors and Senior Management".

(3) The remuneration committee acquires authorization from the Board to formulate and review the compensation policies and assessment matters of the directors, supervisors and senior managers of the Company. It can make recommendations to the Board, ensuring that the personnel concerned are properly remunerated according to the Company's strategy and long-term and short-term performance. The members of the remuneration committee can consult Chairman or General Manager, and can seek independent professional advice and the Company shall pay the relevant expenses.

C. Accountability and Audit

C.1 Financial reporting

(1) The Company assures that the management has provided adequate financial information to the Board and the audit committee. The management provided the directors with information on finance, production and operation, capital market trends and securities regulatory trends on a monthly basis, so that the directors can keep abreast of the latest situation of the Company and the latest regulatory changes.

(2) The directors are responsible for preparing the accounts for every fiscal year, which can give a view of the state of affairs of the Company as at 31 December 2024 and of the Company's profit and cash flows for the year. When preparing the accounts for the year ended 31 December 2024, the directors has selected the appropriate accounting policies to carry out, made prudent and reasonable judges and estimates, and prepared accounts on a going concern basis. The Board and all directors warranted that there were no material omissions, or misrepresentations or misleading statements contained in the annual report, and jointly and severally accepted full responsibility for the authenticity, accuracy and integrity of the content.

(3) Required under the Listing Rules by HKSE, the Company announces and publishes the annual reports, interim reports, quarterly reports and other share price-sensitive affairs timely and accurately.

(4) The external auditors of the Company made a statement about their reporting responsibilities in the auditor's report contained in the financial statements.

C.2 Risk management and internal control

(1) The Company has set up and kept improving risk management and internal control system to guard against the operational, financial and compliance risks. The system aims to manage risks and cannot ensure the elimination of risks that fail to achieve business objectives, and there can only be reasonable but not absolute assurance against material misstatement or losses. The Board is the decision-making body of internal control and risk management, and takes responsibility for examining the effect of internal control system and risk management procedures. The Board and the audit committee receive documents about internal control and risk management from the Company's management regularly (at least once a year). Significant issues about internal control and risk management will be reported to the Board and the audit committee. The Company has set up the internal audit department, which is equipped with sufficient professional staff. Internal control & management department and internal audit department report to the audit committee regularly (at least twice a year).

(2) As for internal control, the Company adopts the international internal control frame structure proposed by the Committee of Sponsoring Organizations of The National Commission of Fraudulent Financial Reporting. Based on the Articles of Association and current management system, and combined with domestic and foreign supervisory regulations, the Company made the internal control manual and continuously improved it, and realized total-factor internal control of internal environment, risk evaluation, control activities, information & communication, and internal supervision. Meanwhile, the Company continuously supervised and evaluated its internal control, included the Company and regional companies into the internal control and evaluation scope by comprehensive inspections at all levels such as periodic test, self-examination, audit examination, etc., and made internal control evaluation report. The Board reviews internal control evaluation report annually. For the information about the internal control during the reporting period, please refer to 2024 Internal Control Evaluation Report prepared by the Company.

The Company developed and implemented Information disclosure system and insider registration system. The Company assessed the implement of system periodically and disclosed it according to related regulations. For detailed information about information disclosure system, please refer to the website of the Company.

(3) As for the risk management, the Company adopts the enterprise risk management frame made by the Committee of Sponsoring Organizations of The National Commission of Fraudulent Financial Reporting. It developed risk management system and established risk management organization system. The Company organizes annual risk evaluation every year, recognizes significant risks, implements responsibilities for risk management, makes corresponding strategies and measures for significant risks based on internal control system, and tracks the implement of corresponding measures for significant risks on a regular basis, in order to make sure that the Company's significant risks can get enough attention, supervision and response.

(4) During the reporting period, the Board of the Company assessed internal control and risk management, and the Board considers that the Company's resources, employee calendar and experience related to accounting, internal audit, financial reporting functions, and environmental, social and governance performance and reporting are sufficient, the training courses and related budgets accepted by relevant employees are sufficient, and the Company's internal control and risk management are effective.

C.3 The Audit Committee

(1) The eleventh session of the Company's audit committee consists of independent non-executive director Mr. Zheng Weijun as the Head, non-executive director Ms. Zhang Lili, and independent non-executive directors Mr. Wang Pengcheng and Ms. Liu Jiangning as the members. As verified, none of them had served as a partner or former partner in our current auditing firm.

(2) The Company has published the terms of reference of the audit committee. According to the terms of reference, the audit committee assists the Board in financial reports, risk management and internal control. The terms of reference are available for inspection at the website of the Company and the HKSE for reference.

(3) The audit committee may consult independent professionals. Reasonable costs arising from or in connection with such consultation are borne by the Company. The working expenses of the committee are included in the budget of the Company. Meanwhile, according to the Company policies, the senior management and relevant departments of the Company shall actively cooperate with the audit committee.

(4) During the reporting period, the audit committee held 6 meetings and reviewed the Company's 2023 financial report, 2024 semi-annual financial report, 2024 first quarter report and 2024 third quarter report. The audit committee review opinions were given at the meetings and submitted to the Board after signed by members. During the reporting period, the Board and the audit committee did not have any different opinion.

As recommended by the fifth audit meeting of the eleventh session of the Board, the seventh meeting of the eleventh session Board of the Company has resolved to appoint BDO China Shu Lun Pan CPAs (LLP) ("BDO China") and BDO Limited as the Company's domestic and international auditors for 2025 again, and to appoint BDO China as the internal control auditor of the Company for the year 2025 again. Such proposed appointment of auditors of the Company is subject to approval by the shareholders of the Company at the 2024 annual general meeting.

An analysis of remuneration in respect of audit services is set forth in item 6 of the "Significant Events" section in this Annual Report.

D. Delegation by the Board

(1) On 26 April 2022, the ninth meeting of the tenth session of the Board approved the Company's Administrative Measures for the Authorization of the Board of Directors, which clearly stipulates the basic scope, basic procedures, supervision and change, and responsibilities of the delegation by the board of directors. For details, please refer to the "Announcement on the ninth meeting of the tenth session of the Board" (P. 2022-016) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 27 April 2022 and on www.hkexnews.hk on 26 April 2022.

(2) The strategy committee, the audit committee, the remuneration committee and the nomination committee under the Board have the specific authority and duties delegated by the Board, and should report to the Board. In 2024, the Company convened 9 special meetings of the chairman of the Board to consider 4 matters authorized by the board of directors, including the decomposition plan of the financial budget indicators of the Company in 2024, the optimization of the investment plan in 2024, the cancellation of the joint venture of Zhongwei United International Energy Services Co., Ltd. upon its expiration, and the management measures for performance appraisal of the Company, those matters were led by relevant departments after the meeting to ensure orderly progress.

(3) The Board, the senior management and each committee under the Board have specific authority and duties, which are set forth in the Articles of Association, the Rules and Procedures for Shareholders' General Meeting, and the Rules and Procedures for the Board. The Board leads management directly or indirectly through its committees, including the ways of setting strategies and supervising management's implementation. The Board supervises the performance of finance and business operation of the Company, reviews the remuneration policy and appointment program, and ensures that the Company formulates effective corporate governance and social responsibility policies and has effective internal controlling and risks management system. Senior management is responsible for the daily management of the Company's business under the leading of the general manager of the Company, and executing strategies approved by the Board.

(4) The attendance record of the tenth and the eleventh session of the Board's Committee meeting during the reporting period is as follows.

The Audit Committee

Name	Attended in person	Attended by proxies	Times of absence
Zheng Weijun	6	–	–
Zhang Lili	3	–	–
Wang Pengcheng	3	–	–
Liu Jiangning	3	–	–
Zhou Meiyun	2	1	–
Chen Weidong	3	–	–
Dong Xiucheng	3	–	–

The Remuneration Committee

Name	Attended in person	Attended by proxies	Times of absence
Liu Jiangning	1	–	–
Du Kun	1	–	–
Zheng Weijun	3	–	–
Wang Pengcheng	1	–	–
Chen Weidong	2	–	–
Fan Zhonghai	2	–	–
Dong Xiucheng	2	–	–

The Nomination Committee

Name	Attended in person	Attended by proxies	Times of absence
Wang Pengcheng	2	–	–
Wu Baizhi	2	–	–
Zheng Weijun	3	–	–
Liu Jiangning	2	–	–
Dong Xiucheng	1	–	–
Chen Xikun	1	–	–
Chen Weidong	1	–	–

E. Communication with Shareholders

(1) Shareholders who individually or jointly hold more than 10% of the total number of shares with voting rights issued by the Company may request the Board to convene a general meeting of shareholders in writing; the detailed contact information is set in section “Company Profile and Principal Financial Indicators – Contact Person and Contact Information” in the Annual Report. If the Board fails to agree to the shareholders’ request to convene a meeting in accordance with the Rules of Procedure of the shareholders’ meeting, shareholders may convene and hold a meeting by themselves in accordance with the law, and the reasonable expenses incurred by thereof shall be borne by the Company. The foregoing provisions are based on the premise that the contents of the shareholders’ meeting proposal shall fall within the scope of the general meeting of shareholders, have clear issues and specific resolutions, and comply with the relevant provisions of laws, administrative regulations and the Articles of Association.

(2) When the Company convened a general meeting of shareholders, shareholders who hold more than 3% of the total number of shares with voting rights of the Company, either individually or in combination, may submit an interim proposal 10 days before the general meeting of shareholders.

(3) During the reporting period, the Board should propose a separate resolution in respect of each substantially separate issue at a shareholders’ general meeting. All resolutions are voted by ballots, so that the interests of all shareholders could be guaranteed. When the Company is to hold a shareholders’ general meeting, it shall issue a written notice 45 days prior to the meeting (the day of meeting not included) informing all the registered shareholders.

(4) The circulars to the shareholders of the Company set forth in detail the shareholders who are entitled to attend the shareholders’ general meetings and their rights, the agenda of the meeting and the voting procedures. The shareholders of the Company can raise concerns or require to check records to the Board at any time. The detailed contact information are set in section “Company Profile and Principal Financial Indicators – Contact Person and Contact Information” in the Annual Report. The policy for shareholders’ contact could ensure that they get same and complete information of the Company in time, and the policy would be reviewed regularly to ensure its effectiveness.

(5) Chairman attends the shareholders’ general meetings as president and arranges the members of the Board and the senior management who attend the shareholders’ general meetings to respond to the inquiries from the shareholders. The external auditor of the Company also attended the 2023 annual general meetings.

F. Company Secretary

(1) The company secretary of the Company is approved by HKSE and is nominated by the Chairman and appointed by the Board and is responsible to the Company and the Board. The secretary makes recommendation to the Board in respect of corporate governance, reports to the Chairman on the governance of the Board, and arranges the induction training and professional development of directors. All directors can receive advice and services from the company secretary.

(2) The company secretary of the Company actively participates in career development trainings. The company secretary has already been trained over 15 hours during the reporting period.

G. Investor relations

(1) The Company attaches great importance to investor relations work. The chairman attends the annual and interim results announcement, the management leads the team to introduce roadshows to investors every year, introducing the Company’s development strategy, production and operation performance and other issues of concern to investors. Mr. Zheng Weijun, an independent director, attended the online results announcement for the first half and the third quarter of 2024. The office of the board of the Company organized communication with investors. Under the regulatory requirements, the Company strengthened communication with investors by holding meetings with institutional investors, setting up investor hotlines and communicating via online platforms. On 6 November 2024, the Company held an investor communication activity for the 10th anniversary of listing in Dongying, Shandong province, inviting about 40 investors, analysts, fund managers and media reporters to visit the Shengli drilling team of the Yellow River Drilling 70183, the Institute of Geological Measurement and Control Technology, the high-end equipment industry base and the Petroleum Engineering Design and Research Institute. On-site management and technological innovation won unanimous praise from the research group, demonstrating the Company’s brand image of integrity, stability and responsibility.

Section VI Environmental and Social Responsibility

1. Environmental Information

Whether to establish an environmental protection mechanism	Yes (HSE management system)
Invest in environmental protection funds during the reporting period (unit: RMB'000)	1,035,971

(1) Description of the environmental protection of listed companies and their subsidiaries that belong to heavily polluting industries stipulated by the national environmental protection department

☐ Applicable √ Not applicable

(2) Description of the environmental protection situation of companies other than key pollutants

√ Applicable ☐ Not applicable

A. Administrative penalty due to environmental protection problems

☐ Applicable √ Not applicable

B. Other disclosure environmental information refers to heavily polluting industries

The Company adheres to the development philosophy of energy saving, environmental protection and green and low-carbon, and under the management of relevant systems with regard to energy and environment, such as the Environmental Protection Management Regulations, the Pollution Prevention Management Regulations, the Radiation Management Regulations and the Energy Saving Management Regulations, the Company strictly complies with energy saving and environmental protection laws and regulations and requirements of the emission standards and international conventions in the countries where it operates. For hazardous waste, the Company conducts recycling and treatment by delivering the waste to the entities with treatment qualifications.

Currently, the pollutants discharged by the Company mainly include exhaust gas, domestic sewage, general industrial solid waste, and hazardous waste, etc. Exhaust gas includes diesel engine exhaust and gas fuel exhaust, and the emission indicators have met the standards and requirements of the places of the construction sites; domestic sewage includes the domestic sewage from fixed places and the domestic sewage from mobile construction sites, and the domestic sewage from fixed production sites is transferred to municipal pipeline network for centralized treatment, and the domestic sewage from mobile construction sites is recycled after on-site pre-treatment; production wastewater includes the wastewater produced by drilling, operation and other production processes, which is mainly recycled and disposed of by repeated slurry preparation, fracturing fluid reuse and other recycling processes, those that cannot be recycled are transported and disposed of by environmental protection service providers to achieve zero discharge; general industrial solid waste is mainly waste water-based drilling waste mud and debris, packaging barrels, rubber parts, anti-seepage film, etc; hazardous waste mainly includes waste mineral oil, waste oil barrels, oil-containing sludge, etc., all of which are disposed of by qualified environmental protection service providers. The Company continued to implement the Guidelines for Standardization Construction of Environmental Protection at Onshore Drilling and Downhole Operation Sites, deepened daily supervision and inspection, and strictly monitored the whole process of various pollutants from generation, collection, transshipment to final disposal, so as to ensure that the production process was in compliance with the law. In whole year of 2024, all pollutants generated by the Company were disposed of in accordance with the law, including 9,000 tons of general solid waste, 4,000 tons of hazardous waste, 1,338,000 cubic meters of domestic sewage, and 681,000 square meters of drilling wastewater.

The Company strengthened on-site energy efficiency management, implemented energy conservation and clean production technical measures, and vigorously implemented energy efficiency improvement projects. In whole year of 2024, the comprehensive energy consumption of ten thousand yuan industrial output value was 0.161 tons of standard coal, down by 11% from the same period last year. The Company actively organized the establishment of green engineering companies and green grass-roots units, and completed the revision of the review methods for 10 categories of green grass-roots teams, including drilling, operation, geophysical prospecting, construction site, logging and project department. 860 of 869 green grass-roots teams passed the annual acceptance, with a passing rate of 99%. 893 sets of environmental protection toilets at the end of the year, the drilling team equipped environmental protection toilets basically, the on-site use and effect were good, and the working and living environment of employees was continuously improved. A total of 10 subsidiaries were awarded the title of "Sinopec Green Enterprise in 2024", of which 4 subsidiaries were reviewed and assessed as Grade A.

The Company has established an environmental emergency management system, improved the environmental emergency network, prepared and timely revised the environmental emergency plans according to the risk assessment results, and filed the environmental emergency plan according to the requirements. The Company has also established emergency rescue teams and conduct regular emergency plan training and drills.

C. Relevant information conducive to ecological protection, pollution prevention and control, and environmental responsibility

√ Applicable ☐ Not applicable

In accordance with the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste and other relevant laws and regulations, the Company continued to revise the green enterprise review and evaluation indicators, supervised the subsidiaries to update and improve the green enterprise action plan and review and assessment mechanism based on their own reality, consolidated responsibilities, standardized processes, strictly checked and accepted, accelerated the acceptance of green grass-roots units, and implemented the construction of green grass-roots units with quality and quantity guaranteed.

In order to continuously safeguard air quality and implement the relevant work requirements of the State, the Company organized 6 subsidiaries to strictly implement air quality safeguard work plans in key areas. In the corresponding areas, grease and fume puri¬fication facilities have operated normally in staff canteens, the renewal of network power installations and the upgrading of drilling rigs electrification have been completed, diesel trucks operating under National III emission standards or below have been phased out, generator sets for drilling which cannot meet stable emission standards have been phased out, dust suppression measures have been taken at relevant drilling operation sites, and the warehousing, transportation and construction of radioactive sources are controllable and under control.

The Company carried out environmental protection standardization construction of wells, comprehensively analyzed and identified environmental risks in the whole process of onshore drilling and underground operations, formulated and implemented targeted environmental risk prevention and control measures on a quarterly basis. We adhered to source control, strictly implemented the process control and pollutant prevention and control management from the aspects of strengthening drilling fluid and underground fracturing and drainage, standardizing the monitoring of the whole process of solid and dangerous waste disposal, eliminating substandard discharge equipment, strictly implementing noise monitoring and rectification to prevent disturbing people, so as to improve the essential environmental protection level of the whole process of the whole business.

D. Measures and effects on the Company to reduce the carbon emissions

Whether to take carbon reduction measures	Yes
Reduce the equivalent of carbon dioxide emissions	1.77 million tons
Types of carbon reduction measures (such as the use of clean energy to generate electricity, the use of carbon reduction technology in the production process, the development and production of new products that help carbon reduction, etc.)	By replacing diesel power with grid power devices and electric fracturing skids, diesel consumption is reduced, and energy efficiency improvement projects such as transformer energy-saving transformation and remote management of diesel metering equipment are implemented to achieve energy saving and emission reduction. Actively promoting the application of carbon dioxide enhanced fracturing technology to reduce carbon dioxide emissions to the external environment.

Specific instructions

√ Applicable ☐ Not applicable

The Company will accurately analyse the key points of high carbon emissions in the oil drilling construction process, pay close attention to the source control, and continue to increase the scale of supporting grid power equipment. With the continuous deepening of the process of "converting oil to electricity", the Company will actively promote the process of electrification. Except for marginal wells and remote wells, the clean energy utilization model adopted by the Company in the domestic market is basically based on grid power and supplemented by diesel generating sets. In 2024, based on actual production status, the subsidiaries of the Company have continued to increase the self-owned ratio of power grid devices and promoted energy-saving projects such as energy-saving technology transformation. With the continuous improvement of energy efficiency, the Company used electric grid drilling rigs to drill 1,294 wells with a total drilling depth of 5.558 million meters to promote 8 energy efficiency improvement projects, such as energy-saving transformation of transformers and remote management of diesel metering equipment, replacing approximately 522,000 tons of diesel in total, saving about 632,000 tons of standard coal and reducing the emission of carbon dioxide equivalent by 1.656 million tons. The Company has actively promoted the application of carbon dioxide-empowering fracturing technology, which uses a high-pressure injection of liquid carbon dioxide to create fractures to improve reservoir permeability, effectively solving the problem of poor gel-breaking performance of traditional fracturing fluids, difficulty in flowback, large formation damage, waste of water resources, environmental pollution and other issues, thereby reducing carbon dioxide emissions in the environment. In 2024, the Company implemented 92 wells and 639 layers in the Northeast, Inner Mongolia, Zhongyuan, Shengli, Southwest and other work areas, injecting a total of 104,000 cubic meters of liquid carbon dioxide, equivalent to 114,000 tons of gaseous carbon dioxide.

2. Information of social responsibility work

(1) Whether to disclose the social responsibility report, sustainable development report or ESG report separately

√ Applicable ☐ Not applicable

This content please refers to the "Environment, Society and Governance Report in 2024" of the Company.

(2) Details information

√ Applicable ☐ Not applicable

External donations and public welfare projects	Amounts/Contents	Statement
Total investment (RMB'000)	3214.4	1. Sinopec Shengli Oil Engineering Company Limited donated 1.5 million yuan to Helong Middle School in Sangzhi County, Hunan Province, to support the upgrading of information-based teaching, the upgrading of hardware facilities, the establishment of scholarships, the pairing of "sister schools" and research activities, so as to improve the conditions for running schools, improve the quality of teaching and help students grow up. 2. Sinopec Zhongyuan Oil Engineering Company Limited donated 976,500 yuan to Sanhekou Town Middle School in Mabian Yi Autonomous County, Leshan City, Sichuan Province, to support the school's information-based teaching upgrade, teacher training, research activities, campus culture construction, and the establishment of scholarships (teaching) funds, further improving the management level and teaching level. 3. Sinopec Southwest Oil Engineering Company Limited donated 737,900 yuan to Sanhekou Town Central School, Mabian Yi Autonomous County, Leshan City, Sichuan Province, equipped with integrated teaching machines, laser printers, color multi-functional photocopiers, large-capacity electric water heaters, sports facilities, research activities, scholarships and grants, etc., to help improve teaching conditions, improve the quality of education and teaching, and promote the comprehensive and healthy development of students.
Funds (RMB'000)	3214.4	–
Material discounts (RMB'000)	–	–
Beneficial number of people	About 5,000 people	No

3. Poverty alleviation program launched by the Company

√ Applicable ☐ Not applicable

Poverty alleviation and rural revitalization projects	Amounts/Contents	Statement
Total investment (RMB'000)	33,100	–
Material discounts (RMB'000)	33,100	Purchase of rural poverty alleviation products
Beneficial number of people	About 6,000 people	–
Poverty alleviation and forms of assistance (such as industrial poverty alleviation, employment poverty alleviation, education poverty alleviation)	–	education and industrial poverty alleviation

1. Performance of undertaking

(1) The special undertakings for the reporting period or continuing to the reporting period made by the Company, the de facto controller, shareholders, related parties, acquirer and other associated parties:

Undertaking Background	Undertaking Type	Undertaking party	Undertaking	Date and duration of the Undertaking	Whether there is a performance period	Whether the undertaking has been strictly fulfilled
Undertaking regarding the material assets reorganization	To solve horizontal competition	China Petrochemical Corporation	The Non-Competition Undertaking 1. China Petrochemical Corporation undertook that it would not engage with the Company's production and business activities in competition, and will ensure its subsidiaries not to engage with the Company's production and business activities in competition through exercise of its shareholder rights. 2. After the material assets reorganization, if CNSPC's new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. 3. After the material assets reorganization, if China Petrochemical Corporation and its subsidiaries' new business opportunity has any direct or indirect competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company. If China Petrochemical Corporation intends to transfer, sell, lease, license or otherwise transfer or permit to use any of the above business which would result in the competition with the Company's main business, priorities of the above-mentioned opportunity will be given to the Company for avoiding the competition. 4. China Petrochemical Corporation consents that it will bear and pay damages to the listed companies caused by its violation of the commitment.	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the undertaking.
Undertaking regarding the Material Assets Reorganization	To solve connected transactions	China Petrochemical Corporation	The Undertaking of Regulating the connected transaction: China Petrochemical Corporation and its other controlling companies will regulate its/their connected transactions with the Company. For the connected transactions with reasonable grounds, China Petrochemical Corporation and its controlling Companies will sign the standard agreement of connected transactions, and will fulfill the obligations of the program for approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation price related to the connected transaction will follow the principle of fair, reasonable and impartial.	Date of undertaking: 12 September 2014 Duration long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.
Undertaking regarding the Material Assets Reorganization	Others	China Petrochemical Corporation	Issued "The China Petrochemical Corporation commitment letter regarding to the regulating of connected transaction and maintaining the independence of the Company": 1. China Petrochemical Corporation and its controlling companies guarantee the maintaining of the separation from the Company's asset, personnel, finance, organization and business, strictly comply with the relevant provisions regarding to the listed Company's independency of CSRC. China Petrochemical Corporation will not utilize the right of control to violate the standardized operation program of the listed company, not intervene the Company's operating decisions, and not jeopardize the legitimate rights and interests of the Company and its shareholders. 2. China Petrochemical Corporation and its controlling companies guarantee not to illegally use the funds of the Company and its holding Company. 3. If China Petrochemical Corporation violate the above commitment, it would undertake the law and compensate the losses caused to the Company.	Date of undertaking: 12 September 2014 Duration: long term	No	During the reporting period, China Petrochemical Corporation did not act contrary to the promise.

(2) The existence of earnings forecast about the Company's assets and projects, and the reporting period is still in the earnings forecast period, the information about whether the Company's assets or projects achieved the original earning forecast and its reasons.

☐ Achieved ☐ Not Achieved √ Not Applicable

(3) The completion of performance pledges and impact on goodwill impairment tests

☐ Applicable √ Not applicable

2. Occupancy of fund for non-operating purpose by the controlling shareholders and other related parties during the reporting period

☐ Applicable √ Not applicable

3. Illegal guarantee

☐ Applicable √ Not applicable

4. Explanation of the Company on non-standard opinion given by the auditors

☐ Applicable √ Not applicable

5. Analysis and explanation of the Company on the reasons and impact of the changes in accounting policy, accounting estimation and corrections to material accounting errors.

(1) Analysis and explanation of the reasons and effects of changes in accounting policies and accounting estimates

☐ Applicable √ Not applicable

(2) Analysis and explanation of the Company on the reasons and impact of corrections to material accounting errors

☐ Applicable √ Not applicable

(3) Communication with former accounting firm

☐ Applicable √ Not applicable

6. The appointment and dismissal of the accounting firm

	Currently hired
The name of the domestic accounting firm	BDO China Shu Lun Pan CPAs (LLP)
The remuneration of the domestic accounting firm	RMB 6,050,000
The audit period for the domestic accounting firm	4 years
Name of certified public accountant of domestic accounting firm	Jin Chunhua, Miao Song
The accumulative number of years of audit services provided by the certified public accountants of the domestic accounting firm	4 years
The name of the overseas accounting firm	BDO Limited
The remuneration of the overseas accounting firm	RMB 1,150,000
The audit period for the overseas accounting firm	4 years

	Name	Remuneration
The internal control accounting firm	BDO China Shu Lun Pan CPAs (LLP)	RMB 1,300,000

The description for the appointment and dismissal of the auditor:

In 2021, the Company changed its domestic auditor and the international auditor from Grant Thornton (Special General Partnership) and Grant Thornton Hong Kong Limited to BDO China Shu Lun Pan CPAs (LLP) and BDO Limited.

After recommended by the nineteenth meeting of the tenth session of the Board and approved by the annual general meeting for the year 2023, the Company re-appointed BDO China Shu Lun Pan CPAs (LLP) and BDO Limited as the domestic auditor and the international auditor of the Company for 2024. BDO China Shu Lun Pan CPAs (LLP) was appointed as the internal control accounting firm of the Company for 2024 again at the same time.

7. Situation about confronting the risk of the suspension of listing

(1) Reasons which resulted in the suspension of listing

☐ Applicable √ Not applicable

(2) Corresponding measures to be taken by the Company

☐ Applicable √ Not applicable

(3) Situation about confronting the termination of listing and corresponding reasons

☐ Applicable √ Not applicable

8. Insolvency and restructuring

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

9. Material litigation and arbitration

☐ In the reporting period, the Company had material litigation and arbitration

√ In the reporting period, the Company had no material litigation and arbitration

1. The Ecuador Banya Duri Company (厄瓜多爾斑尼亞杜麗公司), an indirectly wholly-owned subsidiary of the Company (the "Banya Duri Company") and Corporacion Estatal Petrolera Ecuatoriana (the "PAM"), in connection with the execution of the international arbitration and litigation regarding a dispute over the payment of a portion of the increased oil production under the Contract for I-L-Y Oilfield Comprehensive Service Projects in Ecuador signed between the two parties, have entered into a settlement agreement for the payment of part of the award in the arbitration ruling in December 2023 in Quito, Ecuador. Pursuant to the foregoing agreement, the parties agreed that PAM shall pay part of the award in the Ruling in 11 monthly installments from December 2023, totaling approximately USD34.98 million and to set up coordinated work meetings mechanism to determine corresponding payment plans in relation to the remaining award in the Ruling. In January 2024, PAM confirmed that the remaining principal of USD28.30 million will be paid according to its capital budget. By the end of 2024, Banya Duri Company has actually received the arbitration payment of USD63.36 million in whole, and the profit of the Company in 2024 increased by RMB430 million accordingly. The result of this award has basically been executed, but there are still related costs such as arbitration fees, attorney fees and interest that have not been fully recovered.

   For details, please refer to the "Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary" (P.2019-033) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 27 August 2019, and on www.hkexnews.hk on 26 August 2019, the "Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary" (P.2022-005) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 26 February 2022, and on www.hkexnews.hk on 25 February 2022, the "Progress Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary" (P.2022-027) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 16 August 2022, and on www.hkexnews.hk on 15 August 2022, the "Progress Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary" (P.2023-016) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 18 May 2023, and on www.hkexnews.hk on 17 May 2023, and the "Progress Announcement on an Arbitration in relation to an Indirectly Wholly-owned Subsidiary" (P.2023-032) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 8 December 2023, and on www.hkexnews.hk on 7 December 2023.

2. Sinopec (Brazil) Co., Ltd. (中國石化集團國際石油工程有限公司巴西有限公司), an indirectly wholly-owned overseas subsidiary of the Company (the "Brazil Subsidiary"), received a ruling from the Court of Rio on the approval of the Judicial Reorganization Plan on 15 July 2019 (Brazil time). Since that day, the Brazilian Subsidiary has been continuously implementing the Judicial Reorganization Plan and obtained a final ruling from the Court of Rio on the closure of the judicial restructuring procedure during the reporting period. The aforementioned ruling determined that the Brazilian Subsidiary had fulfilled its judicial reorganization obligations, the judicial reorganization process was terminated and the normal operations of the Brazil Subsidiary was resumed. The Company reversed an estimated liability of USD13.36 million in the first half of 2024. As at 31 December 2024, the estimated debt balance was RMB51,812,000 (equivalent to USD7.27 million).

   For details, please refer to the "Announcement on the proposed judicial reorganization by an indirectly wholly-owned overseas subsidiary" (P.2018-056), the "Announcement on approval of judicial reorganization of an indirectly wholly-owned overseas subsidiary by overseas court" (P.2019-032), the "Announcement on the progress of judicial reorganization of an indirectly wholly-owned overseas subsidiary" (P.2021-024), the "Announcement on the progress of judicial reorganization of an indirectly wholly-owned overseas subsidiary" (P.2022-003) and the "Announcement on the progress of judicial reorganization of an indirectly wholly-owned overseas subsidiary" (P.2024-033) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 4 September 2018, 19 July 2019, 16 July 2021, 22 January 2022, 11 July 2024 and on www.hkexnews.hk on 3 September 2018, 18 July 2019, 15 July 2021, 21 January 2022, 10 July 2024 respectively.

10. The punishment or rectification situation suffered by the Company or its directors, supervisors, senior management, controlling shareholders and de facto controllers

During the reporting period, neither the Company nor its directors, supervisors, senior management, controlling shareholders or de facto controllers were subject to any investigation by relevant authorities or enforcement by judicial or disciplinary departments, or transferred to judicial authorities or subject to criminal liability, or subject to investigation or administrative penalty by the CSRC, or any denial of participation in the securities market or deemed unsuitability to act as directors, or penalized by other administrative authorities, or subject to any public criticisms made by a stock exchange.

11. The information on the integrity status of the Company and its controlling shareholders, de facto controllers during the reporting period

During the reporting period, the Company and its controlling shareholders, de facto controllers kept honest and faithful, and there was no occurrence of dishonesty.

12. Information on connected transactions

(1) The significant connected transactions relating to ordinary operation during the reporting period are as follows.

The nature of the transaction	Related parties	Amount of transaction	Proportion of the same type of transaction
		RMB'000	(%)
Purchase of raw materials and equipments	China Petrochemical Corporation and its associates	9,575,705	30.5
Providing engineering services	China Petrochemical Corporation and its associates	48,488,693	60.9
Providing engineering services	PipeChina	3,978,023	5.0
Comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	1,032,240	56.5
Technology and development income	China Petrochemical Corporation and its subsidiaries	240,641	95.0
Land and property lease expenses	China Petrochemical Corporation and its subsidiaries	70,147	8.9
Equipment rental expenses	China Petrochemical Corporation and its subsidiaries	164,314	17.8
Interest expenses	China Petrochemical Corporation and its associates	662,794	88.5
Loan obtained	China Petrochemical Corporation and its subsidiaries	34,012,825	98.7
Loan repaid	China Petrochemical Corporation and its subsidiaries	31,232,463	98.1
Safety production insurance fund expenses	China Petrochemical Corporation	85,950	100
Safety production insurance fund return	China Petrochemical Corporation	168,263	100

For details of the above continuing connected transactions conducted by the Company during the reporting period, please refer to the "Continuing connected transactions announcement" (P.2021-036) and "Estimation of Daily Related Transactions" disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 17 September 2021 and 27 March 2024 and the "Continuing connected transactions and discloseable transactions with Sinopec Group and continuing connected transactions with PipeChina", "Continuing Related Transactions with PipeChina" disclosed on www.hkexnews.hk on 16 September 2021 and 26 March 2024.

In view of the expiry of the above framework agreement for continuing connected transactions with China Petrochemical Corporation and its subsidiaries on 31 December 2024, the Company entered into a new framework agreement with China Petrochemical Corporation in relation to the above continuing connected transactions on 26 September 2024, and will continue to carry out the above continuing connected transactions with China Petrochemical Corporation and its subsidiaries. Relevant connected transactions and their annual caps for the three years ending 31 December 2027 have already been approved by the Board and/or independent shareholders of the Company. For details of the new framework agreements and the continuing connected transactions thereunder, please refer to the "Continuing Connected Transactions Announcement" (P.2024-045) disclosed in "China Securities Journal", "Shanghai Securities News", "Securities Times", and on www.sse.com.cn on 27 September 2024 and the "Continuing Connected Transactions and Discloseable Transactions with Sinopec Group" disclosed on www.hkexnews.hk on 26 September 2024.

The Company considers that the above connected transactions and selection of connected parties for transactions are necessary and the above transactions would continue to occur. The agreements of connected transaction are based on the needs of the Company's operation and production and actual market situation. Provision of engineering services to PipeChina is a normal business transaction required for the Company's day-to-day operating activities. Purchasing raw materials and equipment from China Petrochemical Corporation and its subsidiaries will ensure the stable and safe supply of the Company's raw materials. Providing engineering service to China Petrochemical Corporation and its subsidiaries is decided by the history of the operating system of China's petroleum development and by the history of China Petrochemical Corporation's development, which also constitutes the Company's main business income source. The loan borrowed from China Petrochemical Corporation can satisfy the financial needs of the Company under the situation of the fund shortage, which therefore is beneficial to the Company. The pricing of the above transactions was mainly based on the market price or contract price determined through open bidding or negotiation, reflecting the principle of fairness, justice and openness, which is beneficial to the development of Company's main business, and ensure the maximization of the shareholder's interests. The above connected transactions have no adverse effects on the profits of the Company or the independence of the Company.

The Company's independent non-executive directors have reviewed all the Company's continuing connected transactions, and concluded that the transactions were entered into (1) in the ordinary and usual course of business of the Company; (2) based on the normal commercial terms, if there were no comparable items, no less favourable than the terms provided to or received from an independent third party; (3) in accordance with the relevant agreements governing them in terms that are fair and reasonable, and in the interests of the Company's shareholders as a whole; (4) the annual transaction amount of the above connected transactions did not exceed the approved relevant annual cap of each kind of connected transactions.

In accordance with Rule 14A.56 of the Hong Kong Listing Rules, the Company's auditor issued its unqualified opinion letter regarding the Company's disclosure of continuing connected transactions during the reporting period which contained its findings and conclusions.

Please refer to Note 10 of this year's financial statements prepared in accordance with the PRC ASBE Standards of the related transactions conducted by the Company during the reporting period. Among them, the significant related party transactions with China Petrochemical Corporation and its associates also fall under the definition of connected transactions under Chapter 14A of the Hong Kong Listing Rules. During the reporting period, the connected transactions between the Company and China Petrochemical Corporation and its associates have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

(2) Connected transactions arising from the acquisition or sale of assets or equity

During the reporting period, the Company had no significant connected transactions in the acquisition or sale of assets or equity.

(3) Material connected transactions of joint external investment

During the reporting period, the Company had no material connected transactions of joint external investment.

(4) Funds provided and debts with connected parties during the reporting period

Unit: RMB ’000

Connected parties	Funds provided to connected party			Funds provided to the Company by connected party		
	Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
China Petrochemical Corporation and its subsidiaries	11,133,304	2,160,606	13,293,910	6,240,941	2,464,742	8,705,683
Sinopec Finance Company Limited	1,043,814	-1,033,408	10,406	19,185,000	3,528,925	22,713,925
Sinopec Century Bright Capital Investment Limited	796,415	-235,150	561,265	722,435	-722,435	0
Total	12,973,533	892,048	13,865,581	26,148,376	5,271,232	31,419,608
Causes of connected claims and debts	Normal production and operation					
Influence of connected claims and debts on the Company	No material adverse effect					

(5) The finance business between the Company and the financial company with connected relationship and between the Company’s controlling financial company and the related parties

A. Deposit business

Unit: RMB ’000

Connected parties	Connected relation	Daily maximum deposit limit	Deposit rate	Beginning balance	For the twelve months ended 31 December 2024		Ending balance
					Total deposit in this period	Total withdrawal amount for this period	
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	3,500,000	0.35%	1,043,814	350,488,860	351,522,268	10,406
Sinopec Century Bright Capital Investment Limited	Subsidiary of controlling shareholder		0.01%	796,415	33,760,088	33,995,238	561,265
Total	/	/	/	1,840,229	384,248,948	385,517,506	571,671

B. Loan business

Unit: RMB ’000

Connected parties	Connected relation	Daily maximum deposit limit	Deposit rate scope	Beginning balance	For the twelve months ended 31 December 2024		Ending balance
					Total deposit in this period	Total withdrawal amount for the period	
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	29,000,000	2.70%	19,185,000	**33,418,925**	**29,890,000**	22,713,925
Sinopec Century Bright Capital Investment Limited	Subsidiary of controlling shareholder	250,000,000 US dollars	TERM SOFR +1.21%	722,435	**604,484**	**1,326,919**	0
Total	/	/	/	19,907,435	**34,023,409**	**31,216,919**	22,713,925

C. Credit extension and other finance business

Unit: RMB ’000

Connected parties	Connected relation	Business Type	Total Amount	Actual Amount
Sinopec Finance Company Limited	Subsidiary of controlling shareholder	Guarantees and bill credit	15,000,000	5,065,352

13. Significant contracts and performance

(1) Trusteeship, sub-contracting and leasing

A. Trusteeship

☐ Applicable √ Not applicable

B. Sub-contracting

☐ Applicable √ Not applicable

C. Leasing

☐ Applicable √ Not applicable

(2) Guarantee of the Company during the reporting period

√ Applicable ☐ Not applicable

Unit: RMB '000

External Guarantee provided by the Company (excluding Guarantees for Subsidiaries)														
Guarantor	Relationship with the listed company	Guaranteed person	Amount of guarantee	Date of guarantee (Agreement signing date)	The starting day	End date	Type of guarantee	Pledged thing	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Related relationship
The Company	itself	Mexico DS Company	1,976,451	17 June 2022	17 June 2022	The end time of annual meeting of shareholders for the year 2024	Joint and several liability guarantee	No	No	No	Not Applicable	Yes	Yes	Joint venture

Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)	29,063
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)	1,976,451
The Guarantee provided by the Company and its Subsidiaries to the Subsidiaries	
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period	-3,302,366
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)	24,197,354
Total Company Guarantee (including Guarantee for Subsidiaries)	
Total Guarantees(A+B)	26,173,805
Total Amount of Guarantees as a Percentage of the Company's Net Asset (%)	302.6
Among them:	
Amount of Guarantees provided to Shareholders, De Facto Controllers and their related Parties (C)	
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)	7,334,333
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)	21,849,404
Sum of the three Guarantees above (C+D+E)	29,183,737
Statement of Unexpired Guarantees as potential subject to Joint Liability	None
Guarantee Statement	The guarantees provided by the Company are all for the performance of the performance guarantee letters issued by the subsidiaries in the domestic and foreign contracts. The guarantee amount is within the amount approved by the annual general meeting of the Company for 2023.

After approved by the 2021 annual general meeting of the Company, on 17 June 2022, the Company, as guarantor, entered into the guarantee agreement with Mexican National Hydrocarbons Commission, as beneficiary, pursuant to which the Company has agreed to provide guarantee under the Production Sharing Contract for Mexico DS Company, to ensure that when Mexico DS Company loses contract performance capabilities, the Company will perform the contracts on its behalf to Mexican National Hydrocarbons Commission. On June 17, 2022, DIAVAZ, the other shareholder of the joint venture Mexico DS Company, issued a unilateral letter of guarantee for 50% of the performance guarantee of the joint venture company provided by the company. In order to satisfy the needs of international market expansion and day-to-day operation, the Company convened the nineteenth meeting of the tenth session of the Board and the 2023 annual general meeting on 26 March 2024 and 12 June 2024 respectively, approved the Company to provide guarantee for wholly-owned subsidiaries and Mexico DS Company, a joint venture of the Company, and the guarantee period commences from the date of approval by the shareholders at the 2023 annual general meeting until the conclusion of the 2024 annual general meeting of the Company. For details, please refer to the "Announcement on the Progress of Provision of Guarantee for Joint Venture" (P.2022-021), "Announcement of Providing Guarantee for Wholly-owned Subsidiaries and Joint Ventures" (P.2024-011) and "Announcement on the Actual Occurrence of External Guarantees in 2024" (P.2025-003) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 20 June 2022, 27 March 2024, 18 January 2025 and on www.hkexnews.hk on 19 June 2022, 26 March 2024, 17 January 2025.

As approved at the second extraordinary general meeting in 2021 of the Company, the Company provided corresponding counter guarantee to China Petrochemical Corporation in relation to the joint guarantee liability undertaken by China Petrochemical Corporation for no more than RMB300 million credit line used by the Company for 3 years commencing from 2 November 2021. After approved by the 2023 annual general meeting of the Company, the Company continued to provide corresponding counter-guarantee in relation to the joint guarantee liability undertaken by China Petrochemical Corporation for no more than RMB100 million credit line to the Company after 1 November 2024. For details, please refer to the "Related Party Transaction Announcement on Provision of Counter-Guarantee to Controlling Shareholders by the Company" (P. 2021-037) and the "Related Party Guarantee Announcement on Provision of Counter-Guarantee to the Controlling Shareholder by the Company" (P. 2024-012) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 17 September 2021 and 27 March 2024, and on www.hkexnews.hk on 16 September 2021 and 26 March 2024.

On 31 December 2024, the balance of the counter-guarantee provided by the Company to China Petrochemical Corporation was RMB10 million.

(3) Entrusting others to manage cash assets

During the reporting period, no entrusted financing, entrusted loans, other investments and financing and derivatives investment items of the Company occurred.

(4) Other significant contract

During the reporting period, the Company did not enter into any other material contract which requires disclosure.

14. Other important matters that have a significant impact on investors' value judgments and investment decisions

☐ Applicable √ Not applicable

Section VIII Report of the Supervisory Committee

Dear shareholders,

In 2024, the Company's Supervisory Committee and all supervisors strictly performed their supervisory duties in accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association, carefully reviewed and effectively supervised the Company's major decision-making matters, and strived to safeguard the rights and interests of the Shareholders and the interests of the Company.

1. Meetings of the Supervisory Committee

In 2024, the Supervisory Committee held 6 meetings, with 3 meetings held as on-site meetings and 3 meetings held by written resolutions, reviewed and approved a total of 18 resolutions, and successfully completed the review of important resolutions for the Company.

On 26 March, 2024, the Supervisory Committee convened the 17th meeting of the 10th session of the Supervisory Committee on-site, at which 11 resolutions were considered and approved, including the 2023 Work Report of the Supervisory Committee, the 2023 Financial Report, the full text of the 2023 Annual Report and its Summary, the Proposal on Continuing Related Transactions for 2023 and the 2023 Profit Distribution Plan.

On 22 April 2024, the Supervisory Committee convened the 18th meeting of the 10th session of the Supervisory Committee by way of written resolutions, to nominate candidates for election to the position as non-employee representative Supervisors of the 11th session of the Supervisory Committee of the Company.

On 25 April, 2024, the Supervisory Committee convened the 19th meeting of the 10th session of the Supervisory Committee by way of written resolutions, at which the 2024 First Quarterly Report was considered and approved.

On 12 June, 2024, the Supervisory Committee held the first meeting of the 11th Supervisory Committee on-site, and the meeting elected Mr. Wang Jun as the Chairman of the 11th Supervisory Committee of the Company

On 20 August, 2024, the Supervisory Committee convened the second meeting of the 11th session of the Supervisory Committee on-site, at which 3 resolutions were considered and approved, including the 2024 Interim Report and its Summary, the 2024 Interim Financial Report and the Resolution to Undistributed 2024 Interim Dividend.

On 24 October, 2024, the Supervisory Committee convened the third meeting of the 11th session of the Supervisory Committee by way of written resolutions, at which the 2024 Third Quarterly Report was considered and approved.

2. The Supervisory Committee's participation in other meetings and other work progress

In 2024, the Supervisory Committee attended 4 general meetings (including 2 class meetings), attended 3 Board meetings, performed supervisory duties in accordance with the law, and supervised the legality and compliance of the topics and decision-making procedures of the general meetings and the Board meetings. At the same time, the Supervisors attended relevant internal meetings of the Company, strengthened communication and exchanges with the management and relevant functional departments, and paid close attention to the Company's operating status and internal reforms and other major decisions.

In November 2024, the Company held an exchange event for investors in Shengli Industrial Zone to celebrate the 10th anniversary of its listing. Mr. Zhang Zonglin, the employee representative Supervisor, introduced the Company's technological strength, market profile, management model and future prospects to the participating investors in detail. The participating investors and independent directors gave favorable comments on the Company's production and operation and provided their relevant opinions and suggestions.

In 2024, the Supervisors of the Company actively participated in professional training sessions organized by the regulatory authorities to understand newly promulgated laws and regulations, regulatory rules and capital market operation rules, and focused on the latest changes in the macroeconomic situation and the Company's operational risk prevention and control in order to improve the ability to perform their duties.

3. Key matters concerned by the Supervisory Committee

(1) Information on the standardized operations in accordance with the law

In 2024, the Company carried out various production and operation activities in accordance with laws and regulations. The meeting procedures, voting and resolutions of the general meetings and the Board meetings were legal and valid, the information disclosure was timely, accurate and complete, and no directors and senior management of the Company were found to have violated laws, regulations, the Articles of Association or have acted in a manner that harmed the interests of the Company and Shareholders.

(2) Review of the Company's financial situation

In 2024, the Company continued to optimize the strategic and intensive financial management and control system, adhered to budget guidance, implemented cost control, deepened capital management, focused on risk prevention and control, and has achieved effective improvement in operating efficiency and continuous enhancement in financial management level. The Company's financial report for this year was prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards respectively. The financial statements audited by BDO China Shu Lun Pan CPAs LLP and BDO Hong Kong Limited fairly reflected the financial conditions, operating results and cash flows of the Company. No violation of confidentiality provisions was found among the personnel in preparing and reviewing the statements.

(3) Information on connected transactions

In 2024, the Company strictly complied with national laws and regulations, conscientiously fulfilled the regulatory requirements of connected transactions, and fully implemented various agreements and contracts signed with related parties. The connected transactions were conducted in a standardized manner in accordance with fair and reasonable terms of transaction. The amounts of various connected transactions of the Company were controlled within the approved limit, and no behavior was found to be harmful to the interests of the Company and the rights and interests of the Shareholders.

(4) Establishment of internal control system

In 2024, the Company systematically promoted the establishment of systems, internal controls, and compliance management systems, and the level of internal control continued to improve. A comprehensive risk management organizational system was established and improved, and identification of material and important risks of the year was carried out continuously. No material deficiencies or omissions in internal control were found during the year.

4. Opinions of the Supervisory Committee on the Company's work

The Supervisory Committee believes that: in 2024, the Directors and senior managers of the Company conscientiously implemented the resolutions and arrangements of the general meetings and the Board meetings, leading all employees to seize opportunities, work hard, and forge ahead under pressure.

The Company focused on the core responsibilities of service assurance and the primary task of high-quality development, increasing investment in science and technology, speeding up equipment upgrading, the "four improvements" tasks achieved remarkable results, key projects were high-quality and efficient, and the Company's overseas market volume and efficiency reached a new high level. New progress was achieved in digital and intelligent developments. Reforms resulted in greater dividends, harmony and stability of the workforce were maintained. New contracts of RMB91.2 billion were signed during the year and total profit of RMB1.13 billion was realized, representing a year-on-year increase of 10.7% and 22.0% respectively. The Supervisory Committee had no objection to the supervision matters for the year 2024.

In 2025, the Supervisory Committee and all supervisors will continue to uphold the principle of being responsible to all Shareholders, perform their supervisory duties with due diligence and integrity, and strive to safeguard the interests of the Company and the rights and interests of the Shareholders.

Chairman of the supervisory committee

Wang Jun

Beijing, China

18 March 2025

Section IX Changes in Share Capital of Ordinary Shares and Information on Shareholders

1. Changes in Share Capital

(1) The chart of changes in Share Capital

A. The chart of changes in Share Capital

Unit: shares

	Before the change		The increase or decrease on the change(+, −)					After the change	
	Amount	Percentage(%)	New shares issued	Bonus shares	Reserve transfer into shares	Others	Total	Amount	Percentage (%)
Shares with selling restrictions	–	–	–	–	–	–	–	–	–
Shares without selling restrictions	18,984,340,033	100	–	–	–	-4,928,000	-4,928,000	18,979,412,033	100.0
1. Ordinary shares in RMB	13,569,378,551	71.48	–	–	–	–	–	13,569,378,551	71.50
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	5,414,961,482	28.52	–	–	–	-4,928,000	-4,928,000	5,410,033,482	28.50
4. Others	–	–	–	–	–	–	–	–	–
Total of shares	18,984,340,033	100.0	–	–	–	-4,928,000	-4,928,000	18,979,412,033	100.0

B. Note for the changes in share capital of ordinary shares

√ Applicable ☐ Not applicable

During the reporting period, the total number of shares of the Company changed. From 21 August 2024 to 12 September 2024, the Company repurchased a total of 4,928,000 H shares, which were cancelled on 19 September 2024. For details, please refer to the "Announcement on Cancellation of Repurchased H Shares" (P.2024-042) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 20 September 2024, and on www.hkexnews.hk on 19 September 2024.

C. The effects of changes in Share Capital of Ordinary Shares on the financial indicators of the Company such as earnings per share and net assets per share, in the previous year and the latest period (if any)

☐ Applicable √ Not applicable

D. Other content that the Company deems necessary or required by the securities regulator.

☐ Applicable √ Not applicable

(2) Changes in Shares with Selling Restrictions

☐ Applicable √ Not applicable

2. Share issue and listings

(1) Share issue at the end of the reporting period

During the reporting period, the Company did not issue shares, convertible corporate bonds, convertible bonds, bonds (including enterprise bonds, corporate bonds and debt financing instruments of non-financial enterprises), depositary receipts or other derivative securities, nor did it enter into any equity-linked agreements.

(2) Changes in total ordinary shares and share structure and changes in the structure of assets and liabilities

√ Applicable ☐ Not applicable

During the reporting period, the total number of shares of the Company changed from 18,984,340,033 shares to 18,979,412,033 shares, representing a total decrease of 4,928,000 shares.

In order to deepen the strategic cooperation between CPC and CNPC and to optimize the shareholding structure of the Company, CPC and CNPC entered into a gratuitous transfer agreement on 20 September 2024, which approved by the State-owned Assets Supervision and Administration Commission of the State Council (the“SASAC”) for the transfer of 759,170,000 A shares of the Company held by CPC to CNPC by the way of gratuitous transfer of state-owned shares. As of 31 December 2024, CNPC held 759,170,000 shares of the Company, with a shareholding ratio of 4.00%. For details, please refer to the “Indicative Announcement on the Transfer of State-owned Shares” (P.2024-043) and the “Progress Announcement on the Transfer of State-owned Shares” (P.2024-051) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 21 September 2024, 2 November 2024 and on www.hkexnews.hk on 20 September 2024, 1 November 2024 respectively.

(3) Internal employee shares

The Company has not issued any internal employee shares till the end of the reporting period.

3. Information on Shareholders and the De Facto Controller

(1) Number of shareholders

Number of ordinary shareholders at the end of reporting period	107,938
Number of ordinary shareholders at the end of last month before the annual report’s disclosure date	108,437
Number of preferred shareholders whose voting rights had been restored at the end of reporting period	0
Number of preferred shareholders whose voting rights had been restored at the end of last month before the annual report’s disclosure date	0

As at 31 December 2024, the number of shareholders of the Company was 107,938, including 107,621 holders of A shares and 317 registered holders of H shares. As at 18 March 2025, the latest practicable date prior to the annual report publication, the minimum public float of the Company satisfied the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”).

(2) The shareholdings of the top ten shareholders and the shareholdings of the top ten tradable shareholders (or shareholders of shares without selling restrictions) of the Company

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings[1] (shares)	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
China Petrochemical Corporation[2]	State-owned legal person	-759,170,000	9,968,726,364	52.52	0	0
Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited")[3]	Overseas legal person	-4,913,000	5,397,435,694	28.44	0	0
China National Petroleum Corporation	State-owned legal person	759,170,000	759,170,000	4.00	0	0
CITIC Corporation Limited	State-owned legal person	-111,057,100	214,412,700	1.13	0	0
Hong Kong Securities Clearing Company Limited[4]	Others	-43,399,827	68,683,511	0.36	0	0
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Others	35,668,173	58,450,873	0.31	0	0
Anhui Yangguang InfoComm Electronic Technology Co., Ltd.	Domestic non-state-owned legal person	2,245,000	53,970,000	0.28	0	0
Shanghai Tongneng Investment Holdings Co., Ltd.	Domestic non-state-owned legal person	5,478,000	50,000,000	0.26	0	0
Li Feng	Domestic natural person	6,177,000	31,300,000	0.16	0	0
He Long	Domestic natural person	6,008,000	26,008,000	0.14	0	0

Shareholdings of top ten tradable shareholders of shares without selling restrictions		
Name of shareholders	Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares
China Petrochemical Corporation	9,968,726,364	A Share
Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited")	5,397,435,694	H Share
China National Petroleum Corporation	759,170,000	A Share
CITIC Corporation Limited	214,412,700	A Share
Hong Kong Securities Clearing Company Limited	68,683,511	A Share
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	58,450,873	A Share
Anhui Yangguang InfoComm Electronic Technology Co., Ltd.	53,970,000	A Share
Shanghai Tongneng Investment Holdings Co., Ltd.	50,000,000	A Share
Li Feng	31,300,000	A Share
He Long	26,008,000	A Share
Statement on the related relationship or activities in concert among the above-mentioned shareholders	The Company is not aware of any related relationship or acting in concert among the above-mentioned shareholders.	
Statement on repurchasing of special accounts among top ten shareholders	No	
Statement on the entrustment and waiver of voting rights by the above mentioned shareholders	Not applicable	

Note:

1. As compared with the number of shares held as of 31 December 2023.
2. Apart from directly holding 9,968,726,364 A shares of the Company, China Petrochemical Corporation also holds 2,595,786,987 H shares of the Company through its wholly-owned subsidiary, Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly holds 12,564,513,351 shares of the Company, which represents 66.20% of the total shares of the Company.
3. HKSCC (Nominees) Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, acting as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
4. Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, acting as a nominee holder to hold A shares of the Company in the SSE on behalf of the investors of the HKSE.

Lending of shares by top ten shareholders participating in refinancing business

√ Applicable ☐ Not applicable

Unit: shares

Participation of the top ten shareholders in refinancing and lending of shares								
	Shares held in general account and credit account at the beginning of the period		Shares lent by refinancing at the beginning of the period and not yet returned		Shares held in general account and credit account at the end of the period		Shares lent by refinancing at the end of the period and not yet returned	
Name of shareholder (Full name)	Total quantity	Percentage (%)	Total quantity	Percentage (%)	Total quantity	Percentage (%)	Total quantity	Percentage (%)
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	22,782,700	0.12	6,604,300	0.03	58,450,873	0.31	0	0

The top ten shareholders changed compared with the previous period

√ Applicable ☐ Not applicable

Unit: shares

The top ten shareholders changed compared with the previous period					
		Number of shares lent by refinancing at the end of the period and not yet returned		Number of outstanding shares held by shareholders' general accounts, credit accounts and refinancing loans at the end of the period	
Name of shareholder (Full name)	Additions/withdrawals during the reporting period	Total quantity	Percentage (%)	Total quantity	Percentage (%)
Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund	Withdrawals	0	0	58,450,873	0.31

Number of top ten shareholders of shares with selling restrictions and restrictions conditions:

☐ Applicable √ Not applicable

(3) Strategic investors or general legal person became top ten shareholders of the Company due to distribution and sales of new shares

☐ Applicable √ Not applicable

4. Information on Controlling Shareholders and De FactoController of the Company

(1) Information on controlling shareholder

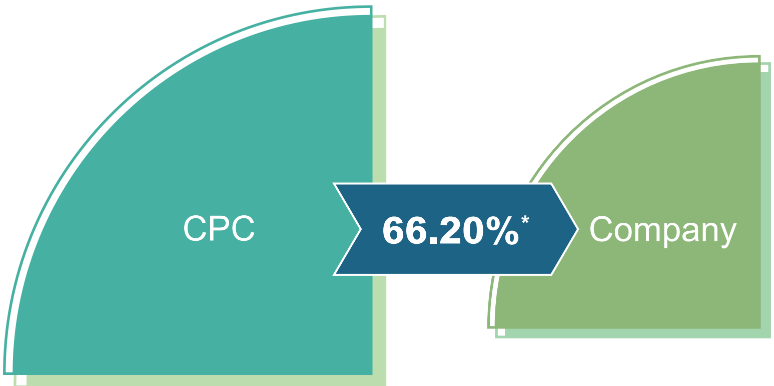
A. Legal Representative

Name of the holding shareholder	China Petrochemical Corporation
Legal representative	Ma Yongsheng
Date of establishment	14 September 1983
Organization number	9111000010169286X1
Registered capital	RMB 326.547 billion
Principal activities	Through reorganization in 2000, CPC injected its principal petroleum and petrochemical operations into Sinopec, and retained operations in certain smaller scale petrochemical facilities and refineries, provision of well drilling services, oil testing services, in-well operation services, manufacture and maintenance of production equipment, engineering construction, water, electricity and other utility services and social services, etc.

CPC's subsidiaries and associates listed in domestic and overseas during the reporting period	Name of company	Number of share held (shares)	Shareholding (%)
	Sinopec	83,062,059,096	68.49%
	SINOPEC Engineering (Group) Co., Ltd	2,687,876,000	61.12%
	Sinopec Oilfield Equipment Corporation	456,756,300	47.77%
	China Merchants Energy Shipping Co., LTD	1,095,463,711	13.45%

Note: The number of shares of listed companies in which CPC directly holds more than 5 percent, does not include the number of shares held through its wholly-owned or holding subsidiaries.

B. The block diagram of the property and control relationship between the Company and the controlling shareholder



Note: Apart from directly holding 9,968,726,364 A shares of the Company, China Petrochemical Corporation also holds 2,595,786,987 H shares of the Company through Century Bright Company. Therefore, China Petrochemical Corporation directly and indirectly held 12,564,513,351 shares of the Company, which represents 66.20% of the total issued shares of the Company.

(2) The de facto controller of the Company

A. Legal Representative

The de facto controller of the Company remains to be China Petrochemical Corporation. See more information in this section relating to controlling shareholder.

B. The diagram of the property and control relationship between the Company and the de facto controller

C. Other information about controlling shareholders and de factocontroller of the Company

☐ Applicable √ Not applicable

5. The cumulative number of pledged shares accounted for more than 80% of the number of shares of the Company held by controlling shareholders or the largest shareholder with its partner acting in concert

☐ Applicable √ Not applicable

6. Other Legal person shareholders that holding over 10% of the total shares of the Company

At the end of the reporting period, the Company has no other legal person shareholders that holding over 10% of the total shares of the Company.

7. Statement on shares reduced in restriction

☐ Applicable √ Not applicable

8. Execution of shares repurchase during the reporting period

☐ Applicable √ Not applicable

On 12 June 2024, the Company's 2023 annual general meeting, the first A shareholders' class meeting in 2024 and the first H shareholders' class meeting in 2024 considered and approved the resolution on the authorisation to the Board to repurchase domestic shares and/or overseas listed foreign shares of the Company, authorizing the board of directors to repurchase domestic shares and/or overseas listed foreign shares according to market conditions and the needs of the Company not exceeding 10% of the respective number of A shares or H shares issued by the Company.

On 20 August 2024, the fourth meeting of the eleventh board of the Company considered and approved the resolution on the plan for the repurchase of shares of the Company, which approved the Company to use its own funds to repurchase part of A shares and H shares for cancellation and reduction of the registered capital. The plan for the repurchase of A Shares was considered and approved at the first extraordinary general meeting of 2024 of the Company held on 6 December 2024. For details, please refer to the "Repurchase Report on Repurchase of A Shares through Centralized Competitive Trading" (P.2024-057) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 20 December 2024 and disclosed on www.hkexnews.hk on 19 December 2024.

In order to increase earnings per share, boost the stock price, strengthen market value management and be in line with the interests of the Company and its shareholders as a whole, the Company repurchased a total of 4,928,000 H shares during the period from 21 August 2024 to 12 September 2024, representing 0.03% of the total issued shares of the Company, at a maximum price of HKD0.53 per share and a minimum repurchase price of HKD0.485 per share, with a total amount paid of HKD2,475,340 (excluding transaction costs). Those shares were cancelled on 19 September 2024. As at 31 December 2024, the Company has not yet implemented the repurchase of A shares.

Repurchase of H shares

Repurchase month	Number of repurchase (Shares)	Purchase price per share		Total price (HKD)
		Max price (HKD/share)	Min price (HKD/share)	
August 2024	1,100,000	0.53	0.52	579,660
September 2024	3,828,000	0.52	0.485	1,895,680

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the twelve months ended 31 December 2024.

9. The interest or short position held by the substantial shareholders and other persons in the Company's shares or underlying shares

As at 31 December 2024, so far as the Directors, Supervisors and senior management of the Company are aware of, each of the following persons, not being a director, supervisor or senior management of the Company, had an interest or short position in the Company's shares or underlying shares which is required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of SFO.

Name of shareholder	Number of shares held (shares)	Percent of shareholding in the Company's total issued share capital (%)	Percent of shareholding in the Company's total issued domestic shares (%)	Percent of shareholding in the Company's total issued H shares (%)	Short position
China Petrochemical Corporation	9,968,726,364 (A Share)	52.52	73.46	Not Applicable	–
	2,595,786,987 (H Share)[1]	13.68	Not Applicable	47.98	–
China Structural Reform Fund Co., Ltd.	719,174,495 (H Share)[2]	3.79	Not Applicable	13.29	–

Note:

1. China Petrochemical Corporation held 2,595,786,987 H shares of the Company through its wholly owned subsidiary Century Bright Company. China Petrochemical Corporation is deemed to be interested in the H shares held by Century Bright Company.
2. China Structural Reform Fund Co., Ltd. held 401,807,632 H shares of the Company through Yifangda Fund Management Co., Ltd., accounting for 7.43% of the total issued H shares of the Company, and 317,366,863 H shares of the Company through Huaxia Fund Management Co., Ltd., accounting for 5.87% of the total issued H shares of the Company.

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any other person (other than the Directors, supervisors and senior management of the Company) who had an interest or short position in the shares and underlying shares of the Company that was required to be recorded in the register of interests maintained by the Company pursuant to Section 336 of the SFO.

10. Management contract

During the reporting period, the Company has not signed or has any contracts for the management and administration of the whole or any important business.

11. Priority purchase rights

There are no provisions for preemptive rights in the Company's Articles of Association or PRC laws.

12. Share repurchase, sale and redemption

Please refer to "8. Execution of shares repurchase during the reporting period" of this section for details.

Section X Financial Statements

PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

Auditors' Report

PCPAR [2025] No. ZK10013

To all shareholders of Sinopec Oilfield Service Corporation,

I. OPINION

We have audited the accompanying financial statements of Sinopec Oilfield Service Corporation, (hereafter referred to as "SSC" or "the Group"), including the consolidated and company balance sheet as of December 31, 2024, the consolidated and company income statement, the consolidated and company cash flow statement, the consolidated and company statement of changes in shareholders' equity for the year then ended and the relevant notes to the financial statements.

In our opinion, the accompanying financial statements are prepared in accordance with Accounting Standards for Business Enterprises. The financial position of SSC for the year ended 31 December 2024, and the results of its operations and cashflows for the year ended 31 December 2024 are fairly presented in all material respects.

II. BASIS FOR OPINION

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Professional Conduct and Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. The response to these matters is based on the overall audit of the financial statements and the formation of audit opinions. We do not express our opinions on these matters separately.

The key audit matters identified in our audit are summarized below:

Description of the matter	How our audit addressed the Key Audit Matter
I. Recognition of revenue and cost The Group's revenue related to rendering of services and construction contracts is derived from provision of petroleum engineering and technical services to PRC and overseas petroleum exploration and development companies, including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction services. The Group's petroleum engineering and technical services income would be recognized over a period of time. The recognition of related labor income and profits depends on management's estimation of the estimated total revenue of the contract and performance of the contract. The management of the Group adopts the expected value method according to the contract or the most likely amount to estimate the estimated total revenue of the contract, and evaluates the estimated total cost of the contract according to historical information and construction plan. The significant accounting estimates of management will be continuously evaluated and revised during the execution of the contract. With the progress towards satisfaction of a performance obligation becomes certain, the Group should recognize revenue and costs in accordance with the progress of performance obligation being satisfied on the balance sheet date. The recognition of revenue and costs mainly depends on the management's critical estimation and judgments, including the estimated total revenue of the contract, estimated total cost, variable consideration, remaining contract costs, estimated progress and contract execution risk. Any alteration for the final progress billing or actual progress for performance obligation being satisfied, which would lead to the variance exists between the management's budgeted revenue and actual amount incurred. Therefore, we identified this matter as a key audit matter. Refer to Note 3.23 (Revenue), Note 3.32.7 revenue recognition for related disclosures of accounting policy, significant accounting judgment and estimate about revenue recognition, other detailed information are set out in Note 5.36 and Note 16.4.	Our audit procedures for the recognition of revenue and cost include: – We checked whether the accounting policies of recognizing revenue and costs are appropriately designed with relevant provisions of accounting standards in accordance with specific circumstances of the Group's business and contract terms. – We have understood, evaluated and tested the design and implementation of key internal controls used by management to determine estimated contract revenue, estimated contract costs, actual costs incurred and contract remaining costs, and the progress of contract performance to confirm the effectiveness of internal controls. – Through reviewing business contracts and interviews with management, we have understood and assessed the reasonableness of the basis and assumptions of estimated total revenue and estimated total cost. We have checked the consistency of the preparation and assumptions of various types of projects. We compared the cumulative cost as of December 31, 2024 to the estimated total cost, and checked the large cost recorded after the balance sheet date to analyze and evaluate the management's reasonableness of future workload and estimated residual cost of the contract. – We have carried out sampling tests for the determination of contract performance progress, checked the main clauses in relevant business contracts and supporting documents such as settlement statements, acceptance sheets, or completion progress statistics issued by customers, and estimated the estimated revenue, estimated cost and gross profit of sub-projects. We have analyzed and calculated to confirm its rationality. In addition, sampling tests has been carried out for the correctness of amount and period of revenue recognition, analyzed whether it has been accurately confirmed on the balance sheet date according to the contract performance progress, and compared the budgeted cost with the actual total cost as of the balance sheet date on the basis of sampling to check whether there are cost overruns.

Description of the matter	How our audit addressed the Key Audit Matter
II. Measurement of expected credit losses of accounts receivable and contract assets The accounts receivable and contract assets of the Group (hereinafter referred to as "receivables") mainly come from related parties and other PRC and overseas petroleum exploration and development companies. On December 31,2024, the book value of accounts receivable of the Group was RMB15.08 billion, and the book value of contract assets was RMB16.82 billion, the accumulated expected credit losses for account receivables and impairment on contract assets amounted to RMB1.85 billion. The measurement of expected credit losses involves management's subjective judgment and is inherently uncertain. In determining the expected credit losses of receivables, the management needs to comprehensively assess the current credit rating of the counter-party, the experience of historical credit losses, and the current operating conditions, macroeconomic environment, external market environment, technical environment and changes in customer conditions, etc. Due to the inherent uncertainty of the expected credit loss measurement of the receivables, involving the subjective judgment of the management, and the amount of the receivables has a significant impact on the consolidated financial statements of the Group, we identified the measurement of expected credit losses of receivables as a key audit matter. Refer to Note 3.10 Financial instruments (Measurement of expected credit losses), Note 3.32.2 Measurement of expected credit loss of receivables for related disclosures of accounting policy, significant accounting judgment and estimate about Measurement of expected credit losses. Other detailed information is set out in Note 5.2 and Note 5.7.	Our audit procedures for the measurement of expected credit losses of accounts receivable and contract assets include: – We have understood and assessed the internal controls of the Group relating to the expected credit loss measurement. In addition, we tested the effectiveness of such internal controls. – We have reviewed the relevant considerations and objective evidence of the management's expected credit loss measurement, and evaluated the management's method and calculation which divide the receivables into several combinations by considering the actual amount of bad debts and the situation of similar receivables in the history, combined with factors such as customer credit and market environment. – For major customers whose balance of receivables is significant or exceeds the credit period, we have gathered information about the debtor or its industry development status to identify whether there is any situation that affects the expected credit loss assessment results of receivables. – We have obtained ageing analysis of receivables as at 31 December 2024. We checked the supporting documents such as accounting vouchers and invoices. We also reviewed the key information such as aging analysis, overdue days, and relationship on sampling basis in order to ascertain the accuracy and classification on receivables. – We have arranged audit confirmation to those customers who have significant balance of accounts receivable, and compared the results for the returned confirmation with the Group's record. – We have recalculated the expected credit losses of the receivables and compared our calculations with the amount recorded by the Group. – We have evaluated the reasonableness of management's expected credit losses assessment by considering the customer's settlement subsequent to the reporting period.

<table>
<tr><th>Description of the matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>III. Impairment of Long-term Equity Investment in Mexico DS Company

As disclosed in Note 5.9 Long-term Equity Investments and Note 5.45 Asset Impairment Losses of the financial statements of Sinopec Oilfield Services Corporation, the carrying value of the long-term equity investment in Sinopec International Petroleum Engineering Mexico DS Joint Venture (“Mexico DS Company”) held by Sinopec Oilfield Services Corporation as of December 31, 2024 was RMB202 million, and Sinopec Oilfield Services Corporation made an impairment provision of RMB274 million for this equity investment.

Since the impairment test of long-term equity investments largely depends on the judgments and estimates made by the management, and such estimates are influenced by the judgments of the future market and the economic environment. The use of different estimates and assumptions will have a significant impact on the impairment of long-term equity investments, and there is a high risk of misstatement of the impairment amount. Therefore, we confirm the impairment of the long-term equity investment in DS Company in Mexico as a key audit matter.</td><td>Our audit procedures for the recognition of revenue and cost include:
– Understand the key internal controls related to the impairment of long-term assets and test the effectiveness of the implementation of key controls.
– Understand the qualifications of the external valuation experts employed by the management and evaluate their professional competence.
– Evaluate the rationality of the important estimates and key assumptions involved by the management in the impairment test, and check whether they are consistent with the economic environment, industry conditions, operating situation, historical experience, contract agreements, operation plans, etc. of the country where the company is located.
– Evaluate whether the parameters or input values adopted by the management for the asset impairment test are reasonable, and check the internal consistency of the relevant information in the impairment test.
– Evaluate the work results of the external valuation experts employed by the management, and check whether the results of the impairment test are based on an appropriate accounting period and have fully considered the subsequent events.</td></tr>
</table>

IV. OTHER INFORMATION

The management of the Group (hereinafter referred to as the “Management”) is responsible for other information. The other information comprises the information covered in the 2024 annual report of the Group but excludes the financial statements and our auditor’s report.

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

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

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

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

The management of the Group (hereinafter referred to as “the Management”) is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing, and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

VI. AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Understand the internal control relevant to the audit to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used by and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) We have acquired sufficient and proper audit evidence regarding financial information relating to entity or business activities of the Group to give the audit opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless these matters are forbidden by laws and regulations to be disclosed or in extremely rare circumstances, when the negative impact arising from the reasonable and expected communication about a certain matter in an auditor's report exceeds the public interest benefits arising therefrom, we determine that such matter should not be communicated in the auditor's report.

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China: JIN Chunhua
(Engagement Partner)

Certified Public Accountant of China: MIAO Song

Shanghai, China

Date: March18, 2025

This auditors'report and the accompanying notes to the financial statements are English translation of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Section X Financial Statements

CONSOLIDATED BALANCE SHEET

Sinopec Oilfield Service Corporation

As at December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Assets:	Note	Balance as at December 31, 2024	Balance as at December 31, 2023
Current assets:			
Cash and cash equivalents	5.1	**3,648,514**	2,816,116
Accounts receivable	5.2	**13,294,827**	10,602,242
Receivables at FVTOCI	5.3	**2,557,311**	2,735,081
Advances to suppliers	5.4	**595,747**	511,443
Other receivables	5.5	**2,848,479**	2,760,141
Inventories	5.6	**1,009,501**	1,204,295
Contract assets	5.7	**16,763,754**	16,203,248
Other current assets	5.8	**2,616,835**	2,492,849
Total current assets		**43,334,968**	39,325,415
Non-current assets:			
Long-term equity investments	5.9	**251,551**	553,496
Investment in other equity instruments	5.10	**137,441**	135,763
Fixed assets	5.11	**24,238,814**	24,870,821
Construction in progress	5.12	**793,487**	695,614
Right-of-use assets	5.13	**620,413**	799,633
Intangible assets	5.14	**424,226**	442,778
Long-term deferred expenses	5.15	**7,208,900**	7,938,767
Deferred income tax assets	5.16	**330,305**	400,687
Total non-current assets		**34,005,137**	35,837,559
Total assets		**77,340,105**	75,162,974

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	General Manager:	Accounting Principal:	Head of the Accounting Department:
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

CONSOLIDATED BALANCE SHEET (CONTINUED)

Sinopec Oilfield Service Corporation

As at As at December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Liabilities and owners' equity	Note	As at December 31, 2024	As at December 31, 2023
Current liabilities:			
Short-term borrowings	5.17	**22,870,449**	19,907,435
Notes payable	5.18	**3,387,769**	8,821,760
Accounts payable	5.19	**28,266,046**	26,373,928
Contract liabilities	5.20	**7,909,917**	5,361,274
Employee compensation payable	5.21	**719,036**	863,071
Taxes and surcharges payable	5.22	**965,079**	1,000,904
Other payables	5.23	**3,712,039**	3,362,683
Non-current liabilities maturing within one year	5.24	**272,460**	436,121
Total current liabilities		**68,102,795**	66,127,176
Non-current liabilities:			
Long-term borrowings	5.25		318,722
Lease liabilities	5.26	**304,333**	317,120
Long-term payables	5.27	**90,987**	58,829
Estimated liabilities	5.28	**90,365**	212,709
Deferred income	5.29	**24,758**	18,189
Deferred income tax liabilities	5.16	**78,065**	87,027
Total non-current liabilities		**588,508**	1,012,596
Total liabilities		**68,691,303**	67,139,772
Owners' equity:			
Share capital	5.30	**18,979,412**	18,984,340
Capital reserves	5.31	**11,720,452**	11,717,773
Other comprehensive income	5.32	**30,193**	22,618
Special reserves	5.33	**302,874**	313,849
Surplus reserves	5.34	**200,383**	200,383
Retained earnings	5.35	**-22,584,512**	-23,215,761
Total equity attributable to owners of the parent company		**8,648,802**	8,023,202
Minority interest			
Total owners' equity		**8,648,802**	8,023,202
Total liabilities and owners' equity		**77,340,105**	75,162,974

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	*General Manager:*	*Accounting Principal:*	*Head of the Accounting Department:*
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

Section X Financial Statements

PARENT COMPANY'S BALANCE SHEET

Sinopec Oilfield Service Corporation

As at December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Assets:	Note	Balance as at December 31, 2023	Balance as at December 31, 2022
Current assets:			
Cash at bank and on hand		**8,571**	1,044,457
Receivables at FVTOCI	17.1	**81,826**	
Other receivables	17.2	**24,296,880**	20,942,180
Inventories		**51,845**	
Contract assets		**15,655**	
Other current assets		**17,156**	11,089
Total current assets		**24,471,933**	21,997,726
Non-current assets:			
Long-term equity investments	17.3	**36,192,571**	35,793,475
Fixed assets		**27,806**	3,498
Construction in progress		**12,255**	31,974
Right-of-use assets		**30,955**	13,127
Intangible assets		**66,246**	61,766
Deferred income tax assets		**2,401**	156
Total non-current assets		**36,332,234**	35,903,996
Total assets		**60,804,167**	57,901,722
Liabilities and owners' equity			
Current liabilities:			
Short-term borrowings		**20,313,925**	18,207,435
Notes payable		**12,995**	
Accounts payable		**112,348**	7,288
Contract liabilities		**41,886**	
Employee compensation payable		**76,629**	2,602
Taxes and surcharges payable		**43,000**	30,269
Other payables		**11,482,500**	11,025,154
Non-current liabilities maturing within one year		**27,768**	13,752
Total current liabilities		**32,111,051**	29,286,500
Total liabilities		**32,111,051**	29,286,500
Owners' equity:			
Share capital		**18,979,412**	18,984,340
Capital reserves		**11,334,100**	11,331,421
Surplus reserves		**200,383**	200,383
Undistributed profits		**-1,820,779**	-1,900,922
Total owners' equity		**28,693,116**	28,615,222
Total liabilities and owners' equity		**60,804,167**	57,901,722

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	General Manager:	Accounting Principal:	Head of the Accounting Department:
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

CONSOLIDATED INCOME STATEMENT

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Item	Note	Current period	Prior period
I. Total operating revenue		**81,096,178**	79,980,939
Including: operating revenue	5.36	**81,096,178**	79,980,939
II. Total operating costs		**80,555,042**	79,972,426
Including: operating costs	5.36	**74,762,298**	74,187,497
Taxes and surcharges	5.37	**325,968**	329,885
Selling and distribution expenses	5.38	**84,485**	82,689
General and administrative expenses	5.39	**2,405,659**	2,394,486
Research and development expenses	5.40	**2,247,111**	2,083,796
Financial expenses	5.41	**729,521**	894,073
Including: interest expenses	5.41	**749,254**	805,017
Interest income	5.41	**63,109**	23,649
Plus: other income	5.42	**87,392**	350,293
Investment income ("-" for losses)	5.43	**17**	55,033
Including: income from investment in associates and joint ventures	5.43	**-28,593**	20,842
Losses from credit impairment ("-" for losses)	5.44	**465,785**	398,994
Losses from assets impairment ("-" for losses)	5.45	**-133,218**	-707
Gains from disposal of assets ("-" for losses)	5.46	**75,400**	87,843
III. Operating profits ("-" for losses)		**1,036,512**	899,969
Plus: non-operating revenue	5.47	**132,197**	138,187
Less: non-operating expenses	5.48	**36,186**	109,816
IV. Total profits ("-" for total losses)		**1,132,523**	928,340
Less: income tax expenses	5.49	**500,917**	339,124
V. Net profit ("-" for net loss)		**631,606**	589,216
(I) Classified by operating sustainability			
1. Net profit from continued operation ("-" for net loss)		**631,606**	589,216
2. Net profit from discontinued operation ("-" for net loss)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company ("-" for net loss)		**631,606**	589,216
2. Minority interest income ("-" for net loss)			
VI. Other comprehensive income, net of tax		**7,218**	17,386
Other comprehensive income, net of tax, attributable to owners of the parent company		**7,218**	17,386
(I) Other comprehensive income that cannot be reclassified into profit or loss		**1,303**	939
1. Changes in fair value of other equity instrument investment		**1,303**	939
(II) Other comprehensive income that will be reclassified into profit or loss		**5,915**	16,447
1. Other comprehensive income from transferable gains or losses under the equity method		**5,915**	16,447
Other comprehensive income, net of tax, attributable to minority shareholders			
VII. Total comprehensive income		**638,824**	606,602
Total comprehensive income attributable to owners of the parent company		**638,824**	606,602
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/Share)		**0.033**	0.031
(II) Diluted earnings per share (RMB/Share)		**0.033**	0.031

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	General Manager:	Accounting Principal:	Head of the Accounting Department:
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

PARENT COMPANY'S INCOME STATEMENT

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Item	Note	Current period	Prior period
I. Operating revenue	17.4	**495,437**	
Less: operating costs	17.4	**418,095**	
Taxes and surcharges		**7,035**	191
General and administrative expenses		**293,449**	236,487
Research and development expenses		**4,717**	
Financial expenses		**-128,349**	-97,948
Including: interest expenses		**-163,384**	-115,855
Interest income		**-17,989**	-18,824
Plus: other income		**94**	
Investment income ("-" for losses)	17.5	**176,072**	184,007
Including: income from investment in associates and joint ventures	17.5	**-904**	1,101
Losses from credit impairment ("-" for losses)		**-112**	
Losses from asset impairment ("-" for losses)		**-47**	
Gain from asset disposal ("-" for losses)		**894**	
II. Operating profits ("-" for losses)		**77,391**	45,277
Plus: non-operating revenue		**264**	19
Less: non-operating expenses		**58**	10
III. Total profits ("-" for total losses)		**77,597**	45,286
Less: income tax expenses		**-2,245**	-2
IV. Net profit ("-" for net loss)		**79,842**	45,288
(I) Net profit from continued operation ("-" for net loss)		**79,842**	45,288
(II) Net profit from discontinued operation ("-" for net loss)			
V. Other comprehensive income, net of tax			
VI. Total comprehensive income		**79,842**	45,288

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman: *Wu Bozhi*
General Manager: *Zhang Jiankuo*
Accounting Principal: *Cheng Zhongyi*
Head of the Accounting Department: *Zhang Xueping*

CONSOLIDATED STATEMENT OF CASH FLOWS

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Item	Note	Current period	Prior period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		**78,943,570**	78,293,372
Refund of taxes and surcharges		**66,335**	323,284
Cash received from other operating activities	5.50	**4,270,439**	4,506,142
Sub-total of cash inflows from operating activities		**83,280,344**	83,122,798
Cash paid for purchase of goods and receipt of services		**54,515,936**	52,585,073
Cash paid to and on behalf of employees		**19,150,318**	19,028,159
Various taxes and surcharges paid		**2,592,513**	2,189,389
Cash paid for other operating activities	5.50	**3,920,723**	3,743,264
Sub-total of cash outflows from operating activities		**80,179,490**	77,545,885
Net cash flows from operating activities	5.51	**3,100,854**	5,576,913
II. Cash flows from investing activities			
Cash received from returns on investments		**5,358**	6,275
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**217,557**	75,961
Net cash received from disposal subsidiaries and other business units			11,983
Sub-total of cash inflows from investing activities		**222,915**	94,219
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		**3,681,379**	4,153,602
Sub-total of cash outflows from investing activities		**3,681,379**	4,153,602
Net cash flows from investing activities		**-3,458,464**	-4,059,383
III. Cash flows from financing activities			
Cash received from borrowings		**34,289,050**	27,351,504
Sub-total of cash inflows from financing activities		**34,289,050**	27,351,504
Cash paid for debt repayments		**31,827,424**	26,568,095
Cash paid for distribution of dividends and profits or payment of interest		**673,050**	712,646
Cash paid for other financing activities	5.50	**743,931**	628,989
Sub-total of cash outflows from financing activities		**33,244,405**	27,909,730
Net cash flows from financing activities		**1,044,645**	-558,226
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		**-34,435**	28,344
V. Net increase in cash and cash equivalents	5.51	**652,600**	987,648
Plus: beginning balance of cash and cash equivalents		**2,788,798**	1,801,150
VI. Ending balance of cash and cash equivalents	5.51	**3,441,398**	2,788,798

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	*General Manager:*	*Accounting Principal:*	*Head of the Accounting Department:*
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

Section X Financial Statements

PARENT COMPANY'S STATEMENT OF CASH FLOWS

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Item	Note	Current period	Prior period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		**394,653**	
Refund of taxes and surcharges		**99**	
Cash received from other operating activities		**1,237,495**	1,193,707
Sub-total of cash inflows from operating activities		**1,632,247**	1,193,707
Cash paid for purchase of goods and receipt of services		**361,458**	62,439
Cash paid for salary and employees		**135,642**	132,902
Taxes and fees paid		**8,015**	191
Cash paid for other operating activities		**3,225,854**	291,653
Sub-total of cash outflows from operating activities		**3,730,969**	487,185
Net cash flows from operating activities		**-2,098,722**	706,522
II. Cash flows from investing activities			
Net cash received from disposal subsidiaries and other business units		**273**	
Receipt of other cash related to investment activities			19
Sub-total of cash inflows from investing activities		**273**	19
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		**3,636**	3,079
Cash paid for investments		**400,000**	
Sub-total of cash outflows from investing activities		**403,636**	3,079
Net cash flows from investing activities		**-403,363**	-3,060
III. Cash flows from financing activities			
Cash received from borrowings		**31,612,825**	24,951,504
Sub-total of cash inflows from financing activities		**31,612,825**	24,951,504
Cash paid for debt repayments		**29,532,463**	23,998,951
Cash paid for distribution of dividends and profits or payment of interest		**600,209**	636,338
Cash paid for other financing activities		**12,872**	11,578
Sub-total of cash outflows from financing activities		**30,145,544**	24,646,867
Net cash flows from financing activities		**1,467,281**	304,637
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		**-1,084**	571
V. Net increase in cash and cash equivalents		**-1,035,888**	1,008,670
Plus: beginning balance of cash and cash equivalents		**1,044,457**	35,787
VI. Ending balance of cash and cash equivalents		**8,569**	1,044,457

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	*General Manager:*	*Accounting Principal:*	*Head of the Accounting Department:*
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024

(Amounts are expressed in RMB' thousand unless otherwise stated)

Item	Current period								
	Equity attributable to owners of the parent company							Minority equity	Total owners' equity
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Sub-total		
I. Balance at the end of the last year	18,984,340	11,717,773	22,618	313,849	200,383	-23,215,761	8,023,202		8,023,202
II. Balance at the beginning of the current year	18,984,340	11,717,773	22,618	313,849	200,383	-23,215,761	8,023,202		8,023,202
III. Increases/decreases in current year ("-" for decreases)	-4,928	2,679	7,575	-10,975		631,249	625,600		625,600
(I) Total comprehensive income			7,218			631,606	638,824		638,824
(II) Capital contributed or reduced by owners	-4,928	2,679					-2,249		-2,249
1. Common stocks invested by owners	-4,928	2,679					-2,249		-2,249
(III) Profit distribution									
(IV) Internal carry-forward of owners' equity			357			-357			
1. Transfer of other comprehensive income to retained earnings			357			-357			
(V) Special reserves				-10,975			-10,975		-10,975
1. Amount withdrawn in the current period				1,208,060			1,208,060		1,208,060
2. Amount used in the current period				1,219,035			1,219,035		1,219,035
(VI) Others									
IV. Balance at the end of the current period	18,979,412	11,720,452	30,193	302,874	200,383	-22,584,512	8,648,802		8,648,802

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	*General Manager:*	*Accounting Principal:*	*Head of the Accounting Department:*
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024

(Amounts are expressed in RMB' thousand unless otherwise stated)

Item	Prior period								
	Equity attributable to owners of the parent company							Minority equity	Total owners' equity
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Sub-total		
I. Balance at the end of the last year	18,984,340	11,717,773	5,232	326,983	200,383	-23,804,977	7,429,734		7,429,734
II. Balance at the beginning of the current year	18,984,340	11,717,773	5,232	326,983	200,383	-23,804,977	7,429,734		7,429,734
III. Increases/decreases in current year ("-" for decreases)			17,386	-13,134		589,216	593,468		593,468
(I) Total comprehensive income			17,386			589,216	606,602		606,602
(II) Capital contributed or reduced by owners									
(III) Profit distribution									
(IV) Internal carry-forward of owners' equity									
(V) Special reserves				-13,134			-13,134		-13,134
1. Amount withdrawn in the current period				1,230,578			1,230,578		1,230,578
2. Amount used in the current period				1,243,712			1,243,712		1,243,712
(VI) Others									
IV. Balance at the end of the current period	18,984,340	11,717,773	22,618	313,849	200,383	-23,215,761	8,023,202		8,023,202

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman: *Wu Bozhi*

General Manager: *Zhang Jiankuo*

Accounting Principal: *Cheng Zhongyi*

Head of the Accounting Department: *Zhang Xueping*

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Item	Current period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Balance at the end of the last year	18,984,340	11,331,421	200,383	-1,946,210	28,615,223
II. Balance at the beginning of the current year	18,984,340	11,331,421	200,383	-1,946,210	28,615,223
III. Increases/decreases in current year ("-" for decreases)	-4,928	2,679		80,142	77,893
(I) Total comprehensive income				79,842	79,842
(II) Capital contributed or reduced by owners	-4,928	2,679			-2,249
1. Common stocks invested by owners	-4,928	2,679			-2,249
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others				300	300
IV. Balance at the end of the current period	18,979,412	11,334,100	200,383	-1,820,779	28,693,116

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	*General Manager:*	*Accounting Principal:*	*Head of the Accounting Department:*
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024 (Amounts are expressed in RMB' thousand unless otherwise stated)

Item	Prior period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Balance at the end of the last year	18,984,340	11,331,421	200,383	-1,946,210	28,569,934
II. Balance at the beginning of the current year	18,984,340	11,331,421	200,383	-1,946,210	28,569,934
III. Increases/decreases in current year ("-" for decreases)				45,288	45,288
(I) Total comprehensive income				45,288	45,288
(II) Capital contributed or reduced by owners					
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others					
IV. Balance at the end of the current period	18,984,340	11,331,421	200,383	-1,900,922	28,615,222

The accompanying notes to the financial statements form an integral part of the financial statements.

Chairman:	*General Manager:*	*Accounting Principal:*	*Head of the Accounting Department:*
Wu Bozhi	*Zhang Jiankuo*	*Cheng Zhongyi*	*Zhang Xueping*

NOTES TO THE FINANCIAL STATEMENTS

Sinopec Oilfield Service Corporation

For the Year Ended December 31, 2024

(Amounts are expressed in RMB' thousand unless otherwise stated)

1 COMPANY PROFILE

1.1 Overview

Sinopec Oilfield Service Corporation (hereinafter referred to as the Company, including its subsidiaries referred to as the Group), formerly known as Sinopec Yizheng Chemical Fibre Company Limited, which was registered in the People's Republic of China ("PRC") and exclusively established by Yihua Group Corporation (hereinafter referred to as "Yihua") on December 31, 1993. The Company is headquartered at No. 22 Chaoyangmen North Street, Chaoyang District, Beijing.

The Company issued 1 billion H shares in March 1994, 200 million A shares in January 1995 and a further 400 million new H shares in April 1995. The Company's H shares, and new H shares were listed and commenced trading on the HKSE on March 29, 1994, and April 26, 1995 respectively. The Company's A shares were listed and commenced trading on the SSE on April 11, 1995.

Pursuant to the directives on the reorganization of certain companies involving the Company and Yihua as issued by the State Council and other government authorities of the PRC, China Eastern United Petrochemical (Group) Company Limited ("CEUPEC") became the largest shareholder of the Company on November 19, 1997, holding the 1,680,000,000 state-owned legal person shares (representing 42% of the Company's share capital issued) previously held by Yihua. CITIC Group Corporation ("CITIC", formerly "CITIC Group") continues to hold 720,000,000 A shares (representing 18% of the Company's share capital issued) it held prior to the reorganization, and the balance of 40% remains in public hands in the form of A shares and H shares, in total 1,600,000,000 shares.

Following the State Council's approval of the reorganization of China Petrochemical Corporation (hereinafter referred to as "Sinopec Group") on July 21, 1998, CEUPEC joined Sinopec Group. As a result of the reorganization, Yihua replaced CEUPEC as the holder of the 42% of the Company's share capital issued.

The reorganization of Sinopec Group was completed on February 25, 2000, and Sinopec Group set up a joint stock limited company, China Petroleum &Chemical Corporation (hereinafter referred to as "Sinopec Corp."), in the PRC. From that date, the 1,680,000,000 state-owned legal person shares (representing 42% of share capital issued by the Company), which were previously held by Yihua, were transferred to Sinopec Corp. and Sinopec Corp. became the largest shareholder of the Company.

On December 27, 2011, CITIC established CITIC Limited in PRC and a restructuring agreement was signed. Whereby 720,000,000 of the Company's non-public shares held by CITIC were transferred to CITIC Limited as part of its capital contributions on February 25, 2013, and CITIC Limited thus holds 18% of the Company's share capital.

Pursuant to the *Official Reply on A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited* (GZCQ [2013] No. 442) issued by the State-owned Assets Supervision and Administration Commission ("SASAC") and the *Official Reply of the Ministry of Finance on A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited* (CJH [2013] No. 61) issued by Ministry of Finance of the PRC, the Company implemented the A Share Reform in 2013, under which all non-circulating shareholders of the Company paid 5 shares for each 10 shares to the circulating A shares holders who were registered on August 16, 2013 (the registration date for share change, as agreed in the Share Reform Scheme). As a result, 100,000,000 shares were paid in total. After the payment, the shares held by Sinopec Corp. and CITIC Limited in the Company decreased from 42% and 18% to 40.25% and 17.25%, respectively. From August 22, 2013, the circulating right was granted to all enterprise legal person shares of the Company in the Shanghai Stock Exchange. However, in accordance with the agreed restricted conditions, 1,035,000,000 enterprise legal person shares held by CITIC Limited, the original non-circulating shareholder, were available for trading as at August 22, 2016. Pursuant to the resolutions of general meeting of shareholders of the Company, based on the total share capitals of H shares and A shares that were registered on November 13, 2013 and November 20, 2013, respectively, the Company added 5 shares per 10 shares from capital reserves, by which 700,000,000 H shares and 1,300,000,000 A shares were newly added and such transaction was completed on November 22, 2013.

Pursuant to the *Official Reply on Matters Concerning Assets Restructuring and Supporting Financing of Sinopec Yizheng Chemical Fibre Company Limited* (GZCQ [2014] No.1015) issued by the State-owned Assets Supervision and Administration Commission and the *Official Reply on the Material Asset Restructuring of Sinopec Yizheng Chemical Fibre Company Limited and the Issuance of Shares to China Petrochemical Corporation for Asset Acquisition and Supporting Fund Raising* (ZJXK [2014] No.1370) issued by China Securities Regulatory Commission, the Company implemented the material asset restructuring in 2014, under which the Company sold all of its assets and liabilities (hereinafter referred to as the "Assets Sold") to repurchase and cancel the Company's equity held by Sinopec Corp., while it issued shares to Sinopec Group in order to acquire 100% of equity of Sinopec Oilfield Service Limited held by Sinopec Group (hereinafter referred to as the "Assets Acquired" or "SOSC", hereinafter collectively referred to as the "Material Asset Restructuring"). The Company executed the *Confirmation on Delivery of Assets Sold* with Sinopec Corp. and the *Confirmation on Delivery of Assets Acquired* with Sinopec Group on December 22, 2014, by which the Company delivered the Assets Sold to Sinopec Corp. and Sinopec Group delivered the Assets Acquired to the Company. On December 30, 2014, the Company repurchased 2,415,000,000 A shares from Sinopec Corp. for cancellation and issued 9,224,327,662 A shares to Sinopec Group as consideration. On February 13, 2015, the Company issued 1,333,333,333 A Shares to seven specific investors such as Darry Asset Management (Hangzhou) Co., Ltd.

1 COMPANY PROFILE (CONTINUED)

1.1 Overview (Continued)

As approved by the Official Reply on Approving Sinopec Oilfield Service Corporation to Make the Non-public Offering of Shares (ZJXK [2018] No. 142) issued by the China Securities Regulatory Commission, the Company made the non-public offering of 1,526,717,556 A shares to China Petrochemical Corporation and Changjiang Pension Insurance Co., Ltd. - Changjiang Shengshihuazhang Community Pension Management Product Portfolio 2 at a price of RMB2.62 per share; as approved by the Official Reply on Approving Sinopec Oilfield Service Corporation to Additionally Issue Overseas-listed Foreign Shares (ZJXK [2018] No. 130) issued by the China Securities Regulatory Commission, the Company made the non-public offering of 3,314,961,482 H shares to Sinopec Century Bright Capital Investment Limited and China Structural Reform Fund.

From August 21, 2024, to September 12, 2024, the company repurchased a cumulative total of 4,928,000 H-shares. The cancellation of these shares was completed on September 19, 2024. As of December 31, 2024, the total number of issued shares of the company decreased from 18,984,340,033 shares at the beginning of the year to 18,979,412,033 shares.

To deepen the strategic cooperation, with the approval of the State-owned Assets Supervision and Administration Commission of the State Council, China Petrochemical Corporation (Sinopec Group) transferred 759,170,000 A-shares of the company that it held to China National Petroleum Corporation (CNPC) free of charge. As a result, its shareholding ratio decreased from 70.2% at the beginning of the year to 66.2% at the end of the year.

The business scope of the Group includes rendering of petroleum engineering technology services, such as geophysical exploration, drilling, logging and special downhole operations, for the production of onshore and offshore oil and natural gas, and contracting of domestic and overseas petroleum engineering, natural gas engineering, chemical engineering, bridge engineering, road engineering, housing construction engineering, water resources and hydropower engineering, municipal utility engineering, municipal public works, and industrial installation engineering.

The financial statements and the notes to the financial statements have been approved for issue by the 19th meeting of the 10th Board of Directors of the Company on March 18, 2025.

2 BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The Company prepares financial statements in accordance with the *Accounting Standards for Business Enterprises – Basic Standards* and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the "Accounting Standards for Business Enterprises"), as well as the *Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reports* issued by the China Securities Regulatory Commission.

2.2 Going Concern

The financial statements are prepared based on going concern.

As at December 31, 2024, the Group's accumulated loss amounted to RMB22,584,512,000, the current liabilities exceeded the current assets by about RMB24,767,827,000 (In 2023, the current liabilities exceeded the current assets by about RMB26,801,761,000). Directors of the Company have made the assessment, by which the sufficient cash flows for operating activities are likely to generate in the future 12 months; as the Group's borrowings mainly come from Sinopec Group and its subsidiaries, and the Group has maintained a long-term and good relationship with them, the Group is able to obtain adequate financial support from Sinopec Group and its subsidiaries. As of December 2024, the Company has obtained a credit line of RMB29 billion and an equivalence of USD250 million as well as a credit line of RMB12 billion for acceptance bill issuance from subsidiaries of Sinopec Group. Management and those charged with governance believe that these credit lines are sufficient to guarantee the Company's going-concern ability. The Company will broaden the channel for financing and develop good relationships with all listed and state-owned financial institutions to obtain the more sufficient credit line. As directors of the Group believe that the above-mentioned measures are enough to meet the Group's fund requirement for debts repayment and commitment, the Group prepared the financial statements for this reporting period on a going concern basis.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips for specific accounting policies and accounting estimates:

The following disclosures have covered the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its actual production and operation. For more details, please see Note 3.14 Fixed assets, Note 3.17 Intangible assets, Note 3.19 Long-term deferred expenses and Note 3.24 Revenue.

3.1 Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated and the parent company's financial position of the Company as at December 31, 2024, and the consolidated and the parent company's operating results and cash flows for the six months ended.

3.2 Accounting period

The accounting year is from January 1 to December 31 in calendar year.

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

RMB is the functional currency of the Company and its domestic subsidiaries. The currency used by the Group is RMB when preparing the financial statements.

The Company's subsidiaries, joint ventures and associates determine their functional currencies by themselves in accordance with the main economic environment in which they operate and convert the accounts into the amount in RMB upon preparation of financial statements.

3.5 Accounting treatment methods for business combinations under common control and not under common control

Business combination under common control: for the assets and liabilities acquired from business combination by the combining party (including the goodwill formed by the acquisition by the final controller of the combinee), they are measured are measured at book value of assets and liabilities in the consolidated financial statements of the final controller on the combination date. The share premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the share premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

Business combination not under common control: the combination costs are the fair value, on the acquisition date, of any assets acquired, any liabilities incurred or assumed, and any equity securities issued by the acquirer, in exchanges for the right of control over the acquiree. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss. The identifiable assets, liabilities and contingent liabilities of the acquiree that are obtained by the acquirer from combination and conform to the recognition criteria shall be measured at the fair value on the acquisition date.

Direct relevant expenses arising from the business combination are included in the current profit or loss upon occurrence. Trading expenses on issuing equity securities or debt securities for the business combination are included in the initially recognized amount of the equity securities or the debt securities.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 Preparation method of consolidated financial statements

3.6.1 Scope of consolidation

The scope of consolidation for the consolidated financial statements is determined based on control. The Company and all its subsidiaries are included in the scope of consolidation thereof. Control means the power owned over the investee by the Company which enjoys the variable return through participating in activities related to the investee and has the ability to affect the return by using the power over the investee.

3.6.2 Consolidation procedures

The Company treats the enterprise group as a whole accounting entity and prepares the consolidated financial statements with uniform accounting policies, to reflect the overall financial position, operating results and cash flows of the enterprise group. Effect of internal transactions between the Company and subsidiaries and among subsidiaries will be offset. If the internal transaction indicates that the relevant assets have impairment losses, the losses shall be fully recognized. Where accounting policies and accounting periods adopted by subsidiaries are inconsistent with those of the Company, necessary adjustments should be made according to the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

Subsidiary's owners' equity, net profit or loss and the share of comprehensive income in the current period attributable to minority shareholders will be separately listed under the owners' equity in the consolidated balance sheet, net profit in the consolidated income statement and total comprehensive income. If the current losses shared by the minority shareholder of a subsidiary exceed the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, minority equity will be written down accordingly.

(1) Acquisition of subsidiaries or business

For transactions occurring within the reporting period:

If a subsidiary or business is added due to a business combination under common control, the operating results and cash flows of the subsidiary or business from the beginning of the current reporting period to the reporting end date are included in the consolidated financial statements. The opening balances of the consolidated financial statements and the relevant items in the comparative statements are adjusted to reflect the combined reporting entity as if it had existed since the time when the ultimate controlling party initially obtained control. Conversely, if a subsidiary or business is added due to a business combination not under common control, the subsidiary's identifiable assets, liabilities, and contingent liabilities are measured at their fair values as of the acquisition date and incorporated into the consolidated financial statements from the acquisition date onward.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 Preparation method of consolidated financial statements (Continued)

3.6.2 Consolidation procedures (Continued)

(2) Disposal of subsidiaries

General method of disposal

For the remaining equity investments after the disposal, the Company will re-measure the fair value of the investee on the date when it loses control over the investee due to disposal of partial equity investment or other reasons. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the amount of shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date is included in the investment income in the period when control is lost. Other comprehensive incomes that can be reclassified into profits or losses later and other changes in the owner's equity under the equity method, associated with the equity investments of the original subsidiary, are transferred into investment income of the period when control is lost.

3.7 Classification of joint venture arrangements and accounting treatment methods of joint operation

Joint venture arrangements are classified into joint operation and joint venture.

Joint operation refers to joint arrangement where the joint venture may have assets thereof and undertake liabilities thereof.

The Company confirms the following items relating to the interests share in joint operation:

(1) Assets it solely holds and its share of jointly-held assets based on its percentage;

(2) Liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

(3) Revenue from sale of output enjoyed by it from the joint operation;

(4) Revenue from sale of output from the joint operation based on its percentage; and

(5) Separate costs and costs for the joint operation based on its percentage.

See Note 3.13 Long-term equity investments for the Company's investment in joint ventures accounted for under the equity method.

3.8 Recognition criteria of cash and cash equivalents

Cash refers to the Company's cash on hand and the unrestricted deposits. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.9 Foreign currency transactions and translation of foreign currency statements

3.9.1 Foreign currency transactions

Foreign currency transactions shall be translated at the exchange rate similar to the spot exchange rate on the transaction date determined in accordance with the systematic and reasonable method.

The balance of foreign currency monetary items as at the balance sheet date are translated at the spot exchange rate on the balance sheet date and the exchange differences arising therefrom shall be included in the current profit or loss, except those exchange differences arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified for capitalization that will be capitalized at the borrowing expenses.

3.9.2 Translation of foreign currency financial statements

Assets and liabilities in the balance sheet shall be translated at the spot exchange rates on balance sheet date; owners' equity items, except for the item of "undistributed profits", shall be translated at the spot exchange rates on the dates when the transactions occur. Revenue and expense items in the income statement shall be translated at the exchange rate similar to the spot exchange rate on the transaction date determined in accordance with the systematic and reasonable method.

Where the Company disposes of an overseas business, it shall transfer the exchange difference relating to the business disposed of from the owners' equity to the current profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.10 Financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

3.10.1 Classification of financial instruments

According to the business model of financial assets and contractual cash flow characteristics of the same, which are subject to the management of the Company, financial assets are classified at the initial recognition as: financial assets measured at the amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through the current profit or loss.

Financial assets not designated to be measured at fair value through the current profit or loss in line with the following conditions will be reclassified into the financial assets measured at amortized cost:

– Where the business model is to collect contractual cash flows; and

– Where the contractual cash flow that is only used for the payment for the principal and the interest based on the outstanding principal amount.

Financial assets that meet both the following conditions and have not been designated as financial assets measured at fair value through current profit or loss will be classified as financial assets (debt instruments) measured at fair value through other comprehensive income:

– The business model aims at gathering the contractual cash flow and selling such financial assets; and

– Where the contractual cash flow that is only used for the payment for the principal and the interest based on the outstanding principal amount.

At the initial recognition, the Company irrevocably designates the non-trading equity instrument investments as financial assets (equity instruments) measured at fair value through the other comprehensive income. The designation is made based on a single investment and the relevant investment is in line with the definition of the equity instrument from the issuer’s perspective.

Except for the financial assets measured at amortized cost and the financial assets measured at fair value through other comprehensive income mentioned above, all the remaining financial assets are classified as financial assets measured at fair value through the current profit or loss. At the initial recognition, in order to eliminate or obviously reduce accounting mismatch, the Company may irrevocably designates the financial assets that shall be classified to be measured at amortized cost or measured at fair value through other comprehensive income as financial assets measured at fair value through the current profit or loss.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through the current profit or loss and financial liabilities measured at the amortized cost.

At the initial recognition, financial liabilities meeting one of the following conditions can be designated as the financial liabilities measured at fair value through the current profit or loss:

1) This designation can eliminate or significantly reduce the accounting mismatch.

2) Management and performance evaluation of the financial liability portfolio or portfolio of financial assets and financial liabilities on a fair value basis in accordance with the enterprise risk management or investment strategy as set out in a formal written document, and reporting to key officers on this basis within the Company.

3) The financial liabilities contain embedded derivative needed to be separated.

The financial guarantee contract other than the financial liability designated to be measured at the fair value through the current profit or loss are measured at initial recognition but be subsequently measured at the higher of the loss reserves of estimated liabilities determined under the expected credit loss model and initially recognized amount less accumulated amortization.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.10 Financial instruments (Continued)

3.10.2 Recognition basis and measurement methods of financial instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable and accounts receivable, other receivables, long-term receivables, and creditors' investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contractual transaction price.

During the holding period, the interest calculated under the effective interest method is included in the current profit or loss.

At recovery or disposal, the difference between the purchase price obtained and the book value of such financial assets is included in the current profit or loss.

(2) Financial assets (debt instruments) measured at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains or losses calculated under the effective interest method.

At derecognition, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to the current profit or loss.

(3) Financial assets (equity instruments) measured at fair value through other comprehensive income

Financial assets (equity instruments) measured at fair value through other comprehensive income include other equity instrument investment, and are initially measured at fair value. Relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in other comprehensive income. Dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income will be transferred from the other comprehensive income to the retained earnings.

(4) Financial assets measured at fair value through the current profit or loss

Financial assets measured at fair value through the current profit or loss include the financial assets held for trading, derivative financial assets and other non-current financial assets, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

(5) Financial liabilities measured at fair value through the current profit or loss

Financial liabilities measured at fair value through the current profit or loss include the financial liabilities held for trading and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

At derecognition, the difference between the book value and the consideration paid of such financial liabilities is included in the current profit or loss.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at the amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognized amount.

During the holding period, the interest calculated under the effective interest method is included in the current profit or loss.

At derecognition, the difference between the consideration paid and the book value of such financial liabilities is included in the current profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.10 Financial instruments (Continued)

3.10.3 Derecognition and transfer of financial assets

Where one of the following conditions is met, the Company shall derecognize financial assets:

– The contractual right of collecting cash flows of financial assets is terminated;

– The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;

– The financial assets have been transferred, and the Company does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

In case of transfer of financial assets, the Company shall not derecognize the financial asset if nearly all the risks and rewards associated with the ownership of the financial assets are retained.

When determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the Company adopts the principle of substance over form.

The Company divides the transfer of financial assets into overall transfer and partial transfer. Where the entire transfer of financial assets meets the derecognition conditions, the difference of the following two amounts shall be included in the current profit or loss:

(1) The book value of the transferred financial asset;

(2) The sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in owners' equity (the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value through the other comprehensive income).

Where the partial transfer of a financial asset meets the derecognition criteria, the entire book value of the financial asset transferred shall be allocated between the derecognized part and the recognized part based on the relative fair value, and the difference between the following two amounts shall be included in the current profit or loss:

(1) The book value of the derecognized part;

(2) The sum of the consideration for the derecognized part and the amount corresponding to the derecognized part in the accumulated change amount of fair value originally and directly included in owners' equity (where the financial assets transferred are the financial assets (debt instruments) measured at fair value through other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

3.10.4 Derecognition of financial liabilities

Where the present obligations of a financial liability are wholly or partly dissolved, such financial liability or part thereof will be derecognized. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liability with any new financial liability, and the new financial liability is substantially different from the existing one in terms of contractual terms, it shall derecognize the existing financial liability, and shall at the same time recognize new financial liability.

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities shall be derecognized in whole or in part, and the financial liabilities of which terms have been modified shall be recognized as the new financial liabilities.

Where financial liabilities are derecognized is whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.

3.10.5 Method of determining the fair value of financial assets and financial liabilities

The fair value of a financial instrument having an active market is determined on the basis of quoted prices in the active market. Where there is no active market, the fair value of the same shall be determined by using valuation techniques. At the time of valuation, the Company shall adopt the valuation technique that is applicable to the current circumstance and is supported by sufficient available data and other information to select the input values consistent with the assets or liabilities characteristics that are taken into account by market participants in transactions of relevant assets and liabilities and shall give goals priority in use of observable input values. And the unobservable input values may be used only when the observable input values are unable or unpractical to be obtained.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.10 Financial instruments (Continued)

3.10.6 Test method and accounting treatment of depreciation of financial assets

The Company estimates the expected credit losses of financial assets measured at amortized cost, financial assets (debt instruments) measured at fair value through other comprehensive income and financial guarantee contracts in a single or combined manner.

The Company recognizes expected credit losses by calculating the probability-weighted amount of the present value of the difference between the cash flows receivable under the contract and the cash flows expected to be received, considering reasonable and substantiated information about past events, current conditions and forecasts of future economic conditions, weighted by the risk of default.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision at the expected credit losses for the whole duration of the financial instrument; if the credit risk of the financial instrument has not significantly increased since the initial recognition, the Company measures its loss provision at the expected credit losses of the financial instrument within the next 12 months. Amount increased or reversed of provision for loss arising therefrom will be included in the current profit or loss as impairment loss or gain.

The Company determines the relative change of default risk of the financial instrument during the expected duration by comparing the risk of default of the financial instrument on the balance sheet date with the risk of default on the initial recognition date to assess whether there is a significant increase in the credit risk of the financial instrument from initial recognition. Generally, the Company believes that the credit risk of the financial instrument has significantly increased over 30 days after the due date, unless there is solid evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

The Group believes that financial assets are subject to default in the following circumstances:

(1) It is unlikely that the borrower will pay in full the amount it owes to the Group and the assessment does not consider the recourse actions by the Group such as realization of collateral (if held); or

(2) Where the financial assets were overdue for more than 90 days.

If the credit risk of the financial instrument is low on the balance sheet date, the Company will immediately consider that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If there is objective evidence that any financial asset has had credit impairment, the Company will make the provision for impairment for such financial asset individually.

For accounts receivable and contract assets formed by the transaction in the *Accounting Standard for Business Enterprises No. 14 – Revenue* (2017), regardless of whether there is a significant financing component, the Company always measures their provision for loss according to the amount of expected credit losses for the entire duration.

For accounts receivable, the Company always measures their provision for loss according to the amount of expected credit losses for the entire duration.

When individual financial assets cannot assess the expected credit loss at a reasonable cost, the Group divides the notes receivable and accounts receivable into several portfolios based on the credit risk characteristics and calculates the expected credit losses on a portfolio basis. The basis for determining the portfolios is as follows:

A. Notes receivable

Notes receivable portfolio 1: bank acceptance bill

Notes receivable portfolio 2: commercial acceptance bill

B. Accounts receivable

Accounts receivable portfolio 1: receivable from related parties

Accounts receivable portfolio 2: receivable from other clients

The Group classifies the contract assets into portfolios based on the credit risk characteristics and calculates the expected credit losses on a portfolio basis. The basis for determining the portfolio is as follows:

Contract assets portfolio 1: engineering service

Contract assets portfolio 2: others

For the notes receivable and contract assets classified into a portfolio, the Group, by referring to the historical credit loss experience and in combination with the current situation and the forecast of future economic conditions, calculates the expected credit losses through risk exposure at default and the expected credit loss rate for the entire duration.

For the accounts receivable classified into a portfolio, the Group, by referring to the historical credit loss experience and in combination with the current situation and the forecast of future economic conditions, prepares a comparison table of the aging of accounts receivable and the expected credit loss rate for the entire duration to calculate expected credit losses.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.10 Financial instruments (Continued)

3.10.6 Test method and accounting treatment of depreciation of financial assets (Continued)

The Group classifies other receivables into several portfolios based on the credit risk characteristics and calculates the expected credit losses on a portfolio basis. The basis for determining the portfolio is as follows:

Other receivables portfolio 1: reserve funds

Other receivables portfolio 2: deposits or security deposits receivable

Other receivables portfolio 3: other receivables

For other receivables classified as a portfolio, the Group calculates the expected credit loss through the default risk exposure and the expected credit loss rate over the next 12 months or the entire duration.

For creditor's right investment and other creditor's right investment, the Group calculates the expected credit loss according to the nature of the investment, various types of counterparties and risk exposures, through default risk exposure and expected credit loss rate in the next 12 months or the entire duration.

If the Company no longer reasonably expects that the contractual cash flow of the financial asset can be fully or partially recovered, the book balance of the financial asset will be directly written down.

3.11 Inventories

3.11.1 Classification and cost of inventories

Inventories are classified as raw materials, goods in progress, stock commodities, revolving materials, and contract performance costs, etc.

Inventories are initially measured at cost, and the inventory cost includes the procurement cost, processing cost and other expenses arising from making the inventory at their present location and condition.

3.11.2 Measurement method of dispatched inventories

Inventories of the Group are measured at actual costs when acquired. Raw materials, stock commodities and others are measured by using the weighted average method upon outward delivery.

3.11.3 Inventory system

The perpetual inventory system is adopted.

3.11.4 Amortization method for low-cost consumables

(1) Low-cost consumables are amortized at lump-sum method.

3.11.5 Recognition basis of net realizable value of different types of inventories

At the date of financial statement, inventories shall be measured at the lower of cost or net realizable value (NRV). If the cost of inventory exceeds its NRV, a provision for inventory impairment must be recognized. The NRV is defined as the estimated selling price in the ordinary course of business, less estimated costs to complete production, estimated selling expenses, and related taxes. For inventories held to fulfill sales or service contracts, the NRV is calculated based on the contract price.

If the factors that previously caused the inventory's value to decline no longer exist, resulting in the NRV exceeding the carrying amount of the inventory, the previously recognized write-down reserve may be reversed, but only to the extent of the original provision. The reversal amount is recognized in current-period profit or loss. This ensures that the inventory's adjusted carrying value aligns with the principle of prudence while reflecting recoverable value when market conditions improve.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 Contract assets

3.12.1 Recognition method and criteria for contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The right of the Company to the charge of consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) shall be presented as contractual asset. Contractual assets and contractual liabilities under the same contract shall be presented at net amount. The unconditional (only depending on the time lapses) right to the charge of consideration from the customer, possessed by the Company, is presented as receivables.

3.12.2 Determination method and accounting treatment for the expected credit loss of contract assets

See "3.10.6 Test method and accounting treatment for the impairment of financial assets", for the determination method and accounting treatment for the expected credit loss of contract assets.

3.13 Long-term equity investments

3.13.1 Judgment criteria for joint control and significant influence

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises common control over the investee together with other parties to the joint venture, and enjoys the right on the investee's net assets, the investee shall be a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of the investee, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company is able to exert significant influence over the investee, the investee is its associate.

3.13.2 Determination of initial investment costs

(1) Long-term equity investments acquired through business combination

For long-term equity investments in subsidiaries acquired from business combinations under common control, the initial investment cost thereof shall be recognized at the share of book value of the owner's equity of the combinee in the consolidated financial statements of the ultimate controller on the acquisition date. The share premium in the capital reserve is adjusted according to the difference between the initial investment cost of long-term equity investment and the book value of the consideration paid; if there is no sufficient share premium in the capital reserve for write-downs, the retained earnings are adjusted. If it is available to exercise control over an investee under the common control due to additional investment, etc., the difference between the initial investment cost of the long-term equity investment recognized in accordance with the above principle and the sum of the book value of the long-term equity investment before reaching combination date plus the book value of the new consideration paid for further acquisition of shares at the date of combination shall be used to adjust the stock premium; and if the share premium is insufficient to be offset, retained earnings will be offset.

For long-term equity investments in subsidiaries acquired from business combinations not under common control, the initial investment cost thereof shall be recognized at the combination costs determined on the acquisition date. Where the Company can control the investee not under common control due to additional investments or other reasons, the initial investment cost should be the sum of the book value of equity investments originally held and newly increased investment cost.

(2) For long-term equity investments obtained by means other than business combination

For long-term equity investments acquired through making payments in cash, its initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, its initial investment cost is the fair value of the issued equity securities.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.13 Long-term equity investments (Continued)

3.13.3 Subsequent measurements and recognition of profit or loss

(1) Long-term equity investments accounted for under the cost method

Long-term equity investments of the Company in its subsidiaries are accounted for under the cost method unless those investments satisfy the conditions of holding for sale. Under the cost method, except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income.

(2) Long-term equity investments accounted for under equity method

Long-term equity investments of the Company in associates and joint ventures are accounted for by the equity method. If the initial investment cost is in excess of the share of fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the initial investment cost is in short of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit or loss, and will be adjusted to the initial cost of long-term equity investment.

The Company shall, based on its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income, and simultaneously adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to other changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter referred to as "Other Changes in Owners' Equity"), the Company shall adjust the book value of the long-term equity investment and include such change in the owners' equity.

The Company shall, based on the fair value of net identifiable assets of the investee when the investment is made, recognize its attributable share of the net profits or losses, other comprehensive income and other changes in owners' equity of the investee after the adjustment made to the net profit and other comprehensive income of the investee according to the accounting policies and accounting period adopted by the Company.

The Company calculates its attributable but not realized profit or loss from internal transactions between the Company and its associates or joint ventures based on its attributable percentage and offset such profit or loss, and recognizes the investment income on that basis; however, businesses formed by assets invested or sold are excluded. Unrealized losses from internal transactions between the Company and any investee shall be recognized in full if they belong to the losses from asset impairment.

For net losses on joint ventures or associates, apart from the obligation of assuming the extra loss, the Company shall write down such losses with the book value of long-term equity investments and the long-term equity where net investments in joint ventures or associates have been formed substantially; and the maximum of such losses shall be the sum of the book value and long-term equity mentioned above. Where any joint venture or associate realize net profit in the future, the Company shall recognize the income sharing amount when the unrecognized loss sharing amount is offset with the income sharing amount.

(3) Disposal of long-term equity investments

For the disposal of long-term equity investments, the difference between the book value and the actual purchase price is included in the current profit or loss.

For long-term equity investments with partial disposal accounting by the equity method, where the remaining equity is still accounted for by the equity method, other comprehensive income recognized originally upon the accounting by the equity method shall be carried forward at the corresponding proportion on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in owners' equity shall be carried forward to the current profit or loss in proportion.

Where the Company loses the common control over or significant influence on the investee on account of the disposal of equity investment and any other reason, when the accounting by the equity method is terminated, other comprehensive income recognized upon the accounting by the equity method from the original equity investment shall be subject to the accounting treatment which is made on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in owners' equity shall be transferred to the current profit or loss in full.

Where the Company loses the control over the investee on account of the disposal of partial equity and any other reason, at the preparation of any single financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting shall be made by the equity method, and an adjustment shall be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognized before the control over the investee is obtained shall be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in owners' equity recognized on account of the accounting by the equity method shall be carried forward to the current profit or loss in proportion; if the remaining equity has no common control over or significant influence on the investee, relevant financial assets shall be recognized, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same shall be included in the current profit or loss, and other comprehensive income and other changes in owners' equity which have been recognized before the control over the investee is obtained shall be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment shall be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed shall be firstly recognized as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment shall be made respectively for each transaction.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.14 Fixed assets

3.14.1 Recognition and initial measurement of fixed assets

Fixed assets are tangible assets that are held for the purpose of producing goods, providing services, leasing or operating management, and having a life span of more than one fiscal year. Fixed assets are recognized when they simultaneously meet the following conditions:

(1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and

(2) The costs of the fixed assets can be measured reliably.

The initial measurement of fixed assets is made at cost (and by taking the impact of expected disposal costs).

The subsequent expenditures relating to fixed assets are included in the costs of fixed assets when relevant economic benefits are likely to flow in the Company and their costs can be measured reliably; as for the party replaced, the book value thereof is derecognized; all other subsequent expenditures are included in the current profit or loss when they occur.

3.14.2 Depreciation method

Depreciation of the fixed assets is made on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. For fixed assets where the provision for impairment has been made, the depreciation amount in the future will be determined at the book value of the fixed assets where the provision for impairment has been deducted, based on the remaining useful life. Where the fixed assets have the components with different useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately make the provision for depreciation.

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of fixed assets are presented by categories as follows:

Category	Depreciation method	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and constructions	Straight-line method	12-50	3	8.08-1.94
Machinery equipment and others	Straight-line method	4-30	3	24.25-3.23

Specifically, for fixed assets of which provision for impairment has been made, the depreciation rate shall be determined based on the fixed assets deducting the accumulated amount of provision for impairment withdrawn.

3.14.3 Disposal of fixed assets

When the fixed assets are disposed, or they are expected not to bring any economic interest via use or disposal, such fixed assets will be derecognized. When the fixed asset is sold, transferred, scrapped, or damaged, the Company will include such disposal revenue, deducting the book value and related taxes and surcharges thereof, in the current profit or loss.

3.15 Construction in progress

Construction in progress is measured at the actual cost incurred. The actual costs include building costs, installation costs, borrowing costs eligible for capitalization and other necessary expenditures before making the construction in progress achieve the working condition for its intended use. Constructions in progress are transferred to fixed assets when they reach the condition for its intended use, and the provision of depreciation will be provided since the next month.

3.16 Borrowing costs

3.16.1 Recognition criteria of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit or loss.

Assets eligible for capitalization refer to fixed assets, investment properties, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.16 Borrowing costs (Continued)

3.16.2 Capitalization period for borrowing costs

Capitalization period refers to the period from the beginning of capitalization to the cease of capitalization, excluding the period of capitalization suspension of borrowing costs.

Capitalization shall start when the following conditions are satisfied simultaneously:

(1) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;

(2) Borrowing costs have already been incurred; and

(3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have been in progress.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale status.

3.16.3 Period of capitalization suspension

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, the constructed or produced assets eligible for capitalization to reach the working conditions for its intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production of the asset's restarts.

3.16.4 Measurement of capitalization rate and capitalized amounts of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average actual interest rate of general borrowings.

During the capitalization period, the exchange difference between the principal and interest of special loans in foreign currency is capitalized and included in the cost of assets that meet the capitalization conditions. Exchange differences arising from the principal and interest of foreign currency loans other than special loans in foreign currency are included in the current profit or loss.

3.17 Intangible assets

3.17.1 Measurement method of intangible assets

(1) The Company initially measures intangible assets at cost on acquisition;

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended uses.

(2) Subsequent measurement

The useful lives of the intangible assets are analyzed and determined on their acquisition.

Intangible assets with definite useful lives are amortized over the period during which they can bring economic benefits to an enterprise; if the period during which intangible assets can bring economic benefits to the enterprise cannot be predicted, the intangible assets will be deemed as intangible assets with indefinite useful lives and will not be amortized.

3.17.2 Estimate of useful lives for intangible assets with definite useful lives

Item	Estimated useful life	Amortization method	Note
Land use right	50 years	Straight-line method	
Software	5 years	Straight-line method	
Patent use right	10 years	Straight-line method	
Right to use technologies	10 years	Straight-line method	
Contract income right	/	Output method	

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.17 Intangible assets (Continued)

3.17.3 Scope of R&D expenditure Specific

The expenses incurred by the Company in the process of R&D include related employee salaries, materials consumed, relevant depreciation and amortization expenses of personnel engaged in R&D activities, etc., and are collected in the following manner: The remuneration of relevant employees of personnel engaged in R&D activities mainly refers to the personnel directly engaged in R&D activities and the relevant employees and new deputies of management personnel and direct service personnel closely related to R&D activities, the consumables section mainly refers to the relevant materials section directly invested in R&D activities, and the relevant depreciation and amortization expenses mainly refer to the depreciation or amortization of fixed assets or intangible assets used in R&D activities.

3.17.4 Specific criteria for classifying research and development stages

The Company's expenses for its internal research and development projects are classified into research expenses and development expenses.

Research phase: Research phase is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

Development phase: Development phase is the stage when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, to produce any new or substantially improved material, device, or product.

The research and development projects of the Group enter the development stage after the technical feasibility and economic feasibility studies and project establishment.

3.17.5 Specific criteria for qualifying expenditure on the development phase for capitalization

Expenditures at the research phase should be included in the current profit or loss when they are incurred. Expenditures in the development stage that meet the following conditions at the same time shall be recognized as intangible assets, and those expenditures that fail to meet the following conditions shall be included in the current profit or loss:

(1) In respect of the technology, it is feasible to finish the intangible asset for use or sale;

(2) It is intended to finish and use or sell the intangible assets;

(3) The ways how the intangible assets generate economic benefits include the way where it is able to prove that the products made by using the intangible assets exist a market or that the intangible assets themselves have the market, and the way where the serviceability of the intangible assets can be proved in case they are used internally;

(4) It can finish the development of the intangible assets and to use or sell the same with the support of sufficient technologies, financial resources and other resources; and

(5) The expenditure attributable to the intangible assets during its development phase can be measured reliably.

Where the research expenditures and the development expenditures are indistinguishable, the Company shall include research expenditures and development expenditures incurred in THE current profit or loss.

3.18 Impairment of long-term assets

Where there are indications of impairment on long-term equity investments, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives and other long-term assets on the balance sheet date, the impairment test should be made. If the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made and included in impairment loss. The recoverable amount of the asset is the higher of the net amount of its fair value less disposal expenses or the present value of its estimated future cash flows. Provision for assets impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset group that the individual asset belongs to. Asset group is the smallest asset group that can independently generate cash inflows.

Impairment tests for goodwill formed through business combination, intangible assets with uncertain useful lives and intangible assets not reaching serviceable condition shall be conducted every year, whether there are any sign of impairment or not.

The Company conducts an impairment test for the goodwill. The book value of goodwill arising from business combinations is amortized to relevant asset groups with a reasonable method since the date of acquisition; or amortized to relevant combination of asset groups if it is difficult to be amortized to relevant asset groups. Relevant asset group or portfolio of asset groups refers to the asset group or portfolio of asset groups which is able to benefit from the synergistic effect of business combination.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups related to the goodwill may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then, the Company shall test the impairment of the asset group or portfolio of asset groups with goodwill, and compare the book value thereof with said recoverable amount; if the said recoverable amount is lower than the book value thereof, the amount of impairment losses should be firstly used to deduct book value of goodwill allocated to the asset group or the portfolio of asset group, and then deduct book value of other assets according to the proportion of the book value of other assets other than the goodwill in the asset group or the portfolio of asset group.

The above losses from asset impairment shall not be reversed in subsequent accounting periods once recognized.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.19 Long-term deferred expenses

The Group's long-term deferred expenses mainly include oil construction specific drilling equipment, logging equipment, cables and catalyst and evenly amortized on straight-line basis over the expected beneficial period or over operation capacity. If an item of long-term deferred expense cannot bring any benefit in future accounting periods, the amortized value thereof shall all be transferred to the current profit or loss.

3.20 Contract liabilities

According to the relationship between the performance of obligations and the customer payment, the Company presents contract assets or contract liabilities in the balance sheet. The obligation of transferring goods or providing services to customers for the consideration received or receivable from customers shall be presented as contract liabilities. Contract assets and contract liabilities under the same contract shall be presented at net amount.

3.21 Employee compensation

3.21.1 Accounting treatment of short-term compensation

During the accounting period when employees serve the Company, the actual short-term compensation is recognized as liabilities and included in the current profit or loss or costs associated with assets.

The social insurance premiums and the housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education fund drew as required are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

The employee welfare expenses incurred by the Company are included in the current profit or loss or related asset costs based on the actual amount when they actually occur. Among them, non-monetary benefits are measured at fair value.

3.21.2 Accounting treatment of post-employment benefits

(1) Defined Contribution Plans

The Company contributes to basic pension insurance and unemployment insurance for employees in accordance with local government regulations. During the accounting period in which employees provide services to the Company, contributions are recognized as liabilities and charged to current-period profit or loss or related asset costs, calculated based on the prescribed local contribution base and rates. Additionally, the Company participates in an enterprise annuity plan/supplementary pension fund approved by national authorities. Contributions to the annuity plan/local social insurance institutions, calculated as a percentage of total employee salaries, are also recognized as expenses in current-period profit or loss or related asset costs under the defined contribution framework.

(2) Defined Benefit Plans

The Company recognizes the benefit obligations arising from defined benefit plans using the projected unit credit method, attributing these obligations to the periods in which employees render services, and charges them to current-period profit or loss or related asset costs. A net defined benefit liability or asset is recognized as the difference between the present value of defined benefit obligations and the fair value of plan assets. If a surplus exists, the Company measures the defined benefit plan asset at the lower of the surplus or the asset ceiling (the maximum recoverable amount under the plan).

All defined benefit obligations, including those expected to be settled within twelve months after the reporting period, are discounted using market yields on high-quality corporate bonds or government bonds with currency and maturity terms matching the obligations as of the balance sheet date.

Service costs and net interest on the net defined benefit liability/asset are recognized in current-period profit or loss or related asset costs. Re-measurements of the net defined benefit liability/asset (e.g., actuarial gains/losses or changes in plan asset returns) are recognized directly in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Upon termination of the defined benefit plan, the cumulative re-measurements previously recognized in other comprehensive income are transferred entirely to retained earnings within equity.

When settling a defined benefit plan, a settlement gain or loss is recognized based on the difference between the present value of obligations and the settlement price as of the settlement date.

3.21.3 Accounting treatment of dismissal benefits

Where the Company provides employees with dismissal benefits, the Company shall recognize the employee compensation liability incurred from dismissal welfare at the earlier of the following dates and include such liability in the current profit or loss: the date when the Company is unable to unilaterally revoke the dismissal benefits provided for the termination of labor relation or the proposal for layoffs; the date when the Company determines the cost or expense related to the restructuring involving payment of dismissal benefits.

3.21.4 Accounting treatment of other long-term employee benefits

Where the Group provides employees with other long-term employee benefits which meets the conditions for defined contribution plans, the relevant provisions on the aforesaid defined contribution plans shall apply.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.22 Estimated liabilities

When an obligation relating to a contingency meets all the following conditions at the same time, it will be recognized as an estimated liability by the Company:

(1) The obligation is a present obligation of the Company;

(2) The performance of this obligation may very probably lead to the flow of economic interests out of the Company; and

(3) The amount of the obligation can be measured reliably.

The estimated liabilities are initially measured as the best estimate of expenses required for the performance of relevant present obligations.

The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

If there is continuous range for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimates will be determined at the average amount of upper and lower limits within the range; under other circumstances, the best estimates shall be treated as follows in different circumstances:

- If the contingency involves a single item, it shall be determined at the most likely outcome; or
- If a contingency involves multiple items, it shall be recognized base on various possible results and the dependent probability.

When all or some of the expenses necessary for the liquidation of estimated liabilities of the Company are expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of estimated liabilities.

3.23 Revenue

3.23.1 Accounting policies for revenue recognition and measurement

If the Company fulfills its performance obligations in a contract, it will recognize revenue when relevant customer obtains right of control over relevant goods or services. Obtaining the right of control over relevant goods or services means that the customer is able to make decisions on the use of the goods or the rendering of the services, and can obtain almost all of the economic benefits therefrom.

If two or more performance obligations are covered in the contract, on the contract commencement date, the transaction price will be amortized to individual performance obligation based on the relative proportion of the individual selling price of goods or services involved in the individual performance obligation. The Company measures revenue at the transaction price amortized to individual performance obligation.

The transaction price refers to the amount of consideration the Company is expected to have the right to take on account of the transfer of goods or services to the customer, excluding the payments charged by any third party and the payments expected to be refunded to the customer. The Company determines the transaction price according to the contract terms and in light of its previous regular practice, in the meantime, factors such as variable consideration, significant financing composition existing in the contract, non-cash consideration, and consideration payable to customers will be taken into account. The Company determines the transaction price involving the variable consideration at the amount that should not exceed the amount of accumulatively recognized revenue that is highly unlikely to have a major reversal when relevant uncertainty is eliminated. If the significant financing component in covered in the contract, the Company will determine the transaction price based on the amount of cash payable at once by the customer when the customer acquires the right of control over goods or services, as assumed, and amortize the difference between such transaction price and the contract price by the effective interest method during the contract period.

The obligation performance belongs to certain period in case one of the following conditions is met; otherwise, it belongs to certain time-point:

- The customer obtains and consumes the economic benefits brought by the performance of the Company while the Company is performing the obligation.
- Customers are able to control the goods under construction by the Company in the course of performing obligations.
- The Goods produced in the course of performing obligations have irreplaceable uses, and the Company has the right to receive payments for the portion of the performance that has been completed to date.

For a performance obligation to be performed within a certain period, the Company recognizes the revenue according to the performance progress during such period, except for the case that the performance progress cannot be reasonably determined. The Company may determine the performance progress by the output method or input method based on the nature of goods or service. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue will be recognized by the Company at the amount of the cost incurred until the performance progress can be reasonably determined.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.23 Revenue (Continued)

3.23.1 Accounting policies for revenue recognition and measurement (Continued)

The revenue from obligation performance belonging to certain time-point is recognized by the Company when the customer has acquired the right of control over relevant goods or services. The Company will consider the following signs when judging whether the customer has acquired the right of control over relevant goods or services:

- The customer has the current payment obligation for such goods or service, i.e. the Company enjoys the current right to collect the payment for such goods or service.
- The Company has transferred the legal ownership of such goods to the customer, i.e. the customer possesses the legal ownership of such goods.
- The Company has transferred goods to the customer in kind, i.e. the customer has possessed such goods in kind.
- The substantial risks and rewards of the ownership of such goods have been transferred by the Company to the customer, i.e. the customer has acquired the substantial risks and rewards of the ownership of such goods.
- The customer has accepted such goods or services.

3.23.2 Specific methods

Specific methods of the Group for recognition of revenue:

Provision of drilling engineering and geophysical prospecting services: The Group recognizes revenue in the process of providing drilling engineering and geophysical prospecting services. The progress of completed performance obligations is determined by the proportion of the executed projects to the total contract value. If the contract contains two or more performance obligations, the Group will allocate the transaction price to each service based on the relative proportion of the individual selling price of each individual service on the date of contract commencement. The individual selling price of each service is determined based on the price of each service sold separately by the Group.

The revenue related to the day work drilling contract is recognized when the labor service is provided.

Borehole operations and logging, well cementation and other engineering services: relevant revenues are recognized during the accounting period when the services are provided, and the relevant accounts receivable are settled.

Provision of construction services: The Group recognizes revenue in the process of providing construction services. The progress of completed performance obligations of construction services is determined by the input method. The progress of completed performance obligations of construction services is based on the proportion of the incurred construction cost in the estimated total contract costs. If the contract contains two or more performance obligations, the Group will allocate the transaction price to each service based on the relative proportion of the individual selling price of each individual service on the date of contract commencement. The individual selling price of each service is determined based on the price of each service sold separately by the Group.

When the performance progress of performance obligations cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue shall be recognized at the amount of the cost incurred until the performance progress can be reasonably determined. Sales of good: When the goods are delivered to the customer, the customer has accepted the goods and the customer obtains control of the goods, the Group recognizes revenue.

For the sales of goods with sales return clauses, revenue recognition is limited to the amount of accumulated recognized revenue that is unlikely to be significantly reversed. The Group recognizes the liabilities according to the expected return amount, and at the same time, recognizes the balance after deducting the estimated cost of recovering the goods (including the impairment of the value of the returned goods) according to the estimated book value of the returned goods at the time of transfer as an asset.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.24 Contract costs

The contract costs include contract performance costs and contract acquisition costs.

The costs incurred by the Company to perform a contract that are not regulated by the accounting standards for inventories, fixed assets or intangible assets, are recognized as an asset as contract performance costs when the following conditions are met:

- The costs are directly related to a current or expected contract obtained.
- The costs increase the resources of the Company to fulfill its performance obligations in the future.
- The costs are expected to be recovered.

If the incremental cost incurred by the Company for obtaining the contract is expected to be recovered, the contract acquisition cost is recognized as an asset.

The assets related to contract costs are amortized on the same basis as revenue recognition for goods or services related to the asset; however, if the amortization period of contract acquisition costs does not exceed one year, the Company will include them in the current profit or loss when it occurs.

If the assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess part and recognize it as loss from asset impairment:

1. The remaining consideration expected to be obtained due to the transfer of goods or services related to the asset;
2. The estimated costs that will occur for transfer of the relevant goods or services.

If there is a subsequent change in the impairment factors in previous periods, such that the aforementioned difference is higher than the carrying amount of the asset, the Company reverses the provision for impairment and recognizes it in the current profit or loss, provided that the book value of the reversed asset does not exceed the book value of the asset at the date of reversal recorded by assuming no impairment provision had been made.

3.25 Government grants

3.25.1 Type

Government grants refer to monetary or non-monetary assets obtained from the government for free and are classified into asset-related government grants and income-related government grants.

The asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction, or other manners. The income-related government grants refer to government grants other than asset-related government grants.

3.25.2 Timing of recognition

Government grants are recognized when the Company is eligible for and can receive the government grants.

3.25.3 Accounting treatment

Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. Where such grants are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (Where such grants are related to the routine activities of the Company, they will be included in other income; where such grants are not related to the routine activities of the Company, they will be included in non-operating revenue);

The income-related government grants used to compensate for relevant costs, expenses or losses to be incurred to the Company in subsequent periods shall be recognized as the deferred income, and, during the period when relevant costs, expenses or losses are recognized, be included in the current profit or loss (where the income-related government grants are relevant to routine activities of the Company, they shall be included in other income; where the income-related government grants are irrelevant to daily activities of the Company, they shall be included in the non-operating revenue) or used to offset relevant costs, expenses or losses. The income-related government grants used to compensate for relevant costs, expenses or losses already incurred to the Company shall be included in the current profit or loss (where the income-related government grants are relevant to routine activities of the Company, they shall be included in other income; where the income-related government grants are irrelevant to daily activities of the Company, they shall be included in the non-operating revenue) or used to offset relevant costs, expenses or losses.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.26 Deferred income tax assets and deferred income tax liabilities

Income taxes include the current income tax and deferred income tax. The Company recognizes current income tax and deferred income tax in the current profit or loss, except for the income tax arising from business combinations and transactions or events directly recognized in owners' equity (including other comprehensive income).

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book values.

Deferred income tax assets are recognized for deductible temporary differences to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible temporary differences. For deductible losses and tax credits that can be carried forward to subsequent periods, deferred income tax assets arising therefrom are recognized to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible losses and tax credits.

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include:

- Initial recognition of goodwill;
- A transaction or event that is neither a business combination nor, when it occurs, affects accounting profit and taxable income (or deductible loss).

Deferred income tax liabilities arising from taxable temporary differences related to the investments in subsidiaries, associates and joint ventures shall be recognized, unless the Company can control the time when the temporary differences are reversed and the temporary differences will probably not be reversed in the foreseeable future. Deferred income tax assets arising from deductible temporary differences related to the investments in subsidiaries, associates and joint ventures shall be recognized when the temporary differences may be reversed in the foreseeable future and can be used to offset the taxable income of deductible temporary differences in the future.

On the balance sheet date, according to the tax law, deferred income tax assets and deferred income tax liabilities are measured at the future tax rate applicable to the period of recovery of relevant assets and repayment of relevant liabilities.

On the balance sheet date, the Company reviews the book values of its deferred income tax assets. If it is unlikely to obtain sufficient taxable income taxes to offset against the benefit of deferred tax assets, the book value of deferred tax assets shall be written down. The amount written down may be reversed when the taxable income obtained may be sufficient.

If the Company has the legal right to settle in net amounts and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the current tax assets and current tax liabilities of the Company shall be presented based on the net amount after offset.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are presented at net of offsetting amounts when both of the following conditions are met:

- The taxpayer has the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- The deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or on different taxpayers, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved taxpayer intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities.

3.27 Leases

Lease refers to a contract in which a lessor assigns the right to use an asset to a lessee within a certain period to obtain consideration. On the contract commencement date, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract shall be a lease or include a lease.

If the contract contains multiple individual leases, the Company will split the contract and make accounting treatment over each individual lease. If the contract contains both leased and non-leased parts, the lessee and lessor will split the leased and non-leased parts.

3.27.1 The Company as the lessee

(1) Right-of-use assets

On the commencement date of the lease term, the Company recognizes the leases other than short-term leases and leases of low-value assets as the right-of-use assets. The right-of-use assets are initially measured at costs. Such costs include:

- the initial measurement amount of lease liabilities;
- in case of any lease incentives, relevant amount of the lease incentives enjoyed shall be deducted from the lease payment paid on or before the commencement date of the lease term;
- the initial direct costs incurred to the Company;
- the costs to be incurred to the Company for demolishing and removing leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms, not including those incurred for production of inventories.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Leases (Continued)

3.27.1 The Company as the lessee (Continued)

(1) Right-of-use assets (Continued)

The Company adopts the straight-line-method to accrue depreciation of the right-of-use assets. If there is a reasonable assurance that the ownership of a leased asset can be acquired when the lease term expires, the depreciation of the right-of-use asset will be made over the remaining useful life of such lease asset; otherwise, the depreciation of such leased asset is made over the shorter of the lease term or the remaining useful life of the leased asset.

The Company determines whether a right-of-use asset is impaired and accounts for the identified impairment loss in accordance with the principles described in the Note "3.18 Impairment of long-term assets".

(2) Lease liabilities

On the commencement date of the lease term, the Company recognizes the leases other than short-term leases and leases of low-value assets as lease liabilities. Lease liabilities are initially measured at the present value of the lease payments that have not been paid. Lease payments include:

- fixed payments (including substantial fixed payments), and if there is any lease incentive, the relevant amount of the lease incentive shall be deducted;
- variable lease payments depending on the index or ratio;
- the payments expected to be payable based on the residual value of the guarantee provided by the Company;
- exercise price of purchase option, provided that the Company reasonably determines that it will exercise the option;
- the amount to be paid to exercise the lease termination option, provided that it is reflected that the Company will exercise the lease termination option during the lease term;

The Company adopts the implicit rate of lease as the discount rate, but if the implicit rate of lease cannot be reasonably determined, the incremental borrowing rate will be adopted as the discount rate.

The Company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate, and records it into the current profit or loss or the cost of related assets.

The variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the costs of related assets when they actually occur.

After the commencement of the lease term, the Company shall re-measure the lease liability and adjust corresponding right-of-use assets based on the following situations: If the book value of the right-of-use assets has been reduced to zero and further reduction of lease liabilities is still required, the Company will include the remaining amount in the current profit or loss.

- If the Company's assessment results of call options, lease renewal options or lease termination options have changed, or the actual exercise of the said options is inconsistent with the original assessment results, the Company remeasures its lease liabilities based on the lease payments after change and the present value calculated at revised discount rate;
- When there is a change in the substantive fixed payment amount, a change in the amount expected to be payable for the guaranteed residual value, or a change in the index or rate used to determine the lease payment amount, the Company remeasures lease liabilities based on the lease payments after change and the present value calculated at original discount rate. However, if the changes in lease payments result from changes in floating interest rates, the present value is calculated using the revised discount rate.

(3) Short-term lease and lease of low-value assets

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the relevant lease payments are included in the current profit or loss or the cost of related assets by straight-line method over each period within the lease period. Short-term leases refer to leases that do not exceed 12 months on the commencement date of the lease period and do not include any purchase option. Low-value asset lease refers to the lease of a single lease asset with lower value when it is brand new. For the lease asset subleased by the Company subleases or expected to be subleased, the original lease is not a lease of low-value assets.

(4) Lease changes

If the lease changes and the following conditions are met at the same time, the Company will carry out accounting treatment over the lease change as a separate lease:

- where the lease change expands the scope of the lease by adding the right to use one or more leased assets; and
- where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

Where the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company will re-distribute the consideration of the contract after the change, re-determine the lease period, and re-measure lease liabilities according to the present value calculated by the changed lease payments and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the book value of the right-of-use asset accordingly and recognizes gains or losses related to partial or complete termination of the lease in the current profit or loss. If the lease liabilities are remeasured due to other lease changes, the Company adjusts the book value of the right-of-use asset accordingly.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Leases (Continued)

3.27.2 The Company as the lessee

Leases of the Company are classified as finance lease and operating lease on the lease commence date. Lease under which almost all the risks and rewards relevant to the ownership of leased assets are materially transferred is recognized as finance lease, regardless of whether the ownership is ultimately transferred. Operating lease refers to the leases other than finance lease. When the Company is a sub-lessor, it classifies the sub-leases based on the right-of-use assets generated by the original lease.

(1) Accounting treatment of operating lease

Rental from the operating lease in each stage during the rental period should be recognized as the rental income by the straight-line method. Initial direct costs relating to operating lease incurred by the Company are capitalized, and shall be included in the current profit or loss on the same basis as the recognition of lease income during the lease period. The variable lease payable that is not included in the lease receivable shall be included in the current profit or loss at the time of actual occurrence. If an operating lease is changed, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease payments received in advance or receivable in connection with the lease before the change is considered to be the amount of payments for the new lease.

(2) Accounting treatment of finance lease

On the lease commencement date, the Company recognizes finance leases as finance lease receivables and derecognizes finance lease as assets. When the Company makes initial measurement of finance lease receivables, the net lease investment is used as the recorded value of the finance lease receivables. The net investment in leases is the sum of the unguaranteed residual value and the present value of the lease payments not yet received at the beginning of the lease term discounted at the interest rate embedded in the lease.

The Company calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. Derecognition and impairment of finance lease receivables are accounted for in accordance with Note “3.10 Financial instruments.”

Variable lease payments not included in the net lease investment are recognized in the current profit or loss when they are actually incurred.

When a change in a finance lease occurs and both of the following conditions are met, the Company will account for the change as a separate lease:

- where the change expands the scope of the lease by adding the right to use one or more leased assets; and
- where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

If the change in a finance lease cannot be accounted for as a separate lease, the Company treats the changed lease separately in the following circumstances.

- If the change becomes effective on the lease commencement date and the lease would have been classified as an operating lease, the Company accounts for it as a new lease from the effective date of the lease change and uses the net investment in the lease prior to the effective date of the lease change as the book value of the leased asset;
- If the change becomes effective on the lease commencement date and the lease is classified as a finance lease, the Company accounts for the lease in accordance with the policy on modification or renegotiation of contracts as described in Note “3.10 Financial instruments.”

3.27.3 Sale-and-leaseback transactions

The Company assesses whether the transfer of assets in sale-and-leaseback transactions is a sale in accordance with the principles described in the Note “3.23 Revenue.”

(1) The Company as the lessee

If the transfer of an asset in a sale-and-leaseback transaction is a sale, the Company, as the lessee, measures the right-of-use asset resulting from the sale-and-leaseback at the portion of the original asset’s book value that relates to the right of use acquired by the lease back and recognizes a gain or loss related to the right transferred to the lessor only; if the transfer of an asset in a sale-and-leaseback transaction is not a sale, the Company, as the lessee, continues to recognize the transferred asset and at the same time recognizes a financial liability equal to the transfer proceeds. For details of the accounting treatment of financial liabilities, please refer to the Note “3.10 Financial instruments.”

(2) The Company as the lessor

If the transfer of assets in a sale-and-leaseback transaction is a sale, the Company accounts for the purchase of the assets as a lessor in accordance with the aforementioned policy stated in “2. The Company as the lessee; if the transfer of assets in a sale-and-leaseback transaction is not a sale, the Company, as the lessor, does not recognize the transferred asset, but recognizes a financial asset equal to the transfer proceeds. For details of the accounting treatment of financial assets, please refer to the Note “3.10 Financial instruments.”

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.28 Work safety expenses

In accordance with national regulations, the Company withdraws work safety expenses for high-risk industries, and includes them both in the production costs of relevant products in the current period and in the special reserves. When withdrawn safe production costs are used within the prescribed range and belong to expenses, such costs shall be directly deducted from the special reserves. Where fixed assets form, incurred expenses are accumulated under the item “construction in progress” and are recognized as fixed assets when the safe project is completed and reaches the working conditions for its intended; meanwhile, special reserves shall be offset according to the costs of fixed assets and the accumulated depreciation of the same amount shall be recognized. Provision for depreciation of fixed assets will be no longer made in subsequent periods.

3.29 Share repurchases

The shares repurchased by the Company are managed as treasury stocks until they are canceled or transferred, and all expenses for the repurchased shares are transferred to the costs of treasury stocks. The consideration and transaction costs paid in share repurchases reduce owners’ equity, and no gain or loss is recognized upon the repurchase, transfer or cancellation of the Company’s shares.

The difference between the actual amount received and the book value of treasury stocks is credited to the capital surplus. If the capital surplus is not sufficient for offsetting, the surplus reserves and undistributed profits will be reduced. Upon cancellation of treasury stocks, the share capital is reduced by the par value of the shares and the number of shares canceled. The difference between the book value of the canceled treasury stocks and the par value is used to reduce capital surplus, and if the capital surplus is not sufficient for offsetting, the surplus reserves and undistributed profits will be reduced.

3.30 Debt restructuring

3.30.1 The Company acts as a creditor

The Company terminates the recognition of claims when the contractual right to collect cash flows from the claims terminates. If debt reorganization is carried out by repaying debts with assets or converting debts into equity instruments, the company will recognize the relevant assets when they meet their definition and recognition conditions.

If debt restructuring is carried out by repaying debts with assets, the transferred non-financial assets shall be measured at cost when the company initially recognizes them. The cost of inventory includes the fair value of the relinquished claims and other costs directly attributable to the asset such as taxes, transportation fees, loading and unloading fees, insurance premiums and other costs incurred to bring the asset to its current location and condition. The cost of an investment in an associate or joint venture includes the fair value of the relinquished claims and other costs such as taxes directly attributable to the asset. The cost of investment real estate includes the fair value of the relinquished claims and other costs such as taxes that are directly attributable to the asset. The cost of a fixed asset includes the fair value of the relinquished claim and other costs directly attributable to the asset such as taxes, transportation fees, loading and unloading fees, installation fees, professional service fees and other costs incurred before the asset reaches its intended usable condition. The cost of biological assets includes the fair value of the relinquished claims and other costs such as taxes, transportation fees, and insurance premiums that are directly attributable to the assets. The cost of intangible assets includes the fair value of the relinquished claims and other costs that are directly attributable to taxes and other costs incurred in bringing the asset to its intended use. If the debt restructuring by converting debt into equity instruments results in the creditor converting its claim into an equity investment in an associate or joint venture, the company shall measure it based on the fair value of the relinquished claim and taxes and other costs directly attributable to the asset as the equity initial investment cost. The difference between the fair value and the book value of the relinquished claims is included in the current profit and loss.

If debt restructuring is carried out by modifying other terms, the company shall recognize and measure the restructured claims in accordance with Note “3.10 Financial Instruments”.

If multiple assets are used to repay debts or debt restructuring is carried out in a combination, the company will first confirm and measure the transferred financial assets and restructured claims in accordance with Note “3.10 Financial Instruments”, and then use the fair value ratio of each assets other than the transferred financial assets, to divide into the net amount after deducting the confirmed amount of transferred financial assets and restructured claims from the fair value of the relinquished claims, and based on this basis, determine the cost of each asset. The difference between the fair value of the relinquished claim and its book value shall be included in the current profit and loss.

3.30.2 The Company acts as the debtor

The Company derecognises a debt when its current obligations are discharged.

If debt reorganization is carried out by repaying debts with assets, the company will terminate the recognition when the relevant assets and the debts paid off meet the conditions for derecognition, and the difference between the book value of the debts paid off and the book value of the transferred assets shall be included in the current profit and loss.

If the debt is converted into equity instruments for debt restructuring, the company will derecognize the debt when the repaid debt meets the conditions for derecognition. When the company initially recognizes an equity instrument, it is measured based on the fair value of the equity instrument. If the fair value of the equity instrument cannot be measured reliably, it is measured based on the fair value of the debt repaid. The difference between the book value of the debt repaid and the recognized amount of the equity instrument shall be included in the current profit and loss.

If the debt is restructured by modifying other terms, the company shall recognize and measure the restructured debt in accordance with Note “3.10 Financial Instruments” of this note.

If multiple assets are used to repay debts or debt restructuring is carried out through combination, the company shall confirm and measure equity instruments and restructured debts in accordance with the aforementioned methods. The difference between the book value of the debts repaid and the book value of the assets transferred and the recognized amounts of equity instruments and restructured debts shall be included in the current profit and loss.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.31 Segment reporting

The Company determines operating segments based on its internal organizational structure, management requirements and internal reporting system, and determines reportable segments and disclose segment information by operating segments.

The operating segments refer to the Company's components that simultaneously meet the following conditions: (1) the components can generate income and incur expenses in daily activities; (2) The Management of the Company can regularly evaluate the operating results of this component to decide the allocatable resources and assess its performance; (3) The Company can obtain relevant accounting information such as the financial positions, operating results and cash flows of this component. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

3.32 Significant accounting estimates and judgments

The Group evaluates the significant accounting estimates and key assumptions used on an ongoing basis, based on historical experience and other factors, including reasonable expectations of future events. Significant accounting estimates and critical assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next accounting year are presented below.

3.32.1 Classification of financial assets

The significant judgments involved in determining the classification of the Group's financial assets include analysis of the business model and contractual cash flow characteristics, etc.

The Group determines the business model for managing financial assets at the level of the financial asset portfolio, taking into account factors such as the manner in which the performance of financial assets is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the manner in which they are managed, and the manner in which the relevant business management personnel are compensated.

In assessing whether the contract cash flow of financial assets is consistent with the basic lending arrangements, the Group has the following judgments: whether the principal's time distribution or amount may change during the lifetime for early repayment and other reasons; whether the interest only includes the time value of money, credit risk, other basic lending risks and the consideration of cost and profit. For example, does the amount of advance payment only reflect the unpaid principal and interest based on the unpaid principal, and reasonable compensation paid for the early termination of the contract.

3.32.2 Measurement of expected credit loss of receivables

The Group calculates the expected credit losses of accounts receivable by default risk exposure and expected credit losses rate of accounts receivable and determines the expected credit losses rate based on default probability and default loss rate. In determining the expected credit losses rate, the Group uses internal historical credit loss and other data and adjusts the historical data with current situation and forward-looking information. In considering forward-looking information, the indicators used by the Group include the risks of economic downturn, external market environment, technological environment, and changes in customer conditions. The Group regularly monitors, and reviews assumptions related to the calculation of expected credit losses.

3.32.3 Provision for inventory depreciation

The net realizable value of inventories is under the Group's regular review, and as a result, the provision for inventory depreciation is recognized at the excess part of inventories' book values over their net realizable value. When making estimates of net realizable value, the Company takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Company's historical operating costs. The actual selling price, cost of completion, and selling expenses and taxes of inventories may change in response to changes in market sales conditions, production technology processes or the actual use of inventories, etc. Therefore, the amount of provision for inventory depreciation may change in response to the above reasons. The adjustment to the provision for inventory depreciation will affect the profit or loss of the current period in which the estimate is changed.

3.32.4 Depreciation and amortization of fixed assets, intangible assets and long-term deferred expenses

The Group depreciates and amortizes fixed assets, intangible assets and long-term deferred expenses over their useful lives after taking into account their residual values. The Group periodically reviews the useful lives and amortization period of the related assets to determine the amount of depreciation and amortization expense to be charged to each reporting period. The useful lives of the assets are determined by the Group based on past experience with similar assets and in conjunction with expected technological changes, and the amortization period of long-term deferred expenses is determined by the Group based on the expected benefit period of each expense. Depreciation and amortization expense is adjusted in future periods if there is a significant change in previous estimates.

3.32.5 Development expenses

In determining the amount to be capitalized, management must make assumptions about the expected future cash generation from the asset, the discount rate to be used, and the expected period of benefit.

3.32.6 Pending litigations

For the legal proceedings and claims, the Group, after making reference to the opinions of its legal advisors and understanding the progress of the case and the settlement solution, judges the expected losses to be borne based on the best estimate of the expenses required to fulfill the relevant present obligations. The estimated losses will change during the development of the legal proceedings and claims.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.32 Significant accounting estimates and judgments (Continued)

3.32.7 Revenue recognition

Revenue related to the Group's provision of petroleum engineering services is recognized over a period of time. The recognition of revenue and profit from the related labor services depends on the Group's estimate of the contractual outcome and the progress of performance. The Group estimates the expected total contract revenue using the expected value method or the most likely-to-occur amount based on the contract, and assesses the expected total contract cost based on historical experience and the construction program. Given that the contract cycle for engineering services may span multiple accounting periods, the Group periodically reviews and revises the estimated contract revenue and contract cost in the budget as the contract completion progresses. If the actual amount of total revenue and total costs incurred is higher or lower than the management's estimates, it will affect the amount of revenue and profit recognized by the Group in future periods.

3.32.8 Deferred income tax assets

To the extent that it is very likely that there will be enough taxable profits to offset the losses, the Group should recognize deferred income tax assets for all unused tax losses. This requires the management to use significant judgment in estimating the timing and amount of future taxable profit, combined with tax planning strategies, to determine the amount of deferred tax assets to be recognized. If the taxable revenue to be earned in future accounting periods is lower than expected or the effective income tax rate is higher than expected, the deferred tax assets recognized will be reversed and included in the income statement in the period of reversal.

3.32.9 Taxation

There is uncertainty about the interpretation of complex tax legislation, including provisions relating to tax benefits, and the amount and timing of future taxable revenue. Given the complexity of extensive international business relationships and existing contractual agreements, differences between actual results of operations and assumptions made, or future changes in such assumptions, may require future adjustments to the recognized tax income and expense. The Group accrues tax expense based on reasonable estimates of the probable outcome of audits by the tax authorities where the Group operates. The amount of tax expenses accrued is based on various factors, such as prior tax audit experience, and different tax regulation interpretations from taxable entities and relevant tax authorities. Since the Group operates in different tax regions, different interpretation may be resulted from various events.

3.33 Determination method and selection basis of materiality standards

Items	Materiality standards
Significant recovery or reversal of bad debt provision for accounts receivable	The amount of a single recovery, reversal or write-off accounts for more than 10% of the total bad debt provision for various accounts receivable, or the amount is greater than RMB50 million.
Significant recovery or reversal of bad debt provision for other receivable	The amount of a single recovery, reversal or write-off accounts for more than 10% of the total bad debt provision for various accounts receivable, or the amount is greater than RMB50 million.
Significant contract assets for which impairment provisions are made on a case-by-case basis	The amount of impairment provision for contract assets accounted for more than 10% of the total contract assets, or the amount is greater than RMB50 million.
Changes in significant projects under construction in the current period	Significant projects under construction, or the invested amount in current year is more than RMB100 million.
Significant accounts payable that are aged more than one year or are overdue	The aging of the account exceeds one year, and the amount of the portion exceeding one year exceeds RMB50 million.
Significant joint ventures or associates	The amount of long-term equity investment accounted for more than 20% of the consolidated long-term equity investment at the end of the period.
Significant activities that do not involve cash receipts and expenditures for the current period	Activities that do not involve current cash receipts and payments, have an impact on the current period's statements greater than 10% of net assets, or are expected to have an impact on future cash flow greater than 10% of the corresponding total cash inflows and outflows

3.34 Changes in significant accounting policies and accounting estimates

3.34.1 Changes in significant accounting policies

(1) Implementation of the Interpretation No. 17 of Accounting Standards for Business Enterprises

The Ministry of Finance announced the Interpretation No. 17 of Accounting Standards for Business Enterprises (Cai Kuai [2023] No. 21, hereinafter referred to as "Interpretation No. 17") on October 25, 2023.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.34 Changes in significant accounting policies and accounting estimates (Continued)

3.34.1 Changes in significant accounting policies (Continued)

(1) Implementation of the Interpretation No. 17 of Accounting Standards for Business Enterprises (Continued)

① *Classification of Current Liabilities and Non-current Liabilities*

Interpretation No. 17 clarifies:

– If an enterprise does not have the substantive right to postpone the settlement of a liability for more than one year after the balance sheet date at the balance sheet date, the liability shall be classified as a current liability.

– For liabilities arising from an enterprise's loan arrangements, the enterprise's right to postpone the settlement of the liability for more than one year after the balance sheet date may depend on whether the enterprise complies with the conditions specified in the loan arrangements (hereinafter referred to as the covenant conditions). When judging whether the substantive right to postpone the settlement of the liability exists, the enterprise should only consider the covenant conditions that should be complied with on or before the balance sheet date, and should not consider the covenant conditions that the enterprise should comply with after the balance sheet date.

– The settlement of a liability when classifying its liquidity means that the enterprise extinguishes the liability by transferring cash, other economic resources (such as goods or services), or its own equity instruments to the counterparty. If the terms of a liability result in the enterprise's settlement by delivering its own equity instruments at the option of the counterparty, and if the enterprise classifies the above option as an equity instrument in accordance with the provisions of Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments and recognizes it separately as the equity component of a compound financial instrument, then such terms do not affect the classification of the liquidity of the liability.

This interpretation shall come into force as of January 1, 2024. The implementation of this provision has not had a significant impact on the company's financial position and operating results.

② *Disclosure of Supplier Financing Arrangements*

Interpretation No. 17 requires that when making note disclosures, an enterprise should disclose the information related to supplier financing arrangements in a summarized manner to help the users of the financial statements evaluate the impact of these arrangements on the enterprise's liabilities, cash flows, and the enterprise's exposure to liquidity risks. The impact of supplier financing arrangements should also be considered when identifying and disclosing information about liquidity risks. This disclosure provision only applies to supplier financing arrangements. Supplier financing arrangements refer to transactions with the following characteristics: one or more financing providers provide funds for the enterprise to pay its accounts payable to suppliers, and it is agreed that the enterprise will repay the financing providers on or after the day when its suppliers receive the funds according to the terms and conditions of the arrangement. Compared with the original payment due date, the supplier financing arrangement extends the enterprise's payment period or advances the collection period of the enterprise's suppliers.

This interpretation shall come into force as of January 1, 2024. When an enterprise first implements the provisions of this interpretation, it does not need to disclose the relevant information for the comparable period and some of the beginning-of-period information. The implementation of this provision has not had a significant impact on the company's financial position and operating results.

③ *Accounting Treatment of Sale and Leaseback Transactions*

Interpretation No. 17 stipulates that when a lessee subsequently measures the lease liability formed by a sale and leaseback, the method of determining the lease payments or the lease payments after the change shall not result in the recognition of gains or losses related to the right to use obtained from the leaseback. When an enterprise first implements this provision, it shall make retrospective adjustments to the sale and leaseback transactions carried out after the date of initial implementation of Accounting Standards for Business Enterprises No. 21 – Leases.

This interpretation shall come into force as of January 1, 2024, and enterprises are allowed to implement it in advance in the year of its release. The company has implemented this provision as of January 1, 2024, and the implementation of this provision has not had a significant impact on the company's financial position and operating results.

(2) Implementation of the Interim Accounting Treatment Provisions for Enterprise Data Resources

The "Interim Accounting Treatment Provisions for Enterprise Data Resources" (Cai Kuai [2023] No. 11), issued by the Ministry of Finance on August 1, 2023, applies to data resources that meet the criteria for recognition as intangible assets or inventory under existing accounting standards, as well as data resources legally owned or controlled by an enterprise that are expected to generate economic benefits but do not satisfy the asset recognition criteria. The provisions specify detailed disclosure requirements for such data resources.

Effective from January 1, 2024, enterprises are required to adopt the future application method for implementation. This means that expenditures related to data resources that were previously expensed in profit or loss prior to the effective date will not be retroactively adjusted. The implementation of these provisions has not materially impacted the company's financial position or operating results, as the adjustments primarily align existing practices with the new framework without requiring significant restatements of historical financial data.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.34 Changes in significant accounting policies and accounting estimates (Continued)

3.34.1 Changes in significant accounting policies (Continued)

(3) Implementation of the "Accounting Standards for Business Enterprises Interpretation No. 18" Accounting Treatment for Assurance-Type Warranties Not Constituting Separate Performance Obligations

Pursuant to the "Accounting Standards for Business Enterprises Interpretation No. 18" (Cai Kuai [2024] No. 24, hereinafter referred to as "Interpretation No. 18"), issued by the Ministry of Finance on December 6, 2024, and effective immediately upon promulgation (with early adoption permitted for the fiscal year of release), the Company has implemented the provisions on "Accounting Treatment for Assurance-Type Warranties Not Constituting Separate Performance Obligations". Under Interpretation No. 18, when recognizing a provision for warranty obligations arising from assurance-type warranties that do not constitute separate performance obligations, the Company shall follow the requirements of CAS 13 (Contingencies). The provision amount, once determined, is accounted for by debiting "Cost of Sales", "Other Operating Costs", or similar accounts and crediting the "Provision for Warranty Obligations" account. These amounts are subsequently presented in the "Operating Costs" line item in the income statement and under "Other Current Liabilities", "Non-Current Liabilities Due Within One Year", or "Provisions" in the balance sheet.

For the initial application of this interpretation, if the Company previously recorded such warranty provisions under "Selling Expenses", the change in accounting treatment and related financial statement line items is treated as a retroactive adjustment of accounting policies in accordance with CAS 28 (Changes in Accounting Policies, Estimates, and Errors). The Company has disclosed this adjustment in the notes to the financial statements. The implementation of Interpretation No. 18 has not materially impacted the Company's financial position or operating results, as the adjustments primarily align historical accounting practices with the new requirements without significant restatements.

3.34.2 Changes in significant accounting estimates

The Company has no significant changes in accounting estimates in this year.

3.34.3 Correction of significant accounting errors of prior periods

The Company has no correction of significant accounting errors of prior periods in this year.

3.35 Others

The Company had no other adjustments this year.

4 TAXATION

4.1 Major tax types and tax rates

Tax type	Tax basis	Legal tax rate (%)
Value-added tax	The output tax is calculated based on the sales of goods and taxable labor income calculated according to the tax law. After deducting the input tax that can be deducted in the current period, the difference is the value-added tax payable.	3, 6, 9 or 13
Urban maintenance and construction tax	Levied based on the actual VAT and consumption tax paid	1, 5 or 7
Education Fee Surcharge and Local Education Fee Surcharge	Levied based on the actual VAT and consumption tax paid	5
Enterprise income tax	Levied based on the taxable income	25

Disclosure of information about taxpayers applying different enterprise income tax rates

Taxpayer name	Income tax rate
Sinopec Shengli Petroleum Engineering Corporation	15
Shandong Shenggong Testing Technology Co., Ltd.	15
Sinopec Zhongyuan Petroleum Engineering Corporation	15
Sinopec Jianghan Petroleum Engineering Corporation	15
Sinopec Zhongyuan Oil Engineering Design Company Limited	15
Sinopec Oil Engineering Design Company Limited	15
Sinopec Geophysical Corporation	15
Sinopec Jianghan Oil Engineering Design Company Limited	15
Sinopec Henan Oil Engineering Design Company Limited	15
Sinopec Huabei Petroleum Engineering Corporation	15
Sinopec Pipeline Technical Service Co., Ltd.	15
SinoFTS Petroleum Services Ltd.	15
Sinopec Jianghan Oil Construction Engineering Co., Ltd.	15
Sinopec Southwest Petroleum Engineering Co., Ltd	15
Sinopec Jingwei Co., Ltd.	15

4.2 Tax preference

4.2.1 Consumption tax refund of self-used refined oil

According to the Circular on the Refund of Consumption Tax on the Self-use Refined Oil Produced by Oil (Gas) Field Enterprises (CS [2011] No. 7), since January 1, 2009, the full amount of consumption tax contained in the internally purchased refined oil consumed by oil (gas) field enterprises during the extraction of crude oil will be temporarily refunded according to the actual amount of consumption tax paid.

4.2.2 Enterprise income tax

Sinopec Shengli Petroleum Engineering Corporation, Shandong Shenggong Testing Technology Co., Ltd, Sinopec Zhongyuan Petroleum Engineering Corporation, Sinopec Jianghan Petroleum Engineering Corporation, Sinopec Zhongyuan Oil Engineering Design Company Limited, Sinopec Oil Engineering Design Company Limited, Sinopec Geophysical Corporation, Sinopec Jianghan Oil Engineering Design Company Limited, Sinopec Henan Oil Engineering Design Company Limited, Sinopec Huabei Petroleum Engineering Corporation, Sinopec Pipeline Technical Service Co., Ltd., SinoFTS Petroleum Services Ltd, Sinopec Jianghan Oil Construction Engineering Co., Ltd. Sinopec Jingwei Co., Ltd. have obtained the certification of high-tech enterprise and are subject to a reduced enterprise income tax rate of 15% in accordance with the *Enterprise Income Tax Law of the People's Republic of China and the Circular of the State Administration of Taxation on Issues Related to the Implementation of High and New Technology Enterprise Income Tax Preference* (GSX [2009] No. 203), the enterprise income tax will be paid at a reduced rate of 15%.

Sinopec Southwest Petroleum Engineering Co., Ltd., a subsidiary of the Group, is in line with the encouraged industries in the western region, and according to the Announcement of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on Extending the Enterprise Income Tax Policy for the Development of the Western Region (No. 23 [2020]), from January 1, 2021 to December 31, 2030, the enterprises in the encouraged industries located in the western region will be levied enterprise income tax at a reduced rate of 15%.

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Monetary funds

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Cash on hand	1,100	1,551
Cash at banks	3,075,742	973,984
Cash in finance companies		1,840,229
Other monetary funds	571,672	352
Total	3,648,514	2,816,116
Including: Amount deposited abroad:	1,246,613	1,215,989

As at December 31, 2024, the Group's monetary funds restricted for use due to mortgage, pledge or freezing, or placed overseas with restrictions on fund repatriation are as follows:

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Guarantee deposit	25,850	20,622
Letter of credit deposit		97
Frozen and pledged deposits	74,650	3,182
Time deposit	3,248	3,000
Security and Civilized Construction Deposit	11,634	
Land Reclamation Deposit	78,769	
Other	12,965	417
Total	207,116	27,318

As at December 31, 2024, the Group had not pledged deposit with any bank for the issuance of bank acceptance bill.

5.2 Accounts receivable

5.2.1 Disclosure of accounts receivable by aging

Aging	Balance as at December 31, 2024	Balance as at December 31, 2023
Within 1 year	12,680,660	10,052,406
Including: Not overdue	9,083,512	8,167,905
Overdue – Within 1 year	3,597,148	1,884,501
1 – 2 years	506,178	505,308
2 – 3 years	191,030	130,018
3 – 4 years	67,742	147,097
4 – 5 years	106,322	170,805
Over 5 years	1,531,755	1,829,969
Sub-total	15,083,687	12,835,603
Less: provision for bad debts	1,788,860	2,233,361
Total	13,294,827	10,602,242

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.2 Accounts receivable (Continued)

5.2.2 Disclosure of accounts receivable by category based on the method for provision for bad debts

	Balance as at December 31, 2024					Balance as at December 31, 2023				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	Book value	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	Book value
Provision made on an individual basis	748,668	4.96	748,668	100.00		976,229	7.61	976,229	100.00	
Provision for bad debts made by portfolio	14,335,019	95.04	1,040,192	7.26	13,294,827	11,859,374	92.39	1,257,132	10.60	10,602,242
Including:										
Related-party portfolio	7,628,930	50.58	62,360	0.82	7,566,570	4,785,203	37.28	51,097	1.07	4,734,106
Non-related-party portfolio	6,706,089	44.46	977,832	14.58	5,728,257	7,074,171	55.11	1,206,035	17.05	5,868,136
Total	15,083,687	100.00	1,788,860		13,294,827	12,835,603	100.00	2,233,361		10,602,242

Provision made on an individual basis:

	Balance as at December 31, 2024			
Item	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Entity I	662,359	662,359	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Entity II	47,882	47,882	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Entity III	25,569	25,569	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Entity IV	9,765	9,765	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Entity V	3,093	3,093	100.00	The debtor is short of funds and the funds have not been recovered for a long time.
Total	748,668	748,668		

Provision for bad debts made according to the combination of credit risk characteristics:

Provision by portfolio:

	Balance as at December 31, 2024		
Item	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from related-party clients	7,628,930	62,360	0.82
Accounts receivables from non-related-party clients	6,706,089	977,832	14.58
Total	14,335,019	1,040,192	

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.2 Accounts receivable (Continued)

5.2.2 Disclosure of accounts receivable by category based on the method for provision for bad debts (Continued)

Provision by portfolio: Accounts receivable from related-party clients

	Balance as at December 31, 2024			Balance as at December 31, 2023		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
Category	Amount	Amount	Expected credit loss ratio (%)	Amount	Amount	Expected credit loss ratio (%)
Within 1 year	7,232,824	25,744	0.36	4,483,889	15,291	0.34
Including:						
Not overdue	6,175,382	18,526	0.30	3,956,527	11,869	0.30
Overdue – Within 1 year	1,057,442	7,218	0.68	527,362	3,422	0.65
1 – 2 years	236,369	8,973	3.80	213,331	9,256	4.34
2 – 3 years	111,091	8,065	7.26	35,842	2,779	7.75
3 – 4 years	15,119	2,328	15.40	20,199	3,581	17.73
4 – 5 years	13,328	4,583	34.39	10,501	4,459	42.46
Over 5 years	20,199	12,667	62.71	21,441	15,731	73.37
Total	7,628,930	62,360	0.82	4,785,203	51,097	1.07

Provision by portfolio: Accounts receivable from non-related-party clients

	Balance as at December 31, 2024			Balance as at December 31, 2023		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
Category	Amount	Amount	Expected credit loss ratio (%)	Amount	Amount	Expected credit loss ratio (%)
Within 1 year	5,447,836	48,706	0.89	5,568,517	50,693	0.91
Including:						
Not overdue	2,908,130	8,725	0.30	4,211,378	12,634	0.30
Overdue – Within 1 year	2,539,706	39,981	1.57	1,357,139	38,059	2.80
1 – 2 years	269,809	40,220	14.91	291,977	65,868	22.56
2 – 3 years	79,939	30,658	38.35	94,176	44,739	47.51
3 – 4 years	52,623	26,788	50.91	126,898	78,574	61.92
4 – 5 years	92,994	68,573	73.74	160,304	133,862	83.51
Over 5 years	762,888	762,887	100.00	832,299	832,299	100.00
Total	6,706,089	977,832	14.58	7,074,171	1,206,035	17.05

5.2.3 Provision, reversal, or recovery of provision for bad debts in the current period

Category	Balance as at December 31, 2023	Changes in the current period				Balance as at December 31, 2024
		Provision	Recovery or reversal	Write-off or charge-off	Other decreases	
Provision for bad debts	2,233,361	-23,613	-412,323	4,006	4,559	1,788,860
Total	2,233,361	-23,613	-412,323	4,006	4,559	1,788,860

Among them, the amount of bad debt provision recovery or reversal in the current period is significant:

Company name	Recovery or reversal amount	Reason for transfer or withdrawal	Recovery method
Company A	230,276	Partial recovery	Cash recovery
Company B	143,761	Partial recovery	Cash recovery
Total	374,037		

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.2 Accounts receivable (Continued)

5.2.4 Accounts receivable actually charged off in the current period

Accounts receivable of RMB4,006,000 has been charged off in the year.

5.2.5 Top 5 of accounts receivable as at December 31, 2024, presented by debtor

Item	Accounts receivable	Contract asset closing balance	Accounts receivable and contract assets closing balances	Proportion of the total closing balance of accounts receivable and contract assets(%)	Accounts receivable bad debt provision and contract asset impairment provision closing balance
Entity 1	6,075,263	6,794,081	12,869,344	40.60	84,285
Entity 2	1,419,363	1,622,582	3,041,945	9.53	62,762
Entity 3	362,278	639,725	1,002,003	3.14	9,135
Entity 4	794,084		794,084	2.49	7,067
Entity 5	662,359		662,359	2.08	662,359
Total	9,313,347	9,056,388	18,369,735	57.84	825,608

5.3 Receivables financing

5.3.1 Breakdowns of receivables financing

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Notes receivable	**2,539,690**	2,693,269
Digitize accounts receivable vouchers	**17,621**	41,812
Total	**2,557,311**	2,735,081

Some subsidiaries of the Group discounted and transferred via endorsement a part of bank acceptance bills and commercial acceptance bills based on its routine funds management demand and derecognized the discounted and endorsed notes receivable based on the situation that almost all risks and remuneration have been transferred to relevant counterparties. As at December 31, 2024, the notes receivable endorsed or discounted but not matured amounted to RMB5,948,660,000 (As at December 31, 2023, RMB7,472,930,000). As relevant subsidiaries manage notes receivable with the purpose of collecting contractual cash flows and selling such financial assets, the Company classifies these subsidiaries' bank acceptance bills and commercial acceptance bills as the financial assets measured at fair value through other comprehensive income.

As at December 31, 2024, the Group believed that the bank acceptance bills and commercial acceptance bills it held had not significant credit risk as they were accepted by the banks or finance companies with higher credit levels, and it would not be subjected to the significant loss caused by the default of these banks and finance companies.

The Group has no pledged receivable financing at the end of the period.

5.4 Advances to suppliers

5.4.1 Presentation of advances to suppliers by aging

Aging	Balance as at December 31, 2024		Balance as at December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	**585,163**	**98.22**	509,374	98.85
1 – 2 years	**9,600**	**1.61**	739	0.14
2 – 3 years	**105**	**0.02**	485	0.09
Over 3 years	**879**	**0.15**	4,709	0.91
Sub-total	**595,747**	**100.00**	515,307	100.00
Less: Provision for bad debts			3,864	
Total	**595,747**		511,443	

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 Advances to suppliers (Continued)

5.4.2 Top 5 of advances to suppliers as at December 31, 2024, collected by supplier

The sum amount of top 5 of accounts receivable as at December 31, 2024, presented by debtor was RMB262,305,000, accounting for 44.03% of the total ending balance of advances to suppliers.

5.5 Other receivables

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Dividends receivable	424	433
Other receivables	2,848,055	2,759,708
Total	2,848,479	2,760,141

5.5.1 Dividends receivable

(1) Details of dividends receivable

Project (or investee)	Balance as at December 31, 2024	Balance as at December 31, 2023
Qianjiang Hengyun Motor Vehicle Comprehensive Performance Inspection & Testing Co., Ltd.	424	433
Sub-total	424	433
Less: provision for bad debts		
Total	424	433

5.5.2 Other receivables

(1) Disclosure of other receivables by aging

Aging	Balance as at December 31, 2024	Balance as at December 31, 2023
Within 1 year	2,347,286	2,193,288
1 – 2 years	180,351	359,365
2 – 3 years	158,275	120,444
3 – 4 years	93,483	49,571
4 – 5 years	38,154	57,874
Over 5 years	573,407	570,308
Sub-total	3,390,956	3,350,850
Less: provision for bad debts	542,901	591,142
Total	2,848,055	2,759,708

(2) Disclosure of other receivables by category based on the method for provision for bad debts

	Balance at December 31, 2024			Balance as at December 31, 2023		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Category	Amount	Amount	Amount	Amount	Amount	Amount
Imprest	1,642	224	1,418	4,728	126	4,602
Security deposit	1,743,401	106,523	1,636,878	1,153,100	107,117	1,045,983
Advance money for the Company	697,282	172,306	524,976	934,741	207,872	726,869
Suspense payment	600,190	219,766	380,424	899,349	237,994	661,355
Escrow payment	4,770	125	4,645	5,271	49	5,222
Deposit	29,145	3,963	25,182	42,785	2,776	40,009
Export rebates receivable	1,222	32	1,190	5,386	76	5,310
Others	313,304	39,962	273,342	305,490	35,132	270,358
Total	3,390,956	542,901	2,848,055	3,350,850	591,142	2,759,708

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.5 Other receivables (Continued)

5.5.2 Other receivables (Continued)

(3) Details of provision for bad debts

Provision for bad debts at stage I as at December 31, 2024

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	2,728,925	1.71	46,622	2,682,303
– Imprest	1,418	0.07	1	1,417
– Margin and deposit	1,660,093	1.12	18,672	1,641,421
– Other receivables	1,067,414	2.62	27,949	1,039,465
Total	2,728,925		46,622	2,682,303

Provision for bad debts at stage II as at December 31, 2024:

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	147,082	7.23	10,632	136,450
– Imprest				
– Margin and deposit				
– Other receivables	147,082	7.23	10,632	136,450
Total	147,082		10,632	136,450

Provision for bad debts at stage III as at December 31, 2024:

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	514,949	94.31	485,647	29,302
– Imprest	224	99.55	223	1
– Margin and deposit	112,453	81.65	91,814	20,639
– Other receivables	402,272	97.85	393,610	8,662
Total	514,949		485,647	29,302

(4) Provision, reversal or recovery of provision for bad debts in the current period

Provision for bad debts	Stage I Expected credit loss in future 12 months	Stage II Expected credit loss in the whole duration (without credit impairment)	Stage III Expected credit loss in the whole duration (with credit impairment)	Total
Balance as at December 31, 2023	103,419		487,723	591,142
Balance as at December 31, 2022in the current period				
− Transferred to Stage II	-6,346	6,346		
− Transferred to Stage III				
− Reversal to Stage II				
− Reversal to Stage I				
Provision in the current period	31,915	4,286	81,961	118,162
Reversal in the current period	79,184		68,827	148,011
Write-off in the current period			201	201
Other changes	3,182		15,009	18,191
Balance as at December 31, 2024	46,622	10,632	485,647	542,901

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.5 Other receivables (Continued)

5.5.2 Other receivables (Continued)

(5) Other receivables actually charged off in the current period

Other receivables of RMB201,000 has been charged off in the year.

(6) Top 5 of other receivables as at December 31, 2024, presented by debtor

Company name	Nature	Balance as at December 31, 2023	Aging	Proportion in the total balance of other receivables as at December 31, 2024 (%)	Balance of provision for bad debts as at December 31, 2024
Entity 1	Security deposits Advance payment	529,980	Within 1 year and 3 – 4 years	15.63	11,046
Entity 2	Security deposits Advance payment	300,029	Within 1 year and 3 – 4 years	8.85	3,375
Entity 3	Security deposits Advance payment	296,057	Within 1 year	8.73	9,191
Entity 4	Suspense payment	166,288	Over 5 years	4.90	166,288
Entity 5	Disbursements	147,082	Within 1 year and Over 5 years	4.34	10,632
Total		1,439,436		42.45	200,532

5.6 Inventories

5.6.1 Classification of inventories

Item	Balance as at December 31, 2024			Balance as at December 31, 2023		
	Book balance	Provision for inventory depreciation/ Provision for impairment of contract performance cost	Book value	Book balance	Provision for inventory depreciation/ Provision for impairment of contract performance cost	Book value
Raw materials	**800,380**	**14,824**	**785,556**	949,128	14,824	934,304
Revolving materials	**33,732**		**33,732**	12,078		12,078
Goods in process	**3,852**	**1,671**	**2,181**	5,731	1,671	4,060
Stock commodities	**92,857**	**797**	**92,060**	92,117		92,117
Contract performance cost	**95,972**		**95,972**	161,736		161,736
Total	**1,026,793**	**17,292**	**1,009,501**	1,220,790	16,495	1,204,295

5.6.2 Provision for inventory depreciation and provision for impairment of contract performance cost

Item	Balance as at December 31, 2023	Increase in the current period		Decrease in the current period		Balance as at December 31, 2024
		Provision	Others	Reversal or write-off	Others	
Raw materials	14,824					14,824
Goods in process	1,671					1,671
Stock commodities		797				797
Total	16,495	797				17,292

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.7 Contract assets

5.7.1 Breakdowns of contract assets

Item	Balance as at December 31, 2023			Balance as at December 31, 2024		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets	16,821,077	57,323	16,763,754	16,402,808	199,560	16,203,248
Total	16,821,077	57,323	16,763,754	16,402,808	199,560	16,203,248

The petroleum engineering technology services provided by the Group are usually settled in stages according to the completion schedule agreed in the contract, and the project payment will be collected 30 – 180 days after the settlement via making out an invoice. Engineering construction business will reserve quality guarantee as 5% of progress billings, and have an unconditional right to receive the guarantee after guarantee period.

5.7.2 Amounts with and reasons for significant changes in book values during the reporting period

During the current period, there was no significant change in contract assets caused by the accumulated and additional adjustment to revenues.

5.7.3 Disclosure by category of contract assets based on the provision method for impairment

Category	Balance as at December 31, 2024					Balance as at December 31, 2023				
	Book balance		Provision for impairment			Book balance		Provision for impairment		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision made on an individual basis	13,566	0.08	6,783	50.00	6,783	144,307	0.88	144,307	100.00	
Provision for impairment made by portfolios	16,807,511	99.92	50,540	0.30	16,756,971	16,258,501	99.12	55,253	0.34	16,203,248
Including:										
Petroleum Engineering	8,587,026	51.05	25,719	0.30	8,561,307	8,632,396	52.63	32,304	0.37	8,600,092
Construction and Engineering	8,220,485	48.87	24,821	0.30	8,195,664	7,626,105	46.49	22,949	0.30	7,603,156
Total	16,821,077	100.00	57,323		16,763,754	16,402,808	100.00	199,560		16,203,248

5.7.4 The contract assets actually written off in the current period

There were no actual write-offs of contract assets during the year.

5.8 Other current assets

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Value-added tax retained	969,601	1,030,914
Input VAT to be certified	84,727	53,422
Value-added tax prepaid	1,504,051	1,403,186
Enterprise income tax prepaid	58,456	5,327
Total	2,616,835	2,492,849

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.9 Long-term equity investments

5.9.1 The situation of long-term equity investments

Investee	Balance as at December 31, 2023	Increase/decrease in the current period							Balance as at December 31, 2024	Ending balance of provision for impairment
		Additional investment	Negative investment	Profit or loss on investments recognized by the equity method	Adjustment to other comprehensive income	Cash dividends or profits declared to be distributed	Provision for impairment made	Others		
1. Joint ventures										
Zhong Wei Energy Services Co., Ltd. (A Sinopec – Weatherford Joint Venture)	9,892			-904					8,988	
EBAPAN,S.A.DEC.V	1,024			525					1,549	
Sinopec International Petroleum Engineering Mexico DS Joint Venture	507,045			-36,343	5,915		274,419		202,198	274,419
Sub-total	517,961			-36,722	5,915		274,419		212,735	274,419
2. Associates										
Hua Bei Ruida Oil Service Company Limited ("Ordos North")	10,588			2,944		-2,100			11,432	
Xinjiang North China Tianxiang Oil Service Company Limited ("Xinjiang North")	3,715			1,283		-1,000			3,998	
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited	1,780			471		-423			1,828	
Zhenjiang Huajiang Oil and Gas Engineering Technology Service Co., Ltd	2,438			349		-213			2,574	
Henan Zhongyuan Oil & Gas Technology Service Co., Ltd	2,673			23		-69			2,627	
Henan Zhongyou Oil & Gas Technology Service Co., Ltd	8,281			2,285		-1,043			9,523	
Beijing Masonry Intelligent Control Technology Co., Ltd	6,060			774					6,834	
Sub-total	35,535			8,129		-4,848			38,816	
Total	553,496			-28,593	5,915	-4,848	274,419		251,551	274,419

5.9.2 The situation of impairment testing of long-term equity investments

The joint venture company Sinopec International Petroleum Engineering Mexico DS Joint Venture ("DS Mexico Company") established by Sinopec International Petroleum Service Corporation (hereinafter referred to as "Sinopec International Company"), a wholly-owned subsidiary of our company, with DIAVAZ, suffered a loss of RMB72.69 million in 2024, showing obvious signs of impairment. Sinopec International Company adopts the equity method for accounting of DS Mexico Company, the joint venture company. In accordance with the relevant provisions of Accounting Standards for Enterprises No. 8 – Asset Impairment and Accounting Standards for Enterprises No. 2 – Long-term Equity Investments, when there are signs of asset impairment, its recoverable amount should be estimated. The recoverable amount should be determined based on the higher of the net amount obtained by subtracting the disposal expenses from the fair value of the asset and the present value of the expected future cash flows of the asset. The measurement result of the recoverable amount indicates that if the recoverable amount of an asset is lower than its carrying value, the carrying value of the asset should be written down to the recoverable amount. The written-down amount should be recognized as an asset impairment loss, included in the current profit and loss, and the corresponding asset impairment provision should be made at the same time.

An impairment test was conducted on the recoverable amount of the shareholders' equity of DS Mexico Company, the joint venture company. After evaluation, the recoverable amount was lower than the carrying value by RMB274 million. Sinopec International Company made an impairment provision of RMB274 million for the "Long-term Equity Investment – DS Joint Venture Company."

The recoverable amount is determined based on the present value of the expected future cash flows, which includes the following key parameters:

Key Parameters	Values and Assumptions of Key Parameters
Evaluation Period	Until 2048, determined according to the contract period of the projects operated by the company (a 30-year contract signed in 2018)
Output of the Consortium	Estimated according to the basic plan adopted for the project in the evaluation report of Shengli Senuo, and reflects the annual output (increase and decrease) in the basic plan
Oil Price	Expected to be US$58.1 per barrel. (Based on the contract agreement, comprehensively considering the Brent crude oil price, WTI crude oil price, Maya crude oil price, the original Maya premium, the sales constant of EBANO crude oil, etc., and obtained through comprehensive prediction)
Cost	Estimated by the company based on historical experience and judgment of the future market
Pre-tax Discount Rate	8.28% – 10.59% (According to the basic plan, the proportion of interest-bearing liabilities in the future will change with the progress of the project, which will in turn affect the proportion of interest-bearing liabilities in each year during the contract period and the final weighted average cost of capital in each year, that is, the pre-tax discount rate in each year)

5.10 Investment in other equity instruments

5.10.1 Details of investment in other equity instruments

Item	Balance as at 2024-12-31	Balance as at December 31, 2023	Gains included in other comprehensive income for the period	Losses included in other comprehensive income for the period	Gains accrued at the end of the period through other comprehensive income	Losses accumulated at the end of the period through other comprehensive income	Dividend income recognized in the current period	Reason specified for the measurement at fair value and the change thereof through other comprehensive income
Dongying Kewei Intelligent Technology Co., Ltd.		58						The shareholding ratio is no significant to have a significant impact.
Shengli Oilfield Niuzhuang Petroleum Development Co., Ltd.	10,396	9,284	1,112		8,396		500	The shareholding ratio is no significant to have a significant impact.
Sinopec Carbon Industry Technology Co., Ltd.	127,045	126,421	624		2,045			The shareholding ratio is no significant to have a significant impact.
Total	137,441	135,763	1,736		10,441		500	

5.10.2 A description of the situations of derecognition in the current period

Item	Accumulated Gains Transferred to Retained Earnings	Accumulated Losses Transferred to Retained Earnings	Reasons for Derecognition
Dongying Kewei Intelligent Technology Co., Ltd.		357	Has been deregistered this year

5.11 Fixed assets

5.11.1 Fixed assets and disposal of fixed assets

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Fixed assets	**24,153,815**	24,793,685
Disposal of fixed assets	**84,999**	77,136
Total	**24,238,814**	24,870,821

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.11 Fixed assets (Continued)

5.11.2 Breakdowns of fixed assets

Item	Buildings and constructions	Equipment and others	Total
1. Original book value			
(1) Balance as at December 31, 2023	1,647,918	66,456,682	68,104,600
(2) Increase in the current period	93,923	2,606,949	2,700,872
– Purchase		118,386	118,386
– Transferred from construction in progress	93,923	2,488,563	2,582,486
(3) Decrease in the current period	4,841	2,957,964	2,962,805
– Disposal or retirement	4,841	2,957,964	2,962,805
(4) Balance as at December 31, 2024	1,737,000	66,105,659	67,842,659
2. Accumulated depreciation			
(1) Balance as at December 31, 2023	736,795	41,501,689	42,238,484
(2) Increase in the current period	67,678	2,982,239	3,049,917
– Provision	67,678	2,982,239	3,049,917
(3) Decrease in the current period	4,325	2,543,219	2,547,544
– Disposal or retirement	4,325	2,543,219	2,547,544
(4) Balance as at December 31, 2024	800,144	41,940,704	42,740,848
3. Provision for impairment			
(1) Balance as at December 31, 2023	654	1,071,777	1,072,431
(2) Increase in the current period			
(3) Decrease in the current period		124,436	124,436
– Disposal or retirement		124,436	124,436
(4) Balance as at December 31, 2024	654	947,342	947,996
4. Book value			
(1) Book value as at December 31, 2024	936,202	23,217,613	24,153,815
(2) Book value as at December 31, 2023	910,469	23,883,216	24,793,685

5.11.3 Fixed assets with pending certificates of title

There had been a total amount of 19 premises without qualified ownership certificates up to December 31, 2024, totaling amount in cost of RMB190,167,000, in accumulated depreciation of RMB46,957,000 and net book value of RMB143,210,000.

5.11.4 Disposal of fixed assets

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Equipment	**84,999**	77,136
Total	**84,999**	77,136

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.12 Construction in progress

5.12.1 Construction in progress and project materials

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Construction in progress	793,261	695,563
Engineer material	226	51
Total	793,487	695,614

5.12.2 Details of construction in progress

Item	Balance as at December 31, 2024			Balance as at December 31, 2023		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Infrastructure improvement expenditure	3,890	3,502	388	3,890	3,502	388
Major Materials and equipment procurement projects	789,373		789,373	695,175		695,175
Other construction projects	3,500		3,500			
Total	796,763	3,502	793,261	699,065	3,502	695,563

5.12.3 Changes in important construction in progress in the current period

Project name	Budget amount	Balance as at December 31, 2023	Increase in the current period	Amount transferred to fixed assets in the current period	Other decreases in the current period	Balance as at December 31, 2024	Proportion of accumulated project investments in budget amount (%)	Project progress	Accumulated capitalized amount of interest	Source of funds
6 drilling rigs in Kuwait	436,960		418,954	222,100		196,854	95.84	95.84		Self-financing and loans
The project for purchasing construction equipment for Package 6 and Package 7 of Aramco's MGS pipeline in Saudi Arabia in 2024 (Note 1)	198,250		196,353	196,353			100.00	100.00		Self-financing in full
The project for renewing onshore seismic acquisition equipment in 2024	190,920		179,964	179,964			94.40	94.40		Self-financing in full
The project for renewing 30-type drilling rigs in 2024 (Note 1)	123,124		123,120	81,182		41,938	100.00	100.00		Self-financing in full
The project for newly purchasing 70-type drilling rigs in high-cold and high-altitude areas in 2024	90,000		90,000	44,482		45,518	49.42	49.42		Self-financing in full
The project for renewing workover rigs in 2024	106,530		87,940			87,940	82.55	82.55		Self-financing in full
The project for renewing and purchasing logging winches and skid-mounted units in 2024	77,184		77,181	77,181			100.00	100.00		Self-financing in full
The project for purchasing fully automatic drilling rigs for shale oil development in 2023 (Note 1)	83,735	30,000	53,730	5,505		78,225	100.00	100.00		Self-financing in full
The project for renewing auxiliary equipment for drilling and workover operations in 2024 (Note 2)	48,782		48,780	41,145		7,635	100.00	100.00		Self-financing in full
The project for a 6,000-horsepower LNG dual-fuel offshore support vessel (OSV) in 2024	46,000		44,594			44,594	96.94	96.94		Self-financing in full
Total		30,000	1,320,616	847,912		502,704				

Note1: The project is currently in the installation and commissioning stage and has not reached the expected usable state as of December 31, 2024.

Note2: The technical parameter test of this project did not meet the standards, and it was returned to the factory for rectification. As of December 31, 2024, it has not met the expected usable conditions.

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.13 Right-of-use assets

Item	Land	Buildings	Equipment and others	Total
1. Original book value				
(1) Balance as at December 31, 2023	141,103	1,152,791	656,604	1,950,498
(2) Increase in the current period	72,736	318,272	223,553	614,561
– Newly-added leases	68,514	288,714	185,702	542,930
– Adjustment of lease liabilities	4,222	29,558	37,851	71,631
(3) Decrease in the current period	62,562	292,391	454,877	809,830
– Adjustment of lease liabilities	293	29,616	136,779	166,688
– Write-off or early termination	62,269	262,775	318,098	643,142
(4) Balance as at December 31, 2024	151,277	1,178,672	425,280	1,755,229
2. Accumulated depreciation				
(1) Balance as at December 31, 2023	109,844	671,159	369,862	1,150,865
(2) Increase in the current period	49,921	383,388	193,784	627,093
– Depreciation	49,921	383,388	193,784	627,093
(3) Decrease in the current period	62,269	262,775	318,098	643,142
– Write-off or early termination	62,269	262,775	318,098	643,142
(4) Balance as at December 31, 2024	97,496	791,772	245,548	1,134,816
3. Provision for impairment				
4. Book value				
(1) Book value as at December 31, 2024	53,781	386,900	179,732	620,413
(2) Book value as at December 31, 2023	31,259	481,632	286,742	799,633

Other description: As at December 31, 2024, the lease expenses recognized by the Group and relevant to the short-term lease and low-value assets lease amounted to RMB549,793,000.

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.14 Intangible assets

5.14.1 Breakdowns of intangible assets

Item	Land use right	Software use right	Contract income right	Others	Total
1. Original book value					
(1) Balance as at December 31, 2023	150,387	300,742	869,289	77,418	1,397,836
(2) Increase in the current period	13,789	48,322	126,811	25	188,947
– Purchase	13,789	42,797		25	56,611
– Complete of construction			126,811		126,811
– Transferred from other long-term assets		2,829			2,829
– Classification adjustment		2,696			2,696
(3) Decrease in the current period		9,560		3,501	13,061
– Dispose		9,560		805	10,365
– Classification adjustment				2,696	2,696
(4) Balance as at December 31, 2024	164,176	339,504	996,100	73,942	1,573,722
2. Accumulated amortization					
(1) Balance as at December 31, 2023	38,190	187,687	672,263	56,918	955,058
(2) Increase in the current period	3,562	37,426	158,407	8,104	207,499
– Provision	3,562	33,956	158,407	8,104	204,029
– Transferred from other long-term assets		774			774
– Classification adjustment		2,696			2,696
(3) Decrease in the current period		9,560		3,501	13,061
– Dispose		9,560		805	10,365
– Classification adjustment				2,696	2,696
(4) Balance as at December 31, 2024	41,752	215,553	830,670	61,521	1,149,496
3. Provision for impairment					
4. Book value					
(1) Book value as at December 31, 2024	122,424	123,951	165,430	12,421	424,226
(2) Book value as at December 31, 2023	112,197	113,055	197,026	20,500	442,778

5.14.2 Land use right with pending certificate of title

As at December 31, 2024, there were 1 land-use-right with pending certificates of title and the original book value thereof amounted to RMB6,551,000. The provision for accumulated amortization made amounted to RMB2,620,000, and the net book value was RMB3,931,000.

5.15 Long-term deferred expenses

Item	Balance as at December 31, 2023	Increase in the current period	Amortization in the current period	Other decreases	Balance as at December 31, 2024
Special tools for petroleum engineering	5,891,516	1,674,518	2,160,821	17,240	5,387,973
Other tools for petroleum engineering	1,173,764	728,138	775,393	15,194	1,111,315
Camping house	835,494	125,894	305,165	5,495	650,728
Other long-term deferred expenses	37,993	28,184	7,293		58,884
Total	7,938,767	2,556,734	3,248,672	37,929	7,208,900

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.16 Deferred income tax assets and deferred income tax liabilities

5.16.1 Deferred income tax assets without offset

Item	Balance as at December 31, 2024		Balance as at December 31, 2023	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment and impact of depreciation	960,200	156,372	1,084,637	175,082
Provision for bad debts	683,645	112,977	826,068	146,341
Deferred income	10,966	1,645	8,179	1,227
Deductible loss	354,178	53,127	458,612	68,792
Lease liabilities	513,176	82,358	627,046	99,105
Subtotal	2,522,165	406,479	3,004,542	490,547
Net-off amount of deferred income tax assets and liabilities	480,979	76,174	569,878	89,860
Total	2,041,186	330,305	2,434,664	400,687

5.16.2 Deferred income tax liabilities before offset

Item	Balance as at December 31, 2024		Balance as at December 31, 2023	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	502,624	75,394	565,286	84,793
Changes in fair value through other comprehensive income	10,441	2,610	8,705	2,176
Right-of-use assets	481,356	76,235	570,262	89,918
Subtotal	994,421	154,239	1,144,253	176,887
Net-off amount of deferred income tax assets and liabilities	480,979	76,174	569,878	89,860
Total	513,442	78,065	574,375	87,027

5.16.3 Details of unrecognized deferred income tax assets

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Deductible temporary differences	2,181,353	2,196,367
Deductible losses	14,976,406	14,421,209
Total	17,157,759	16,617,576

5.16.4 Deductible losses from unrecognized deferred income tax assets will be expired in the following years

Year	Balance as at December 31, 2024	Balance as at December 31, 2023	Remark
Year 2024			
Year 2025	355,367	132,055	
Year 2026	8,777,789	450,104	
Year 2027	2,276,758	9,010,277	
Year 2028	296,996	2,277,758	
Year 2029 and later	3,269,496	2,551,015	
Total	14,976,406	14,421,209	

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.17 Short-term borrowings

5.17.1 Classification of short-term borrowings

Item	Currency	**Balance as at December 31, 2024**	Balance as at December 31, 2023
Credit loans from related parties	RMB	**22,846,524**	19,185,000
Credit loans from related parties	USD		722,435
Accrued interest	RMB	**23,925**	
Total		**22,870,449**	19,907,435

Description:

As at December 31, 2024, the Group has no overdue short-term borrowings.

As at December 31, 2024, The interest rate on RMB borrowing ranges from 2.70% to 3.60% (As at December 31, 2022: 2.90%-3.75%).

5.18 Notes payable

Category	**Balance as at December 31, 2024**	Balance as at December 31, 2023
Bank acceptance bill	**3,384,091**	8,821,760
Commercial acceptance bill	**3,678**	
Total	**3,387,769**	8,821,760

At the end of the current period, there were neither notes payable due but not paid, nor notes payable with bank deposits pledged.

5.19 Accounts payable

5.19.1 Presentation of accounts payable

Item	**Balance as at December 31, 2024**	Balance as at December 31, 2023
Payables for materials	**6,609,501**	6,133,102
Payables for construction	**7,417,200**	6,882,583
Payable for labour cost	**8,892,165**	8,396,477
Payables for equipment	**4,427,808**	4,108,661
Others	**919,372**	853,105
Total	**28,266,046**	26,373,928

5.19.2 Significant accounts payable with aging over one year

Item	**Balance as at December 31, 2024**	Reason for no payment or carry-forward
Entity 1	**37,806**	Unsettled payment
Entity 2	**30,336**	Unsettled payment
Entity 3	**20,099**	Unsettled payment
Entity 4	**18,569**	Unsettled payment
Entity 5	**17,341**	Unsettled payment
Total	**124,151**	

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.20 Contract liabilities

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Petroleum Engineering	2,820,056	2,335,587
Construction Engineering	5,089,861	3,025,687
Total	7,909,917	5,361,274

In the current period, revenue recognized based on the contract liabilities at the beginning of the current period amounted to RMB4,423,291,000.

5.21 Employee compensation payable

5.21.1 Presentation of employee compensation payable

Item	Balance as at December 31, 2023	Increase in the current period	Decrease in the current period	Balance as at December 31, 2024
Short term employee benefits	861,169	16,658,305	16,802,173	717,301
Post-employment benefits	1,902	2,314,006	2,314,173	1,735
Termination benefits		33,972	33,972	
Total	863,071	19,006,283	19,150,318	719,036

5.21.2 Presentation of short-term compensation

Item	Balance as at December 31, 2023	Increase in the current period	Decrease in the current period	Balance as at December 31, 2024
(1) Wages or salaries, bonuses, allowances and subsidies	678,983	11,128,519	11,284,876	522,626
(2) Staff welfare		1,166,629	1,166,629	
(3) Social security contributions	989	1,205,255	1,191,789	14,455
Including: 1. Basic medical insurance	873	1,028,581	1,015,089	14,365
2. Work-related injury insurance	64	81,175	81,174	65
3. Birth insurance	36	32,773	32,784	25
4. Other insurance	16	62,726	62,742	
(4) Housing funds	1,420	1,137,045	1,137,021	1,444
(5) Labor union and employee education funds	173,336	339,400	339,283	173,453
(6) Others	6,441	1,681,457	1,682,575	5,323
Total	861,169	16,658,305	16,802,173	717,301

5.21.3 Presentation of defined contribution plans

Item	Balance as at December 31, 2023	Increase in the current period	Decrease in the current period	Balance as at December 31, 2024
Basic pension insurance	1,284	1,498,207	1,498,209	1,282
Unemployment insurance	40	62,244	62,244	40
Annuity	578	753,555	753,720	413
Total	1,902	2,314,006	2,314,173	1,735

The in-service employees of the Group are subject to basic pension and medical insurance, which are extracted and paid according to regulated rates and set up and governed by local government. In addition, the Company provides a supplementary defined contribution retirement plan for its employees at rates not exceeding 8% of their salaries. Employees who have served the Group for more than one year may participate in this plan. The assets of this plan are held separately from those of the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group. A member of the above plans is entitled to a pension amount equal to a fixed proportion of the salary prevailing at his or her retirement date. The Group has no other material obligation for the payment of pension benefit associated with the basic and supplementary pension plans beyond the annual contributions described above.

During this report, the Group paid RMB33,972,000 compensation to the resigning employee for terminating labor relation.

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.22 Taxes and surcharges payable

Taxes and surcharges	Balance as at December 31, 2024	Balance as at December 31, 2023
VAT	474,306	414,317
Corporate income tax	135,592	206,715
Urban maintenance and construction tax	35,074	29,172
House property tax	1,588	1,331
Land use tax	11,278	11,341
Individual income tax	197,652	204,310
Education surtax	22,169	18,487
Other taxes	87,420	115,231
Total	965,079	1,000,904

5.23 Other payables

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Interest payable		20,006
Other payables	3,712,039	3,342,677
Total	3,712,039	3,362,683

5.23.1 Interest payable

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Interest payable of long-term loan which interest paid by installment and principal paid at maturity date		2,420
Interest payable of short-term loan		17,586
Total		20,006

5.23.2 Other payables

(1) Presentation of other payables by nature

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Guarantee	1,145,101	1,056,429
Deposit	172,753	157,375
Amount paid on behalf	865,540	725,937
Temporary receipts	531,755	474,728
Escrow payments	33,876	45,194
Withheld payments	53,179	57,811
Others	909,835	825,203
Total	3,712,039	3,342,677

As at December 31, 2024, other payables with aging over one year amounted to RMB680,839,000 (As at December 31, 2023: RMB693,544,000), mainly including the project quality guarantee deposit, deposit and security fund which are payable. As the project guarantee period has not been matured, or the settlement period has not been due, such payables have not been settled.

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.24 Non-current liabilities maturing within one year

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Lease liabilities within one year	272,460	436,121
Total	272,460	436,121

5.25 Long-term borrowings

Item	Balance as at December 31, 2024	Interest rate period	Balance as at December 31, 2023	Interest rate period
Loans on credit			318,722	7.19%
Total			318,722	

5.26 Lease liabilities

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Land and housing	393,882	467,639
Equipment and others	182,911	285,602
Sub-total	576,793	753,241
Less: Lease liabilities within one year	272,460	436,121
Total	304,333	317,120

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.27 Long-term payables

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Long-term payables	90,987	58,829
Total	90,987	58,829

5.27.1 Long-term payables

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Other long-term payables	90,987	58,829
Sub-total	90,987	58,829
Less: Long-term payables within one year		
Total	90,987	58,829

5.28 Estimated liabilities

Item	Balance as at December 31, 2024	Balance as at December 31, 2023	Forming reason
Outstanding litigation	51,893		Pending litigation remains after the conclusion of the judicial reorganization
Expected loss of judicial restructuring		150,743	Estimated payment costs of judicial restructuring
Executory onerous contracts	1,412	3,948	Expected loss of construction contract
Estimated foreign tax expenses	37,060	58,018	Estimated tax expense
Total	90,365	212,709	

5.29 Deferred income

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at December 31, 2024	Forming reason
Government grants	18,189	54,914	48,345	24,758	Government grants received
Total	18,189	54,914	48,345	24,758	

5.30 Share capital

Current Period

Item	Balance as at December 31, 2023	Changes in current period ("+" for increase and "-" for decrease)					Balance as at December 31, 2024
		New shares issued	Share donation	Share Repurchase	Others	Sub-total	
Legal person share held by domestic capital	11,786,046				-111,057	-111,057	11,674,989
RMB social public shares (A-share)	1,783,333				111,057	111,057	1,894,390
Foreign shares listed overseas (H-share)	5,414,961			-4,928		-4,928	5,410,033
Total	18,984,340			-4,928		-4,928	18,979,412

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.30 Share capital (Continued)

Prior Period

Item	Balance as at December 31, 2022	Changes in current period ("+" for increase and "-" for decrease)					Balance as at December 31, 2023
		New shares issued	Share donation	Share Repurchase	Others	Sub-total	
Legal person share held by domestic capital	11,786,046						11,786,046
RMB social public shares (A-share)	1,783,333						1,783,333
Foreign shares listed overseas (H-share)	5,414,961						5,414,961
Total	18,984,340						18,984,340

The decrease of the share capital from the domestic non-public offering was caused by the reduction of the holding by the state-owned enterprise CITIC Group, and the transaction was a shareholder-level transaction, which only changed the distribution between the domestic non-public issuance of corporate shares and the public's A shares. The decrease in foreign shares (H shares) listed overseas was due to the cancellation of share repurchases.

5.31 Capital reserves

Current Period

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at December 31, 2024
Share premium	11,649,804	2,679		11,652,483
Other capital reserves	67,969			67,969
Total	11,717,773	2,679		11,720,452

Prior Period

Item	Balance as at December 31, 2022	Increase in current period	Decrease in current period	Balance as at December 31, 2023
Share premium	11,649,804			11,649,804
Other capital reserves	67,969			67,969
Total	11,717,773			11,717,773

5.32 Other comprehensive income

Item	Balance as at December 31, 2023	Current period						Balance as at December 31, 2024
		Pre-tax amount incurred in current period	Less: the amount included in other comprehensive income in prior period and transferred to current profits or losses	Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	Less: Other comprehensive income is transferred to retained earnings in the current period	
1. Other comprehensive income that cannot be reclassified into profit or loss	6,171	1,736		433	1,303		-357	7,831
Including: changes in the fair value of other equity instruments investment	6,171	1,736		433	1,303		-357	7,831
2. Other comprehensive income that will be reclassified into profit or loss	16,447	5,915			5,915			22,362
Including: other comprehensive income from transferable gains or losses under the equity method	16,447	5,915			5,915			22,362
Total of other comprehensive income	22,618	7,651		433	7,218		-357	30,193

Net other comprehensive income after tax for the period was RMB7,218,000. Among them, the net after-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB7,218,000 for the period.

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.33 Special reserves

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at December 31, 2024
Production safety fund	313,849	1,208,060	1,219,035	302,874
Total	313,849	1,208,060	1,219,035	302,874

In accordance with PRC regulations, the Group appropriated production safety fund of RMB1,208,060,000 to specific reserve for year ended December 31, 2024, which was recognised in the cost of related products and the Specific reserve. for year ended December 31, 2024, the Group utilised production safety fund amounting to RMB1,219,035,000 which was of expenditure nature.

5.34 Surplus reserves

Item	Balance as at December 31, 2023	Increase in current period	Decrease in current period	Balance as at December 31, 2024
Statutory surplus reserves	200,383			200,383
Total	200,383			200,383

5.35 Retained earnings

Item	Current period	Prior period	Withdrawal or distribution proportion
Undistributed profit at the beginning of the year	-23,215,761	-23,804,977	
Plus: net profit attributable to owners of the parent company in the period	631,606	589,216	
Other comprehensive income carried forward to retained earnings	-357		
Retained earnings as at the end of the period	-22,584,512	-23,215,761	
Including: the amount of the surplus reserve withdrawn by subsidiaries in the year attributable to the parent company	37,328	70,123	

5.36 Revenue and cost of sales

5.36.1 Revenue and cost of sales

Item	Current year		Prior year	
	Revenue	Cost	Revenue	Cost
Major business	79,997,739	74,022,836	78,925,046	73,537,336
Other business	1,098,439	739,462	1,055,893	650,161
Total	81,096,178	74,762,298	79,980,939	74,187,497

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.36 Revenue and cost of sales (Continued)

5.36.2 Revenue from contracts

The Group has six reportable segments, they are geophysics, drilling engineering, logging, and mud logging, special down-hole operations, engineering construction and others. The Group expects that classify and disclose revenue according to customer type, major business area and revenue recognition time can reflect the impact of relevant economic factors on the nature, amount, time distribution and uncertainty of enterprise income and cash flow.

The current revenue breakdown information is as follows:

Contract segments	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Total
Main business premise							
Mainland China	4,138,953	27,792,057	3,509,117	9,749,150	15,245,439	1,458,230	61,892,946
Other countries or regions	1,760,227	12,386,286	82,896	1,216,229	2,564,381	94,774	18,104,793
Total	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	1,553,004	79,997,739
Client type							
Related parties	3,308,257	25,077,301	3,119,886	8,766,925	11,686,388	470,434	52,429,191
Third party	2,590,923	15,101,042	472,127	2,198,454	6,123,432	1,082,570	27,568,548
Total	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	1,553,004	79,997,739
Recognition time of revenue							
Goods (recognised at a point of time)		2,377		924	37,383	523,358	564,042
Service (recognised over time)	5,899,180	40,175,966	3,592,013	10,964,455	17,772,437	1,029,646	79,433,697
Total	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	1,553,004	79,997,739

5.36.3 Notes to performance obligations

The Group's accounting policies for revenue is set out in Note 3.23. The Group signs petroleum engineering technical service contracts or construction engineering contracting contracts with customers to provide geophysical, drilling engineering, logging, and mud logging, special down-hole operations and engineering construction, and usually completes labor services or delivers construction within the agreed period. The customer settles the completed workload in installments during the contract performance period and pays the progress payment within 30-180 days after settlement. The final settlement and payment are made after the completion of the project and the completion acceptance.

According to the contractual stipulations and legal provisions, the Group's engineering construction business provides quality assurance for the construction. This type of quality assurance is a guaranteed quality assurance to the customer that the construction meet the established standards and does not constitute an individual performance obligation. The Group accounts in accordance with the accounting policies described in Note 3.23.

The Group determines whether the Group's identity is the major principal or agent when engaging in a transaction based on whether it has control over the goods or services before transferring the goods or services to the customers. If the Group can control the goods or services before transferring goods or services to customers, the Group is the major principal and recognizes revenue according to the total amount received or receivable; otherwise, the Group is an agent and recognizes revenue in accordance with the amount of commission or poundage expected to be recognized. The amount is determined by the net amount of deducting to the payable of other related parties from the total amount received or receivable, or according to the established commission amount or proportion.

5.36.4 Transaction price allocated to the remaining performance obligations

The Group signs engineering service contracts with several customers to provide petroleum engineering technical services and construction engineering contracting services and will perform them in a certain period. These contracts usually constitute an individual performance obligation. As at December 31, 2024, some of the Group's petroleum engineering technical services and construction projects are still in the course of performance, and the total transaction price allocated to the unfulfilled obligations is approximately RMB46,162,000,000. The amount is related to performance of each contract and will be recognized as revenue based on the progress of the performance in the future performance period of each contract.

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.37 Taxes and surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	52,905	47,810
Educational surcharges	41,285	38,355
Overseas taxes and surcharges	100,847	120,057
Property taxes	10,823	10,177
Land use taxes	51,060	51,078
Vehicle and vessel usage tax	7,287	7,785
Stamp duty	59,052	51,722
Others	2,709	2,901
Total	325,968	329,885

5.38 Selling and distribution expenses

Item	Current period	Prior period
Staff costs	62,314	60,076
Depreciation cost	630	670
Expenses for business trips	4,551	4,629
Publicity expenses	1,616	5,347
Rental expenses	599	1,980
Office expenses	7,521	2,773
Others	7,254	7,214
Total	84,485	82,689

5.39 General and administrative expenses

Item	Current period	Prior period
Repair and maintenance	63,791	14,963
Staff costs	1,636,526	1,621,224
The information system runs maintenance fees	57,356	76,498
Business entertainment	18,412	24,125
Travel expenses	53,280	59,575
Rental expenses	16,737	20,167
Depreciation and amortization	124,479	125,449
Consultation	22,715	23,450
Property insurance	2,247	2,239
Others	410,116	426,796
Total	2,405,659	2,394,486

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.40 Research and development expenses

Item	Current period	Prior period
Staff costs	830,110	757,642
Materials costs	1,062,521	958,002
Technical collaboration fee	82,162	59,179
Experimental expenses	21,738	31,182
Depreciation	53,997	63,534
Others	196,583	214,257
Total	2,247,111	2,083,796

5.41 Financial expenses

Item	Current period	Prior period
Interest expenses on borrowings	710,257	762,561
Interest expenses on lease liabilities	38,997	42,456
Interest income	-63,109	-23,649
Exchange losses/(gains)	-61,836	34,952
Bank charges and others	105,212	77,753
Total	729,521	894,073

5.42 Other income

Grant items	Current period	Prior period
National research grants	20,670	20,075
Subsidies of enterprise development	19,449	12,495
Subsidies of stable post	12,949	13,662
Government incentives	3,817	1,173
National research grants	39	814
Additional input VAT credit	24,939	35,249
Return of individual income tax fee	4,947	4,291
Self-use refined oil consumption tax refund	582	262,534
Total	87,392	350,293

5.43 Investment income

Item	Current period	Prior period
Investment income from Long-term equity calculated by equity method	-28,593	20,842
Investment income from the disposal of long-term equity investments		-1,020
Dividend income obtained during the holding period of other equity instrument investments	500	1,200
Investment income from debt restructuring	28,110	34,011
Total	17	55,033

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.44 Impairment of credit losses

Item	Current period	Prior period
Losses form impairment of accounts receivable	**-435,936**	-134,408
Losses form impairment of other receivables	**-29,849**	-264,586
Total	**-465,785**	-398,994

5.45 Impairment of assets

Item	Current period	Prior period
Losses from impairment of contract assets	**-138,134**	-4,250
Losses from impairment of inventories	**797**	
Impairment losses on long-term equity investments	**274,419**	
Impairment loss on fixed assets		4,957
Others	**-3,864**	
Total	**133,218**	707

5.46 Gains from disposal of assets

Item	Current period	Prior period
Gain on disposal of fixed assets ("-" for losses)	**62,853**	85,168
Others	**12,547**	2,675
Total	**75,400**	87,843

5.47 Non-operating income

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Income from waived payables	**31,200**	20,509	31,200
Compensation received	**7,685**	3,489	7,685
Penalty income	**3,223**	2,508	3,223
Gains from assets counts	**44**		44
Insurance compensation	**8,357**	1,159	8,357
Gain from asset scrap	**77,535**	90,682	77,535
Other	**4,153**	19,840	4,153
Total	**132,197**	138,187	132,197

5.48 Non-operating expenses

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Donation	**3,214**	966	3,214
Compensation	**4,053**	17,339	4,053
Penalty	**3,236**	2,067	3,236
Non-current assets written off	**29,586**	22,011	29,586
Expected losses from judicial restructuring	**-95,214**		-95,214
Others	**91,311**	67,433	91,311
Total	**36,186**	109,816	36,186

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.49 Income tax expenses

5.49.1 Table of income tax expenses

Item	Current period	Prior period
Current tax in accordance with tax laws and related regulations	**439,932**	351,598
Deferred income tax	**60,985**	-12,474
Total	**500,917**	339,124

5.49.2 Adjustment process of accounting profits and income tax expenses

Item	Current period
Total profits	**1,132,523**
Income tax expenses calculated at statutory tax rate	**283,131**
Effect of different tax rates used by subsidiaries	**-11,598**
Adjustments of current tax in previous years	**-13,283**
Profit and loss of joint ventures and associates accounted for using the equity method	**7,926**
Effect of non-deductible costs, expenses, and losses	**96,829**
Effect of unrecognized deferred income tax assets in prior periods	**-30,853**
Effect of deductible temporary differences or losses from deferred income tax assets unrecognized in current period	**297,118**
Tax effect of additional deduction of research and development expenses	**-128,353**
Income tax expenses	**500,917**

5.50 Items of statement of cash flows

5.50.1 Cash received from other operating activities

Item	Current period	Prior period
Amount paid on behalf	**1,405,500**	1,420,025
Government grants	**93,961**	358,519
Temporary receipt and payment	**1,507,283**	1,244,829
Guarantee	**1,029,924**	944,204
Compensation	**25,531**	15,793
Deposits	**10,093**	23,944
Others	**198,147**	498,828
Total	**4,270,439**	4,506,142

5.50.2 Cash paid for other operating activities

Item	Current period	Prior period
Temporary receipt and payment	**163,008**	118,304
Guarantee	**1,029,924**	901,768
Integrated service	**109,662**	107,167
Repair and maintenance expenses	**691,339**	758,356
Other operating expenses	**1,814,066**	1,762,852
Others	**112,724**	94,817
Total	**3,920,723**	3,743,264

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.50 Items of statement of cash flows (Continued)

5.50.3 Cash paid for other financing activities

Item	Current period	Prior period
Lease payments	676,704	588,713
Notes acceptance fee	668	793
Payment of guarantee and commitment fees	62,992	39,483
Share Repurchase	3,567	
Total	743,931	628,989

5.51 Supplementary information to the statement of cash flows

5.51.1 Supplementary information to the statement of cash flows

Supplementary information	Current period	Prior period
1. Net profits adjusted to cash flows from operating activities		
Net profit	631,606	589,216
Plus: Impairment of credit losses	-465,785	-398,994
Impairment losses on assets	133,218	707
Depreciation of fixed assets	3,050,357	3,040,217
Depreciation of right-of-use assets	627,093	601,525
Amortization of intangible assets	204,029	183,938
Amortization of long-term deferred expenses	3,228,352	2,649,296
Losses on disposal of fixed assets, intangible assets, and other long-term assets (“-” for gains)	-75,400	-87,843
Losses from scrapping of fixed assets (“-” for gains)	-50,842	-68,671
Financial expenses (“-” for gains)	653,975	846,439
Investment loss (“-” for gains)	-17	-55,033
Decreases in deferred income tax assets (“-” for increases)	70,382	-30,673
Increases in deferred income tax liabilities (“-” for decreases)	-9,396	18,199
Decreases in inventories (“-” for increases)	193,997	-87,954
Decreases in operating receivables (“-” for increases)	-2,314,847	-4,409,545
Increases in operating payables (“-” for decreases)	-2,764,894	2,799,223
Production safety fund	-10,974	-13,134
Net cash flows from operating activities	3,100,854	5,576,913
2. Significant investing and financing activities not involving cash receipts and payments		
3. Net change in cash and cash equivalents		
Ending balance of cash and cash equivalents	3,441,398	2,788,798
Less: beginning balance of cash and cash equivalents	2,788,798	1,801,150
Net increase in cash and cash equivalents	652,600	987,648

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.51 Supplementary information to the statement of cash flows (Continued)

5.51.2 Breakdowns of cash and cash equivalents

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
I. Cash	3,441,398	2,788,798
Including: cash on hand	1,100	1,551
Unrestricted bank deposits	3,440,298	2,786,895
Other unrestricted monetary funds		352
II. Cash equivalents		
III. Ending balance of cash and cash equivalents	3,441,398	2,788,798
Including: Restricted cash and cash equivalents by the parent company or its subsidiary subsidiaries		

5.51.3 Supplier financing arrangements

(1) Terms and conditions of the supplier financing arrangement (e.g. extension of payment terms and provision of guarantees, etc.)

The Company has signed agreements with supply chain financing institutions such as Easy-pec and banks, stipulating that they will provide agency payment and accounts payable factoring services for the Company, and the Company shall pay the actual payments within a certain period of time (usually not more than 18 months) on the actual payment date of the supply chain financing institutions. The financing arrangement is unsecured, pledged, etc.

(2) Financial liabilities that are part of a supplier financing arrangement

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Accounts payable	4,613,342	
Including: The amount that the supplier has received from the financing provider	4,086,075	
Short-term borrowing	156,524	
Including: The amount that the supplier has received from the financing provider	156,524	

(3) The range of payment due dates

	At December 31, 2024
Financial liabilities that are part of a vendor financing arrangement	On-demand

(4) The type and impact of current changes in cash receipts and expenditures are not included in the carrying amount of financial liabilities of vendor financing arrangements

Type	Current period
The financier pays directly to the vendor's account and shows the change in accounts payable internal merchants	156,524

5.52 Assets with restrictions on the ownership or use right

Item	Book value as at December 31, 2024	Reason for restriction
Cash at bank and on hand	207,116	Guarantee and funds that are blocked frozen
Total	207,116	

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.53 Foreign currency monetary items

5.53.1 Foreign currency monetary items

Item	Balance in foreign currency as at December 31, 2024	Exchange rate for conversion	RMB amount translated as at December 31, 2024
Monetary funds			1,242,358
Including: USD	103,839	7.19	746,434
KWD	3,492	23.33	81,467
SAR	45,852	1.93	88,421
DZD	641,804	0.05	33,979
Others			292,057
Accounts receivable			4,331,228
Including: USD	437,528	7.19	3,145,126
KWD	15,710	23.33	366,550
SAR	277,903	1.93	535,913
DZD	228,083	0.05	12,075
Others			271,564
Other receivables			1,219,869
Including: USD	90,464	7.19	650,295
KWD	7,922	23.33	184,834
SAR	135,930	1.93	262,129
DZD	83,609	0.05	4,427
Others			118,184
Accounts payable			1,422,722
Including: USD	71,710	7.19	515,479
KWD	5,472	23.33	127,674
SAR	300,673	1.93	579,823
DZD	187,378	0.05	9,920
Others			189,826
Other payables			455,894
Including: USD	29,652	7.19	213,149
KWD	3,892	23.33	90,808
SAR	47,686	1.93	91,959
DZD	596,671	0.05	31,590
Others			28,388

5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.54 Lease

5.54.1 As the lessee

Item	Current period	Prior period
Interest expenses on lease liabilities	38,997	42,456
Expense on short-term lease under simplified treatment and included in relevant asset costs or the current profit or loss	1,832,209	1,451,349
Total cash outflows relevant to lease	2,485,937	2,148,964

The Company's future potential cash outflows not included in the lease liabilities for measurement mainly come from leases where the leasee has committed but not started yet. The estimated annual cash outflows in the future of leases where the lease has committed but not started are as below:

Remaining lease term	Lease payment undiscounted
Within 1 year	139,535
1 – 2 years	2,210
2 – 3 years	2,210
Over 3 years	210
Total	144,165

5.54.2 As the lessor

(1) Operating lease

Item	Current period	Prior period
Revenue from operating lease	70,214	58,916

Undiscounted lease receipts that will be collected after December 31, 2024:

Remaining lease term	Current period	Prior period
Within 1 year	164,020	128,288
1 – 2 years	24,334	11,170
2 – 3 years	5,774	5,575
3 – 4 years	5,546	5,498
4 – 5 years	3,014	5,498
Over 5 years	101	3,039
Total	202,789	159,068

6 R&D EXPENDITURES

(1) R&D expenditures

Item	Current period	Prior period
Labor costs	830,110	757,642
Material costs	1,062,521	958,002
Technical collaboration fee	82,162	59,179
Expenses for scientific research experiments	21,738	31,182
Depreciation	53,997	63,534
Other	196,583	214,257
Total	2,247,111	2,083,796
Including: Expense R&D expenditure	2,247,111	2,083,796
Capitalize R&D expenditures		

(2) Development expenditures

During the reporting period, the company did not incur capitalized R&D expenditures.

7 CHANGE OF CONSOLIDATION SCOPE

During the reporting period, A new third-level subsidiary, Changjiang Petroleum Engineering Services Co., Ltd., was established.

8 EQUITY IN OTHER ENTITIES

8.1 Equity in the subsidiaries

8.1.1 Structure of enterprise group

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Way of acquisition
				Direct	Indirect	
Sinopec Oilfield Service Corporation	China	Beijing	Oilfield technical service	100		Business combination under the common control
Sinopec Shengli Petroleum Engineering Corporation	China	Dongying, Shandong	Oilfield technical service	100		Business combination under the common control
Sinopec Zhongyuan Petroleum Engineering Corporation	China	Puyang, Henan	Oilfield technical service	100		Business combination under the common control
Sinopec Jianghan Petroleum Engineering Corporation	China	Qianjiang, Hubei	Oilfield technical service	100		Business combination under the common control
Sinopec East China Petroleum Engineering Corporation	China	Nanjing, Jiangsu	Oilfield technical service	100		Business combination under the common control
Sinopec North China Petroleum Engineering Corporation	China	Zhengzhou, Henan	Oilfield technical service	100		Business combination under the common control
Sinopec South West Petroleum Engineering Corporation	China	Chengdu, Sichuan	Oilfield technical service	100		Business combination under the common control
Sinopec Geophysical Corporation	China	Beijing	Geophysical exploration	100		Business combination under the common control
Sinopec Petroleum Engineering and Construction Corporation	China	Beijing	Engineering construction	100		Business combination under the common control
Sinopec Offshore Petroleum Engineering Corporation	China	Shanghai	Offshore oilfield technical service	100		Business combination under the common control
Sinopec International Petroleum Service Corporation	China	Beijing	Oilfield technical service	100		Business combination under the common control
Sinopec Jingwei Co., Ltd.	China	Qingdao, Shandong	Specialized mining and ancillary activities	100		Established

8.2 Equity in joint venture arrangements or associates

8.2.1 Major joint ventures or associates

Name of joint ventures or associates	Principal place of business	Registered place	Business nature	Shareholding ratio (%)		Accounting treatment method for investments in joint ventures or associates
				Direct	Indirect	
Sinopec International Petroleum Engineering Mexico DS Joint Venture	Mexico	Mexico	Oilfield technical services	50.00		Equity method

8 EQUITY IN OTHER ENTITIES (CONTINUED)

8.2 Equity in joint venture arrangements or associates (Continued)

8.2.2 Principal financial information of major joint ventures

	Sinopec International Petroleum Engineering Mexico DS Joint Venture.	
	Balance as at December 31, 2024/ Current period	Balance as at December 31, 2023/ Prior period
Current assets	**887,379**	904,431
Including: cash and cash equivalents	**132,404**	233,975
Non-current assets	**1,965,090**	2,250,768
Total assets	**2,852,469**	3,155,199
Current liabilities	**1,068,947**	1,144,987
Non-current liabilities	**830,289**	996,123
Total liabilities	**1,899,236**	2,141,110
Net assets	**953,233**	1,014,089
Equity attributable to shareholders of the Company	**476,617**	507,045
Adjusted matters		
Carrying amount of equity investment in joint ventures	**476,617**	507,045
Revenue	**248,027**	378,141
Financial expenses	**-48,737**	21,602
Income tax expenses		
Net profit	**-72,686**	25,294
Other comprehensive income		
Total comprehensive income	**-72,686**	25,294
Dividends received from joint ventures		

8.2.3 Summary of financial information on insignificant joint ventures or associates

	Balance as at December 31, 2024/ Current period	Balance as at December 31, 2023/ Prior period
Joint ventures:		
Total book value of investments	**10,537**	10,916
Total amount calculated based on the following shareholding proportions		
– Net profit	**-379**	1,345
– Other comprehensive income		
– Total comprehensive income	**-379**	1,345
Associates:		
Total book value of investments	**38,816**	35,535
Total amount calculated based on the following shareholding proportions		
– Net profit	**8,129**	6,850
– Other comprehensive income		
– Total comprehensive income	**8,129**	6,850

9. GOVERNMENT GRANTS

9.1 The type, amount and presentation of government subsidies

1. Government subsidies included in the profit or loss for the current period

Asset-related government grants

Balance sheet presentation items	The amount of government subsidy	The amount included in profit or loss for the current period or offset related costs and expenses		Items included in profit or loss for the current period or offset related costs and expenses
		Amount for the current period	The amount of the previous period	
Deferred earnings	153	39	814	Other earnings
Total	153	39	814	

Revenue-related government grants

Items included in profit or loss for the current period or offset related costs and expenses	The amount of government subsidy	The amount included in profit or loss for the current period or offset related costs and expenses	
		Amount for the current period	The amount of the previous period
Other earnings	111,999	87,353	349,479
Total	111,999	87,353	349,479

Grant item	Category	Balance as at December 31, 2023	New grants in current period	Amount carried forward and included in profit or loss in current period	Balance as at December 31, 2024	Presented items carried forward and included in profit or loss in current period	Assets-related/ Income-related
Return of individual income tax fee	Financial appropriation		4,946	4,946		Other gains	Income-related
Special funds for national scientific research	Financial appropriation	9,786	27,549	20,670	**16,665**	Other gains	Income-related
Excise tax refund for self-use refined oil products	Financial appropriation		583	583		Other gains	Income-related
Grants for enterprise development	Financial appropriation	8,153	19,277	19,449	**7,981**	Other gains	Income-related
Subsidy for job stabilization	Financial appropriation	97	12,852	12,949		Other gains	Income-related
Government incentive fund	Financial appropriation		3,817	3,817		Other gains	Income-related
Additional VAT deduction	Financial appropriation		24,939	24,939		Other gains	Income-related
Grants for enterprise development – Asset-related	Financial appropriation	153		39	**114**	Other gains	Asset-related
Total		18,189	93,963	87,392	**24,760**		

10. RISKS RELATED TO FINANCIAL INSTRUMENTS

The major financial instruments of the Group include cash at bank and on hand, accounts receivable, receivables at FVTOCI, other current assets, other equity instrument investments, bills payable, accounts payable, other payables, short-term loans, non-current liabilities due within one year, long-term loans, lease liabilities and long-term payables. The details of these financial instruments are disclosed in the respective notes. The financial risk of these financial instruments and financial management policies used by the Group to minimize the risk are disclosed as below. The management manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

Risk management objectives and policies

The Group's objective in risk management is to obtain an appropriate equilibrium between risk and return. It also focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Based on the objectives of financial risk management, certain policies are made to recognize and analyze risk and internal control is designed according to proper acceptable in order to monitor the risk position of the Group. Both the policies and internal control will be reviewed and revised regularly to adapt the changes of the market and business activities of the Group. The performance of internal control will be reviewed regularly or randomly in accordance with the financial management policies.

The Group's financial instrument risks mainly include credit risk, liquidity risk and market risk.(Including currency risk and interest rate risk.)

The board of directors is responsible for planning and establishing the risk management structure of the Group, formulating the Group's risk management policies and related guidelines, supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyze the risks faced by the Group. These risk management policies clearly define specific risks, covering market risk, credit risk and liquidity risk. The Group regularly assesses changes in the market environment and the Group's operating activities to determine whether update risk management policies and systems. The risk management of the Group is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and circumvents related risks through close cooperation with other departments of the Group. The internal audit department of the Group reviews regularly on risk management controls and procedures, then reports the audit results to the audit committee of the Group.

The Group diversifies the risk of financial instruments through appropriate diversified investments and business combinations, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by developing appropriate risk management policies.

10.1 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Credit is managed on the grouping basis. Credit risk is mainly arises from cash at bank, bills receivable, accounts receivable, other receivables, contract assets, long-term receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank since it is deposited or will be accepted by the sate-owned banks and other medium or large size listed banks.

In addition, the Group has policies to limit the credit risk exposure on bills receivable and accounts receivable, other receivables, contract assets and long-term receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The highest credit risk exposed to the Group is limited to the carrying amount of each financial instrument illustrated in the balance sheet. The Group would not provide any guarantee that might cause credit risk to the Group.

Among the bills receivable and accounts receivable of the Group, the bills receivable and accounts receivable of the top five customers accounted for 61.74% (in 2023: 55.35%); among the other receivable of the Group, the other receivable of the top five customers accounted for 42.45% (2023: 30.46%).

10.2 Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

Cash flow forecasting is performed by Group's finance department. The Group's finance management monitors cash and cash equivalents to meet operational needs and reduce the effect of floating cash flow. The department monitors the usage of bank loan so that the Group does not breach borrowing limits or covenants while maintaining sufficient headroom on its undrawn committed borrowing facilities from Sinopec Finance Co., LTD and major financial institute to meet the short-term and long-term liquidity requirements. In addition, the Group will also consider negotiating with suppliers to reduce the amount of debt to reduce the company's cash flow pressure.

The Group raises working capital from its operations, bank and other borrowings. As at December 31, 2024, the amount of bank loans not yet used by the Group is RMB7, 829, 785,000. (as at December 31, 2023: RMB13,147,147,000).

10. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Risk management objectives and policies (Continued)

10.2 Liquidity risk (Continued)

As at the end of the period, the financial assets, financial liabilities and off-balance sheet guarantee items held by the Company are analyzed based on the maturity of remaining undiscounted contractual cash flows as follows (unit: RMB '000):

Item	Balance as at December 31, 2024				
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	3,648,514				3,648,514
Accounts receivable	13,294,827				13,294,827
Accounts receivable financing	2,557,311				2,557,311
Other receivables	2,848,479				2,848,479
Other current assets	2,616,835				2,616,835
Total financial assets	24,965,966				24,965,966
Financial liabilities:					
Short-term loans	23,438,618				23,438,618
Bills payable	3,387,769				3,387,769
Accounts payable	28,266,046				28,266,046
Other payables	3,712,039				3,712,039
Non-current liabilities due within 1 year	279,393				279,393
Lease liabilities		173,712	88,610	45,543	307,865
Long-term payables		90,987			90,987
Total financial liabilities and contingent liabilities	59,083,865	264,699	88,610	45,543	59,482,717

Item	Balance as at December 31, 2023				
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	2,816,116				2,816,116
Accounts receivable	10,602,242				10,602,242
Accounts receivable financing	2,735,081				2,735,081
Other receivables	2,760,141				2,760,141
Other current assets	2,492,849				2,492,849
Total financial assets	21,406,429				21,406,429
Financial liabilities:					
Short-term loans	20,492,465				20,492,465
Bills payable	8,821,760				8,821,760
Accounts payable	26,373,928				26,373,928
Other payables	3,362,683				3,362,683
Non-current liabilities due within 1 year	489,392				489,392
Long-term borrowings		341,646			341,646
Lease liabilities		153,117	130,398	62,520	346,035
Long-term payables		58,829			58,829
Total financial liabilities and contingent liabilities	59,540,228	553,592	130,398	62,520	60,286,738

10. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Risk management objectives and policies (Continued)

10.3 Market risk

Market risk, includes interest rate risk and foreign currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

10.3.1 Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the floating rate. Interest rate risk arises from recognized interest-bearing financial instrument and unrecognized financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from long-term bank loans and other interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flows interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. At the same time, the Group monitors and maintains the combined financial instruments of fixed rate and floating rate.

The Group closely monitors the impact of changes in interest rates on the Group's interest rate risk. The Group currently does not adopt an interest rate hedging policy. However, management is responsible for monitoring interest rate risk and will consider hedging significant interest rate risk when it will be needed. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's management will make decisions with reference to the latest market conditions. The Group may enter into interest swap agreement to mitigate its exposure to the interest rate risk. For the period ended December 31, 2024 and year ended December 31, 2023, the Company did not enter into any interest rate swap arrangements. The fair value interest rate risk of the deposit with bank was not principal because the fixed term deposits are short-term deposits etc.

The interest-bearing financial instruments held by the Group are as follows:

Item	**Balance as at December 31, 2024**	Balance as at December 31, 2023
Fixed interest rate financial instruments		
Financial assets:	**223,827**	52,500
Monetary funds	**223,827**	52,500
Financial liabilities:	**23,447,242**	19,938,241
Short-term borrowings	**22,870,449**	19,185,000
Lease liabilities	**576,793**	753,241
Floating interest rate financial instruments		
Financial assets:	**3,424,687**	2,763,616
Monetary funds	**3,424,687**	2,763,616
Financial liabilities:		1,041,157
Short-term borrowings		722,435
Long-term borrowings		318,722

10. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Risk management objectives and policies (Continued)

10.3 Market risk (Continued)

10.3.1 Interest rate risk (Continued)

The financial instruments held by the Group at the date of balance sheet expose the Group to fair value interest rate risk. Under the hypothesis of a floating interest rate at the date of balance sheet, the effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arised from the recalculation of these financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Group at the date of balance sheet expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arised from the effect to the annual estimate amount of interest expenses or revenues at the floating interest rate. The analysis of the previous period is based on the same hypothesis and method.

10.3.2 Exchange rate risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Foreign currency risk arises from the functional currency denominated financial instrument measured at individual entity.

The Group's major operational activities are carried out in Mainland China and most of the transactions are denominated in RMB. However, the Group's recognized foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollar, Saudi Riyal and Kuwaiti Dinar) still have foreign exchange risks.

As at December 31, 2024, the foreign currency financial assets and liabilities held by the Group were converted to RMB. The amounts are listed as follows:

	Foreign currency liabilities		**Foreign currency assets**	
Item	**Amount as at December 31, 2024**	Amount as at December 31, 2023	**Amount as at December 31, 2024**	Amount as at December 31, 2023
USD	**728,628**	2,034,471	**4,541,855**	5,027,517
SAR	**671,782**	499,153	**886,464**	700,553
KWD	**218,482**	230,640	**632,851**	812,779
Other foreign currencies	**259,724**	224,688	**732,286**	779,061
Total	**1,878,616**	2,988,952	**6,793,456**	7,319,910

The Group closely monitors the impact of changes in interest rates on the Group's interest rate risk. The Group's management is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange agreements or currency swap agreements to mitigate the foreign currency risk.

Under the circumstance that other variables remain unchanged, the after-tax effects of possible reasonable changes in the exchange rate of foreign currencies against RMB this year on the Group's current profit or loss are as follows:

Increase (decrease) in after-tax profit	**Current year**		Prior year	
USD exchange rate rises	**5%**	**142,996**	5%	112,239
USD exchange rate declines	**-5%**	**-142,996**	-5%	-112,239
SAR exchange rate rises	**5%**	**8,051**	5%	7,553
SAR exchange rate declines	**-5%**	**-8,051**	-5%	-7,553
KWD exchange rate rises	**5%**	**15,539**	5%	21,830
KWD exchange rate declines	**-5%**	**-15,539**	-5%	-21,830

11 DISCLOSURE OF FAIR VALUE

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date.

Level 2 inputs are directly or indirectly observable inputs of relevant assets or liabilities other than first-level inputs;

Level 3 inputs refer to unobservable inputs of relevant assets or liabilities.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

11.1 Fair value of assets and liabilities measured at fair value as at December 31, 2024

Item	Fair value as at December 31, 2024			
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	Total
9.1.1 Continuous measurement at fair value				
◆Receivables at FVTOCI			2,557,311	2,557,311
◆Other equity instrument investments			137,441	137,441
Total assets with continuous measurement at fair value			2,694,752	2,694,752

11.2 Nature and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of Level 3 on a going and non-going concern

Item	Fair value as at December 31, 2024	Valuation techniques	Unobservable input values	Range (weighted average value)
Receivables at FVTOCI	2,557,311	Asset-based valuation or Discounted Cash Flow Model	N/A	N/A
Other equity instrument investments	137,441	Net value of assets	N/A	N/A

11.3 Analysis on the measurement items measured at fair value of level 3 on a going concern, adjustment information between the book value as at the end of the last year and the book value as at the end of last period and sensitivity of unobservable parameters

11.3.1 Adjustment information on the continuous measurement project of fair value at level 3

Item	Balance as at December 31, 2023	Transferred to Level III	Transferred from Level III	Total gains or losses in the current period		Purchase, Issue, Sale and Settlement				Balance as at December 31, 2024	For the assets held at the end of the reporting period, the current unrealized gains or changes included in profit or loss
				Included in the profit or loss	Included in the other comprehensive income	Purchase	Issue	Sale	Settlement		
Other equity instrument investments	135,763				1,736				58	137,441	
Total	135,763				1,736				58	137,441	

11.4 Fair value of financial assets and financial liabilities not measured at fair value

The Group's financial assets and financial liabilities measured at amortized cost mainly include: monetary funds, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term payables and long-term borrowings.

Except for the above-mentioned financial assets and financial liabilities, the book value and fair value of other financial assets and financial liabilities not measured at fair value have a very small difference.

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

12.1 Parent company of the Company

Name of parent company	Registration place	Business nature	Registered capital (RMB100 million)	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
China Petrochemical Corporation ("Sinopec Group")	22 Chaoyangmen North Street, Chaoyang District Beijing	Petroleum and natural gas exploration, exploitation and sales; petroleum refining; production, sales, storage and transportation of petrochemical, chemical fiber and other chemical products; pipeline transportation of oil and natural gas; research, development, and application of technology and information.	3,265.47	52.52	66.20

The ultimate controller of the Company is China Petrochemical Corporation.

China Petrochemical Corporation directly holds 52.52% of the Company's equity and holds 13.68% of the Company's equity its wholly owned subsidiary Sinopec Century Bright Capital Investment Limited, with a total voting ratio of 66.20%.

12.2 Information on subsidiaries of the Company

See "Note 8 Equity in other entities" for details of subsidiaries of the Company.

12.3 Joint ventures and associates of the Company

See "Note 8 Equity in other entities" for the details of significant joint ventures or associates of the Company

Other joint ventures and associates that conduct related-party transactions with the Company in the current period or have a balance arising from the related transactions with the Company occurred in the prior period are follows:

Name of joint venture or associate	Relationship with the Company
Qianjiang Hengyun Motor Vehicle Performance Testing Corporation	Associate
Huabei Ruida Oil Service Company Limited	Associate
Xinjiang North China Tianxiang Oil Service Company Limited	Associate
Zhenjiang Huajiang Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyuan Oil & Gas Engineering Technology Service Co., Ltd	Associate
Henan Zhongyou Petroleum and Natural Gas Technical Service Co., Ltd	Associate

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.4 Other related parties

Name of other related parties	Relationship between other related parties and the Company
China Petroleum &Chemical Corporation	Under the common control of Sinopec Group
Sinopec Shengli Petroleum Administrative Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Zhongyuan Petroleum Exploration Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Jianghan Petroleum Administrative Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Henan Petroleum Exploration Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Jiangsu Petroleum Prospecting Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Star Co., Ltd.	Under the common control of Sinopec Group
Sinopec East China Petroleum Bureau	Under the common control of Sinopec Group
Sinopec North China Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Southwest Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Northeast Petroleum Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Pipeline Storage and Transportation Company	Under the common control of Sinopec Group
Sinopec Shanghai Offshore Oil Bureau Co., Ltd.	Under the common control of Sinopec Group
Sinopec Finance Co., Ltd.	Under the common control of Sinopec Group
Sinopec Century Bright Capital Investment Limited	Under the common control of Sinopec Group
Sinopec Assets Operation and Management Co., Ltd.	Under the common control of Sinopec Group
Taiping & Sinopec Financial Leasing Co., Ltd.	Joint venture of Sinopec
Sinopec International Petroleum Exploration and Production Corporation	Associate of Sinopec
China Oil & Gas Pipeline Network Group	Associate of Sinopec
Directors, managers, chief accountant and secretary of the Board of Directors	Key management personnel

12.5 Related-party transactions

12.5.1 Related-party transaction on purchase and sales of goods, and rendering and receipt of services

12.5.1.1 Purchase of goods

Related party	Content of related transaction	Pricing and decision-making process of related transactions	**Current period**	Prior period
Sinopec Group and its subsidiaries	Purchase of materials and equipment	According to normal commercial terms or related agreements	**9,575,704**	10,383,595
Joint ventures and associates of Sinopec Group	Purchase of materials and equipment	According to normal commercial terms or related agreements	**1**	48

12.5.1.2 Sales of goods

Related party	Content of related transaction	Pricing and decision-making process of related transactions	**Current period**	Prior period
Sinopec Group and its subsidiaries	Sales of products	According to normal commercial terms or related agreements	**117,205**	59,011
Joint ventures and associates of Sinopec Group	Sales of products	According to normal commercial terms or related agreements	**6,818**	212
Associates and joint ventures of the Group	Sales of products	According to normal commercial terms or related agreements	**454**	

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.5 Related-party transactions (Continued)

12.5.1 Related-party transaction on purchase and sales of goods, and rendering and receipt of services (Continued)

12.5.1.3 Rendering of services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Petroleum engineering technology service	According to normal commercial terms or related agreements	48,295,689	48,946,921
Joint ventures and associates of Sinopec Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	4,162,131	4,649,684
Joint ventures and associates of the Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	16,797	31,031

12.5.1.4 Receipt of labor services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Receipt of labor services	According to normal commercial terms or related agreements	264,171	
Joint ventures and associates of Sinopec Group	Receipt of labor services	According to normal commercial terms or related agreements	171,100	148,202
Joint ventures and associates of the Group	Receipt of labor services	According to normal commercial terms or related agreements	2,128,316	2,101,454

12.5.1.5 Rendering of comprehensive services services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Rendering of comprehensive services services	According to normal commercial terms or related agreements	116,567	70,088
Joint ventures and associates of the Sinopec Group	Rendering of comprehensive services services	According to normal commercial terms or related agreements	970	1,534
Joint ventures and associates of the Group	Rendering of comprehensive services services	According to normal commercial terms or related agreements	919	

12.5.1.6 Receipt of comprehensive services services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Receipt of community comprehensive services	According to normal commercial terms or related agreements	1,032,240	976,587
Joint ventures and associates of Sinopec Group	Receipt of community comprehensive services	According to normal commercial terms or related agreements	2,471	2,612

12.5.1.7 Rendering R&D services

Related party	Content of related transaction	Pricing and decision-making process of related transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Rendering sci-tech R&D services	According to normal commercial terms or related agreements	240,641	237,410
Joint ventures and associates of Sinopec Group	Rendering sci-tech R&D services	According to normal commercial terms or related agreements	418	4,701

12.5.2 Related-party lease

The Company as the lessor:

Name of lessee	Type of leased assets	Pricing and decision-making process of related transactions	Lease revenue recognized in the current period	Lease revenue recognized in the previous period
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	2,499	1,194
Sinopec Group and its subsidiaries	Housing	According to normal commercial terms or related agreements	4,109	1,742
Joint ventures and associates of Sinopec Group	equipment	According to normal commercial terms or related agreements	1,417	1,417

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.5 Related-party transactions (Continued)

12.5.2 Related-party lease (Continued)

The Company as the lessee:

Name of the lessor	Type of leased assets	Pricing and decision-making process of related transactions	**Current period** **Rental fees paid in the current period**	Prior period Rental fees paid in the prior period
Sinopec Group and its subsidiaries	Land and real estate	According to normal commercial terms or related agreements	**70,147**	283,338
	Including: short-term lease	According to normal commercial terms or related agreements	**70,147**	30,017
	Right-of-use assets	According to normal commercial terms or related agreements		253,322
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	**138,503**	125,331
	Including: short-term lease	According to normal commercial terms or related agreements	**138,294**	122,673
	Right-of-use assets	According to normal commercial terms or related agreements	**209**	2,658
Joint ventures and associates of Sinopec Group	Equipment	According to normal commercial terms or related agreements	**25,811**	49,961
	Including: short-term lease	According to normal commercial terms or related agreements	**25,811**	8,118
	Right-of-use assets	According to normal commercial terms or related agreements		41,843

12.5.3 Related-party guarantees

The Company acted as guarantor:

The guaranteed	Guarantee type	Guarantee amount	Guarantee commencement date	Guarantee expiry date	Guarantee performance completed or not
Guarantee for subsidiaries					
Sinopec International Petroleum Engineering Co., Ltd	Performance guarantee	USD 61,830 thousand	September 2015	June 2025	No
Central Plains Uganda Branch	Performance guarantee	USD 174,000 thousand	January 2023	February 2028	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 611,000 thousand	June 2021	October 2029	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 91,664 thousand	February 2022	October 2029	No
Sinopec International Petroleum Service Corporation	Performance guarantee	USD 118,000 thousand	July 2022	September 2025	No
Guarantee for related parties					
Sinopec International Petroleum Engineering Mexico DS Joint Venture	Performance guarantee	USD 274,950 thousand	June 2022	December 2048	No
Sinopec Group	Anti-guarantee	RMB 5,549 thousand	June 2024	June 2026	No

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.5 Related-party transactions (Continued)

12.5.4 Loans to and from related parties

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Revenue from deposit interest	Based on normal commercial terms	**37,194**	7,658
	Loan interest expense	Based on normal commercial terms	**662,794**	682,830
	Obtaining the borrowing	Based on normal commercial terms	**34,012,825**	27,351,504
	Payment of the loan	Based on normal commercial terms	**31,232,463**	26,398,951

12.5.5 Assets transfer and debt restructuring of related parties

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Current period	Prior period
Sinopec Group and its subsidiaries	Security fund expenditure	Based on normal commercial terms or relevant agreements	**85,950**	84,290
	Return on security fund	Based on normal commercial terms or relevant agreements	**168,263**	114,933

12.5.6 Remuneration of key management personnel

There are 14 key management personnel who received remuneration from the Company in the current period, and 15 key management personnel in the previous period.

Item	Current period	Prior period
Remuneration	**9,851**	9,860
Retirement scheme contribution	**604**	608
Total	**10,455**	10,468

12.6 Receivables from and payables to related parties

12.6.1 Receivables

Item	Related party	Balance as at December 31, 2024 Book balance	Balance as at December 31, 2023 Book balance
Bank deposits	Sinopec Finance Co., Ltd.	**10,406**	1,043,814
	Sinopec Century Bright Capital Investment Limited	**561,265**	796,415
Accounts receivable	Sinopec Group and its subsidiaries	**6,075,263**	3,927,454
	Joint ventures of the Group	**17,534**	20,354
	Joint ventures and associates of Sinopec Group	**1,536,133**	837,396
Contract assets	Sinopec Group and its subsidiaries	**6,794,081**	6,829,354
	Joint ventures and associates of Sinopec Group	**1,756,518**	1,737,126
Prepayments	Sinopec Group and its subsidiaries	**123,112**	93,764
Other receivables	Sinopec Group and its subsidiaries	**301,453**	282,732
	Joint ventures and associates of the Group	**147,228**	139,194
	Joint ventures and associates of Sinopec Group	**115**	372,366

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.6 Receivables from and payables to related parties (Continued)

12.6.2 Payables

Item	Related party	Balance as at December 31, 2024	Balance as at December 31, 2023
Accounts payable	Sinopec Group and its subsidiaries	4,603,046	2,481,469
	Joint ventures and associates of the Group	16,891	90,398
	Joint ventures and associates of Sinopec Group	685	3,636
Contract liabilities	Sinopec Group and its subsidiaries	3,952,285	3,664,743
	Joint ventures and associates of Sinopec Group	2,333,776	679,837
Other payables	Sinopec Group and its subsidiaries	125,043	69,875
	Joint ventures and associates of the Group	1,289	172
	Joint ventures and associates of Sinopec Group	458,870	157,703
Short-term borrowings	Sinopec Finance Co., Ltd.	22,713,925	19,185,000
	Sinopec Century Bright Capital Investment Limited		722,435
Interest payable	Sinopec Group and its subsidiaries		17,586
Lease liabilities	Sinopec Group and its subsidiaries	25,297	7,256
	Joint ventures and associates of Sinopec Group	403	403
Non-current liabilities	Sinopec Group and its subsidiaries	12	12

12.7 Centralized management of funds

12.7.1 The main contents of the centralized management of funds that the company participates in and implements are as follows:

In order to regulate the capital operation of its subsidiaries, accelerate capital turnover, improve capital operation efficiency, improve internal control mechanism, and ensure the maximization of the group's overall benefits, China Petrochemical Corporation (hereinafter referred to as "Sinopec Group") implemented centralized and unified management of the funds of the Sinopec Group and its member units through Sinopec Finance Co., Ltd. ("Sinopec Finance") and Sinopec Century Bright Capital Investment Limited. ("Century Bright") according to relevant laws and regulations.

12.7.2 Funds collected by the Company to the Group

Funds deposited by the Group is directly deposited into the Sinopec Finance and Century Bright without being collected into the account of the parent company of the Group:

As of December 31, 2024, the total amount deposited by the Group in Sinopec Finance and Century Bright was RMB571,671,000 (December 31, 2023: RMB1,840,229,000), which was listed as "Cash at bank and on hand", and there was no withdrawal restriction or impairment.

12.7.3 Funds borrowed by the Company from the parent company or member units of the group

As of December 31, 2024, the balance of funds borrowed by the Group from Sinopec Finance and Century Bright was RMB22,713,925,000 (December 31, 2023: RMB19,907,435,000).

13 COMMITMENTS AND CONTINGENCIES

13.1 Significant commitments

13.1.1 Significant commitments existed on the balance sheet date

Capital commitments contracted for but not yet necessary to be recognized on the balance sheet	As at December 31, 2024	As at December 31, 2023
Construction of long-term assets commitments	221,811	138,720
Investment commitments	129,625	129,625

13.1.2 Performance of prior commitments

The Group has fulfilled the capital and operating lease commitments as at December 31, 2024.

13 COMMITMENTS AND CONTINGENCIES (Continued)

13.2 Contingencies

13.2.1 Significant contingencies existed on the balance sheet date

The Group might involve in disputes, litigations and claims for compensation with customers, sub-contractors, and suppliers in the ordinary course of business. The Management has assessed the possibility of adverse results of these contingencies, litigations or other proceedings and believes that any resulting liabilities will not have material adverse effect on the financial position, operating results, or cash flow of the Group, and thus accrues no provision.

(1) Judicial reorganization of the Brazil subsidiary and its financial impact

On August 16, 2018, Sinopec (Brazil) Co., Ltd., an indirectly wholly-owned overseas subsidiary of the Company (the "Brazil Subsidiary") applied for judicial reorganization to the Third State Court of Commercial Enterprises in Rio de Janeiro, Brazil (the "Court of Rio") according to the relevant local laws in Brazil. On August 31, 2018, the Brazil subsidiary received ruling from Court of Rio, approved Brazil Subsidiary's entering judicial reorganization and the law firm Nascimento & Rezende Advogados was appointed as the judicial reorganization manager by Court of Rio.

To obtain approval from creditors' meeting and the Court of Rio in Brazil, the Brazil Subsidiary's reorganization plan shall include full settlement of the amount due to employees in respect of the Project, repaying a proportion of debt due to Three Suppliers, and paying legal fees, fees on judicial authorities and other services fees in relation to the implementation of legal reorganization procedure. After assessing the impact, the management of the Company made an estimated judicial restructuring expenditure of USD69.25 million (equivalent to approximately RMB475 million) in 2018 in accordance with the restructuring plan.

Based on the practice of judicial restructuring in Brazil, the Brazilian subsidiary continued to promote the judicial restructuring work in accordance with the approved judicial restructuring plan, communicated and negotiated with the relevant creditors, and applied to the competent court for the closure of the judicial restructuring procedure in accordance with the relevant laws and regulations of Brazil. On June 25, 2024, the Brazilian subsidiary received a final ruling from the Rio Court in Brazil, which determined that it had fulfilled its obligations of judicial reorganization, concluded the judicial reorganization process, and resumed normal operations.

As of the date of the final ruling, most of the labor litigation and tri-commercial litigation involved in the project of Brazil's third fertilizer plant have been settled. As of June 30, 2024, the Brazilian subsidiary has paid a total of approximately USD37.79 million (equivalent to approximately RMB259 million) in connection with the judicial restructuring plan, of which a total of approximately USD28.98 million (equivalent to approximately RMB199 million) has been paid to 1,474 creditors and approximately USD8.81 million (equivalent to approximately RMB60 million) of other expenses involved in the judicial restructuring. Such other expenses include the costs of negotiation between the restructuring professional institutions and creditors, operating costs, etc.

According to the judicial restructuring plan and preliminary estimate of the Brazilian subsidiary, the Company made a provision for the estimated judicial restructuring expenditure of USD69.25 million (equivalent to approximately RMB475 million in the current year) in 2018, and reversed the estimated liabilities of USD10.83 million (equivalent to approximately RMB69 million in the current year) at the end of 2021 according to the progress of the judicial restructuring plan. As of June 30, 2024, the Brazilian subsidiary has actually spent USD37.79 million in the judicial restructuring, and according to the estimates, the Brazilian subsidiary is expected to have a total of USD7.27 million to pay creditors in the remaining disputes, so the projected liability of USD13.36 million will be reversed in the first half of 2024.

In view of the resumption of normal operations of the Brazilian subsidiary, the Company accrue the estimated liabilities based on the latest developments in the pending litigation after the end of the judicial reorganization. As of December 31, 2024, the estimated balance of liabilities is RMB51,893,000.

(2) Contingent liabilities arising from overseas tax penalties and their financial impacts

Sinopec International Petroleum Engineering Algeria Co., Ltd. ("Algeria Subsidiary"), a subsidiary of Sinopec International Petroleum Service Corporation (hereinafter referred to as "Sinopec International"), has been operating in Algeria since its establishment. The Algerian tax department is conducting a tax audit on the taxes and chargers generated by the business income of the Algerian subsidiary in 2018-2020, and the Algerian subsidiary and the project departments of Sinogong have hired local agents to conduct tax defense after receiving the preliminary investigation results. Based on the results of previous annual audits and the assessment of the tax risks of the project, the management of the Company has made provision for estimated liabilities for the relevant taxes and fees that may be incurred. As of December 31, 2023, the balance of estimated liabilities was RMB49,366,000. In mid-2024, the Company will pay 20% of the amount upfront. As of December 31, 2024, the estimated balance of liabilities is RMB36,186,000.

The Colombian subsidiary of Sinopec International Petroleum Engineering Co., Ltd has engaged a local intermediary to conduct tax defense due to the tax audit of business income during the historical period. Based on the assessment of the results of historical tax audits and the tax risks of the project, the company's management has made provision for estimated liabilities for the relevant taxes and fees that may be incurred. As of December 31, 2024, the relevant estimated liability balance was RMB874,000.

(3) Contingent liabilities arising from guarantees provided for debt of other entities and their financial effects

As at December 31, 2024, Sinopec Oilfield Service Limited, the subsidiary of the Company, has provided guarantee amount of USD1,056,494,000 to its subsidiaries.

The Group provides guarantees for the performance obligations under the Production Sharing Contract for the EBANO project in Mexico signed by DS Servicios Petroleros, S.A.de C.V. ("DS Mexico") and the beneficiary, the Mexican National Oil and Gas Commission, to ensure that the Group will perform the contract on its behalf when DS Mexico loses its ability to perform. As of December 31, 2024, the maximum amount of joint and several guaranteed liabilities assumed by the Group during this guarantee period shall not exceed an amount equivalent to USD274,950,000.

14 POST BALANCE SHEET EVENTS

As at March18, 2025, there are no post balance sheet events to be disclosed by the Group.

15 CAPITAL MANAGEMENT

The objective of the Group's capital management policy is to safeguard the Group's ability to continue as a going concern, thereby providing returns to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the method of financing, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or sell assets to reduce debt.

The Group monitors its capital using the debt-to-capital ratio, which is calculated as net debt divided by total capital. The net debt is total borrowings (including short-term borrowings, long-term borrowings maturing within one-year, long-term borrowings, and long-term payables) less the cash balance shown in the statement of cash flows. Total capital is the sum of shareholders' equity and net debt as presented in the consolidated balance sheet. Total shareholders' equity includes the shareholders' equity attributable to the parent company and the minority interests.

As at the balance sheet date, the Group's debt-to-capital ratio is as follows:

Item	**Balance as at December 31, 2024**	As at December 31, 2023
Short-term borrowings	**22,870,449**	19,907,435
Lease liabilities maturing within one year	**272,460**	436,121
Long-term borrowings		318,722
Lease liabilities	**304,333**	317,120
Less: cash balances as shown in the statement of cash flows	**3,441,398**	2,788,798
Net debt	**20,005,844**	18,190,600
Shareholders' equity	**8,648,802**	8,023,202
Total capital	**28,654,646**	26,213,802
Debt-to-capital ratio	**69.82%**	69.39%

16 OTHER SIGNIFICANT EVENTS

16.1 Correction of prior accounting errors

There were no corrections of accounting errors in prior periods during the reporting period.

16.2 Annuity plan

For details about the main components of the annuity plans, please refer to the Note 3.21.2 Accounting treatment of dismissal benefits".

16.3 Discontinued operation

There is no discontinued operation during the reporting period.

16.4 Segment information

16.4.1 Determination criteria and accounting policies for reportable segments

The Group has identified five reportable segments based on its internal structure, management requirements and internal reporting policy. The reportable segments are: geophysics, drilling engineering, logging and mud logging, special down-hole operations, and engineering construction. The segment information is prepared based on the financial information of the Company's daily management requirements. The Group's management reviews reportable segments' financial information periodically for the purposes of allocating resources and assessing the performance.

The Group's reportable segments include:

(1) Geophysics, which provides geophysical exploration, development and technical services;

(2) Drilling engineering, which provides customers with drilling construction, technical services and drilling instrumentation;

(3) Logging and mud logging, which provides logging and mud logging technology services;

(4) Special down-hole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments;

(5) Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects.

16 OTHER SIGNIFICANT EVENTS (CONTINUED)

16.4 Segment information (Continued)

16.4.1 Determination criteria and accounting policies for reportable segments (Continued)

The segment information is disclosed in accordance with the accounting policies and measurement standards reported to management by each segment. These accounting policies and measurement standards are consistent with the accounting policies and measurement standards of preparation of the financial statements.

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

The resources related to long-term equity investment and investment (loss)/income on joint venture, income tax expenses as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

16.4.2 Financial information of reportable segments

Current period or As at December 31, 2024	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	6,019,291	42,251,239	6,635,314	11,536,751	17,909,414	9,310,822	-12,566,653	81,096,178
Including: income from external transactions	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	2,651,443		81,096,178
Income from inter-segment transactions	120,111	2,072,896	3,043,301	571,372	99,594	6,659,379	-12,566,653	–
Including: income from primary business	6,019,291	42,251,239	6,635,314	11,536,751	17,909,414	7,577,210	-11,931,480	79,997,739
Operating costs	5,536,284	39,688,218	6,000,954	10,740,268	16,550,362	8,812,865	-12,566,653	74,762,298
Including: costs of primary business	5,536,284	39,688,218	6,000,954	10,740,268	16,550,362	7,557,552	-12,050,802	74,022,836
Operating expenses	330,002	1,703,004	282,953	538,264	930,502	1,675,452		5,460,177
Operating profit (loss)	161,373	960,689	361,458	263,175	453,190	-1,163,373		1,036,512
Total assets	6,391,939	11,289,518	4,477,704	8,463,778	27,642,305	20,762,789	-1,687,928	77,340,105
Total liabilities	5,431,227	7,468,074	2,568,453	4,697,820	25,826,311	24,387,346	-1,687,928	68,691,303
Supplementary information:								
1. Capital expenditure	360,767	1,534,753	235,135	292,601	404,154	647,557		3,474,967
2. Depreciation and amortization expenses	530,496	4,216,123	392,953	1,049,670	335,633	604,835		7,129,710
3. Losses from impairment of assets	5,285	-241,509	-27,398	-108	-61,685	-7,152		-332,567

Prior period or As at December 31, 2023	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	5,780,324	42,174,596	6,644,487	11,249,485	17,852,120	9,734,623	-13,454,696	79,980,939
Including: income from external transactions	5,672,348	39,803,724	3,555,682	10,697,995	17,817,700	2,433,490		79,980,939
Income from inter-segment transactions	107,976	2,370,872	3,088,805	551,490	34,420	7,301,133	-13,454,696	
Including: income from primary business	5,780,324	42,174,596	6,644,486	11,249,486	17,852,120	8,017,017	-12,792,983	78,925,046
Operating costs	5,315,417	39,902,326	6,019,064	10,509,678	16,522,473	9,373,235	-13,454,696	74,187,497
Including: costs of primary business	5,315,417	39,902,326	6,019,064	10,509,678	16,522,473	8,166,414	-12,898,036	73,537,336
Operating expenses	303,151	2,073,513	348,500	451,279	771,777	1,438,422		5,386,642
Operating profit (loss)	182,027	463,320	296,881	357,146	632,166	-1,031,571		899,969
Total assets	6,249,564	10,614,355	4,457,471	8,124,855	22,914,821	24,186,553	-1,384,645	75,162,974
Total liabilities	5,251,583	7,995,911	2,970,292	4,437,053	22,098,107	25,771,471	-1,384,645	67,139,772
Supplementary information:								
1. Capital expenditure	302,077	1,859,562	360,851	517,434	339,507	626,646		4,006,077
2. Depreciation and amortization expenses	531,856	3,901,456	378,679	807,081	320,163	535,741		6,474,976
3. Losses from impairment of assets	-3,179	-66,123	-7,958	-7,219	-303,129	-10,679		-398,287

16 OTHER SIGNIFICANT EVENTS (CONTINUED)

16.4 Segment information (Continued)

16.4.3 Other segment information

16.4.3.1 Revenue from external transactions of products and services

Item	Current period	Prior period
Geophysics	**5,899,180**	5,672,348
Drilling engineering	**40,178,343**	39,803,724
Logging and mud logging	**3,592,013**	3,555,682
Special down-hole operations	**10,965,379**	10,697,995
Engineering construction	**17,809,820**	17,817,700
Others	**2,651,443**	2,433,490
Total	**81,096,178**	79,980,939

16.4.3.2 Area information

Current period or As at December 31, 2024	China	Other countries	Offset	Total
Operating revenue	**62,866,445**	**18,229,733**		**81,096,178**
Non-current assets	**26,190,899**	**7,814,238**		**34,005,137**

Prior period or As at December 31, 2023	China	Other countries	Offset	Total
Operating revenue	63,835,888	16,145,051		79,980,939
Non-current assets	28,152,481	7,685,078		35,837,559

16.4.3.3 Dependence to principal customers:

The Group obtained over 50% of the total geophysics, drilling engineering, logging, and mud logging, special down-hole operations and engineering construction revenue from a single customer.

17 NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

17.1 Accounts receivable

(1) Accounts receivable are disclosed by ageing

Aging	Balance as at December 31, 2024	Balance as at December 31, 2023
Within 1 year	81,826	
Sub-total	81,826	
Less: provision for bad debts		
Total	81,826	

(2) Accounts receivable are classified and disclosed according to the method of bad debt provision

Category	Balance as at December 31, 2024					Balance as at December 31, 2023				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	Book value	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	Book value
Provision for bad debts is made according to the combination of credit risk characteristics	81,826	100			81,826					
Including:										
Related-party portfolio	81,826	100			81,826					
Total	81,826	100			81,826					

Provision for bad debts based on credit risk characteristics:

Portfolio accrual items:

Category	Balance as at December 31, 2024		
	Accounts receivable	provision for bad debts	loss rate in the next 12 months (%)
Related-party portfolio-Receivables from wholly-owned subsidiaries	81,826		
Total	81,826		

(3) Top 5 of accounts receivable and contract assets as at December 31, 2024, presented by debtor

Company	Accounts receivable closing balance	Contract asset closing balance	Accounts receivable and contract assets closing balances	Proportion of total closing balance of accounts receivable and contract assets (%)	Accounts receivable bad debt provision and contract asset impairment provision closing balance
Sinopec Shengli Petroleum Engineering Co., Ltd	63,712	5,438	69,150	70.94	16
Sinopec Zhongyuan Petroleum Engineering Co., Ltd	9,213	1,137	10,350	10.62	3
Sinopec North China Petroleum Engineering Co., Ltd	6,483	85	6,568	6.74	
Sinopec East China Petroleum Engineering Co., Ltd	1,870	3,031	4,901	5.03	9
Sinopec Southwest Petroleum Engineering Co., Ltd	548		548	0.56	
Total	81,826	9,691	91,517	93.88	28

17 NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

17.2 Other receivables

Item	Balance as at December 31, 2024	Balance as at December 31, 2023
Other receivables	24,296,880	20,942,180
Total	24,296,880	20,942,180

17.2.1 Other receivables

(1) Disclosure of other receivables by aging

Aging	Balance as at December 31, 2024	Balance as at December 31, 2023
Within 1 year	24,131,548	19,564,599
1 – 2 years		1,377,469
2 – 3years	165,333	7
3 – 4years	7	109
4 – 5years	109	
Sub-total	24,296,997	20,942,184
Less: provision for bad debts	117	4
Total	24,296,880	20,942,180

(2) Details of provision for bad debts

	Balance as at December 31, 2024					Balance as at December 31, 2023				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	Book value	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	Book value
Provision for bad debts accrued on a combination basis	24,296,997	100	117		24,296,880	20,942,184	100.00	4		20,942,180
Including:										
Related-party portfolio	24,295,362	100			24,295,362	20,941,818	100.00			20,941,818
Non-related-party portfolio	1,635		117	7.16	1,518	366		4	1.09	362
Total	24,296,997	100	117		24,296,880	20,942,184	100.00	4		20,942,180

(3) Classification by nature

Category	Balance as at December 31, 2024	Balance as at December 31, 2023
Other receivables from wholly-owned subsidiaries	24,295,362	20,941,818
Others	1,635	366
Total	24,296,997	20,942,184

17 NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

17.2 Other receivables (Continued)

17.2.1 Other receivables (Continued)

(4) Top 5 of other receivables as at December 31, 2024, presented by debtor

Company	Nature	Balance as at December 31, 2024	Aging	Proportion in the total ending balance of other receivables (%)	Ending balance of provision for bad debts
Sinopec Petroleum Engineering and Construction Corporation	Amount from wholly-owned subsidiaries	**9,100,221**	Within 1 year	37.45	
Sinopec Zhongyuan Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	**5,833,333**	Within 1 year、1 – 2 years	24.01	
Sinopec Geophysical Corporation	Amount from wholly-owned subsidiaries	**3,100,230**	Within 1 year	12.76	
Sinopec East China Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	**2,824,000**	Within 1 year	11.62	
Sinopec Shengli Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	**2,175,764**	Within 1 year	8.95	
Total		**23,033,548**		94.79	

17.3 Long-term equity investments

Item	Balance as at December 31, 2024			Balance as at December 31, 2023		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	**36,183,582**		**36,183,582**	35,783,582		35,783,582
Investments in associates and joint ventures	**8,989**		**8,989**	9,893		9,893
Total	**36,192,571**		**36,192,571**	35,793,475		35,793,475

17.3.1 Investments in subsidiaries

Investee	Balance as at December 31, 2023	Increase in the current period	Decrease in the current period	Balance as at December 31, 2024	Provision for impairment made in the current period	Balance of provision for impairment as at December 31, 2024
Sinopec Jingwei Co., Ltd.	892,995	400,000		**1,292,995**		
Sinopec Shengli Petroleum Engineering Corporation	5,205,033			**5,205,033**		
Sinopec Jianghan Petroleum Engineering Corporation	1,493,284			**1,493,284**		
Sinopec Geophysical Corporation	1,757,237			**1,757,237**		
Sinopec Zhongyuan Petroleum Engineering Corporation	4,741,156			**4,741,156**		
Sinopec South West Petroleum Engineering Corporation	3,153,948			**3,153,948**		
Sinopec North China Petroleum Engineering Corporation	2,445,771			**2,445,771**		
Sinopec East China Petroleum Engineering Corporation	2,912,441			**2,912,441**		
Sinopec Petroleum Engineering and Construction Corporation	8,810,288			**8,810,288**		
Sinopec International Petroleum Service Corporation	871,691			**871,691**		
Sinopec Offshore Petroleum Engineering Corporation	3,499,737			**3,499,737**		
Total	35,783,581	400,000		**36,183,582**		

17 NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

17.3 Long-term equity investments (Continued)

17.3.2 Investment in associates and joint ventures

Investee	Balance at the end of last year	Increase/decrease in the current period									Ending balance	Ending balance of provision for impairment
		Intra group transfer	Additional investment	Reduce investment	Investment profit and loss recognized under equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Provision for impairment	other		
1.Joint venture												
Zhongwei United International Energy Services Co., Ltd	9,893				-904						8,989	
total	9,893				-904						8,989	

17.4 Operating income and operating costs

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Major business	477,460	415,838		
Other business	17,977	2,257		
Total	495,437	418,095		

17.5 Investment income

Item	Current period	Prior period
Long-term equity investment income accounted for by the cost method	176,976	182,906
Investment income from long-term equity investments under equity method	-904	1,101
Total	176,976	184,007

18 SUPPLEMENTARY INFORMATION

18.1 Breakdown of non-recurring profit or loss in the current period

Item	Amount	Remark
Profit or loss from disposal of non-current assets	126,242	
Government grants included in the current profit or loss (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	43,987	
Reversal of impairment charges for receivables that are tested separately for impairment	374,842	
Profit or loss from debt restructuring	28,110	
Other items of profit or loss subject to the definition of non-recurring profit or loss	45,169	
Sub-total	618,350	
Affected amount of income tax	120,231	
Total	498,119	

18 SUPPLEMENTARY INFORMATION (CONTINUED)

18.2 ROE and earnings per share

Profit during the reporting period	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	7.58	0.033	
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit or loss	1.60	0.007	

18.3 Accounting data difference between the domestic and overseas accounting standards

18.3.1 Reconciliation of differences between CASBE and IFRS financial statements

	Net profit		Net assets	
	Current period	Prior period	Balance as at December 31, 2024	Balance as at December 31, 2023
Based on CASBE	**631,606**	589,216	**8,648,802**	8,023,202
Adjusted items and amounts in accordance with IFRS:				
Special reserves	**-10,975**	-13,133		
Based on IFRS	**620,631**	576,083	**8,648,802**	8,023,202

18.3.2 Related notes

In accordance to CASBE, provision of safety fund according to the PRC regulation is recognised to the profit or loss in the current period and at the same time included in the “special reserve” account. When safety costs and maintenance funds provided are used according to the specified scope, payment of expenses is directly offset against the special reserve; payment in formation of fixed assets is first imputed through “construction in progress” account, then recognised as fixed assets when the project is completed to its intended use state; meanwhile, offset the special reserve according to the cost in formation of the fixed assets and recognize the same amount of accumulated depreciation. The fixed assets will no longer depreciate in the subsequent accounting periods. According to IFRSs, expenditure in cost nature is recognised in the profit or loss and expenditure in capital nature is recognised as fixed assets when incurred and depreciate in the corresponding depreciation method.

Sinopec Oilfield Service Corporation

(Official seal)

March 18, 2025

Section X Financial Statements

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SINOPEC OILFIELD SERVICE CORPORATION

(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Sinopec Oilfield Service Corporation (the "Company") and its subsidiaries (together, the "Group") set out on pages 175 to 239, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Revenue recognition

Refer to note 2.19 (Revenue recognition), note 4(6) (Critical accounting judgement and estimates), note 5 (revenue and segment information) and notes 23(a) & (b) (contract assets and cost to fulfil contracts/contract liabilities) to the consolidated financial statements for related disclosures and accounting polices respectively.

Revenue related to rendering of services and construction contracts is derived from provision of petroleum engineering and technical services to the People's Republic of China (the "PRC") and overseas petroleum exploration and development companies, including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction services.

When the progress towards satisfaction of a performance obligation can be reasonably measured, the Group should recognise revenue over time in accordance with the progress of performance obligation being satisfied at the end of reporting period. The recognition of revenue mainly depends on the management's critical estimation and judgement, including total amount of consideration to which the Group will be entitled, total budgeted costs, remaining contract costs and estimated progress completed-to-date. If there is any change on the final contract billing amount or actual execution progress, actual results may differ from the management's estimates. Hence, we have identified the revenue recognition related to rendering of services and construction contracts as a key audit matter.

Our response:

Our key procedures in relation to the revenue recognition related to provision of petroleum engineering and technical services included:

– evaluating the appropriateness of the application of accounting policies for recognising revenue associated with the rendering of services and construction contracts in light of business nature, contract terms and IFRS15 "Revenue from contracts with customers";

– understanding, assessing and testing the design and implementation of internal controls about management's determination on the total budgeted contract revenue, the total budgeted contract costs, the actual contract costs incurred, remaining contract costs and progress of performance obligation being satisfied for contract to evaluate the operating effectiveness of such internal controls;

– reviewing contracts and interviewing with the management to understand and assess the reasonableness of the basis and assumptions of the total budgeted revenue and total budgeted contract costs, and checking the consistency of the preparation and assumptions of various types of projects;

– performing variance analysis by comparing the accumulated costs incurred as at 31 December 2024 with the budgeted contract costs, checking the significant costs incurred subsequent to the end of the reporting period and assessing the reasonableness of the management's estimation on workload forecast and remaining contract costs;

– testing, on a sample basis, the application of progress of performance obligation being satisfied by cross-checking the principal terms set out in the relevant contracts to supporting documents such as progress billing reports or acceptance certificates and progress reports being issued by customers;

– evaluating the reasonableness about budgeted revenue, budgeted costs and budgeted gross profit of sub-divisional contracts by analysis and calculation; and

– testing, on a sample basis, the amount and period of the aforesaid revenue recognised having regard to respective progress of performance obligation being satisfied at the end of the reporting period, and comparing, on a sample basis, the accumulated costs incurred up to the end of the reporting period with the budgeted costs to verify the existence of cost overrun.

Expected credit losses ("ECL") on trade receivables and contract assets

Refer to note 2.7 (Financial instruments), note 4(2) (Critical accounting judgement and estimates), note 21 (Trade receivables) and note 23(a) (Contract assets and cost to fulfil contracts) to the consolidated financial statements for related disclosures and accounting polices respectively.

As at 31 December 2024, the Group's gross amount of trade receivables and contract assets are RMB15.08 billion and RMB16.82 billion respectively, net of accumulated ECL allowance, representing 39% of total assets. As at 31 December 2024, the accumulated ECL allowance for trade receivables and contract assets amounted to RMB1.79 billion and RMB0.06 billion respectively.

We have identified ECL measurement of trade receivables and contract assets as a key audit matter because the ECL measurement of trade receivables and contract assets is inherently uncertain as it requires the management's subjective judgment and the aforesaid balance has a significant impact on the Group's consolidated financial statements.

Our response:

Our key procedures in relation to the ECL on trade receivables and contract assets included:

- assessing and testing the related internal controls of the measurement of ECL established by the management, and testing the effectiveness of key control executions;
- evaluating the management's relevant considerations and objective evidence for ECL measurement of trade receivables and contract assets (including historical records and circumstances of bad debts of trade receivables and contract assets with similar characteristics, customer credit and market environment, etc.), and assessing the appropriateness of the methods being applied in grouping of the trade receivables and contract assets and calculation for the ECL;
- gathering public information about the customers whose balances of trade receivables and contract assets is material or exceeds the credit period, or their industry development status to identify any situations affecting the Group's ECL assessment results of trade receivables and contract assets;
- assessing the accuracy and classification on trade receivables by obtaining ageing analysis of the trade receivables as at 31 December 2024 and reviewing, on a sample basis, key information such as aging, overdue days, and relationship by checking supporting documents such as accounting vouchers and invoices;
- arranging audit confirmations to those customers with significant balance of trade receivables, and comparing the results to the returned confirmations with the Group's record;
- recalculating the ECL on trade receivables and contract assets and comparing the results with the amounts recorded by the Group; and
- evaluating the reasonableness of management's ECL assessment by considering the customer's settlement subsequent to the reporting period.

Impairment of interest in a joint venture

Refer to note 2.2 (Basis of preparation of the consolidated financial statements – joint ventures), note 2.6 (Impairment of non-financial assets) and note 19(a) (Interests in joint ventures) to the consolidated financial statements for related disclosures and accounting polices respectively.

As at 31 December 2024, the net carrying value of the Group's interest in a joint venture, namely Mexico DS Company was RMB202.19 million. The Group recognised an impairment loss of RMB274.42 million for its interest in Mexico DS Company during the year ended 31 December 2024.

Since the impairment assessment on the interest in a joint venture largely relies on management's judgments and estimates, these estimates are influenced by assessments of future market and economic conditions. The use of different estimates and assumptions could have a significant impact on the impairment assessment, resulting in a high risk of misstatement in the impairment amount. Therefore, we have identified the impairment assessment on investment in Mexico DS Company as a key audit matter.

Our Response:

Our key procedures in relation to the impairment assessment on interest in Mexico DS Company included:

- Understanding the key internal controls related to impairment assessment and testing the effectiveness of the execution of these controls;
- Understanding the qualifications of the external valuation experts engaged by management and assessing their professional competence;
- Evaluating the reasonableness of management's significant estimates and key assumptions in the impairment testing, including whether they align with the economic environment, industry conditions, operational performance, historical experience, contractual agreements, and business plans of the relevant country;
- Assessing whether the parameters or inputs used by management in the impairment testing are reasonable and checking the internal consistency of the information used in the impairment testing; and
- Evaluating the results of the work performed by the external valuation experts engaged by management and whether the impairment testing results are based on the appropriate accounting period and fully consider subsequent events.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Section X Financial Statements

Director's Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair value in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidates Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

BDO Limited

Certified Public Accountants

Chan Tsz Hung

Practising Certificate no. P06693

Hong Kong, 18 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	5	**81,096,178**	79,980,939
Cost of sales and taxes and surcharges		**(75,099,241)**	(74,530,517)
Gross profit		**5,996,937**	5,450,422
Selling expenses		**(84,485)**	(82,689)
General and administrative expenses		**(2,405,659)**	(2,394,486)
Research expenses		**(2,247,111)**	(2,083,796)
Finance expenses, net	6	**(729,521)**	(894,073)
Reversal of expected credit loss		**603,919**	403,244
Reversal of other impairments		**3,864**	–
Write down of inventories to net realisable value		**(797)**	–
Reversal of expected credit loss and other impairments and write-down of inventories to net realisable value	7	**606,986**	403,244
Impairment loss in interests in a joint venture	19	**(274,419)**	–
Investment income	8	**500**	1,200
Share of (loss)/profit from joint ventures	19(a)	**(36,722)**	13,992
Share of profit from associates	19(b)	**8,129**	6,850
Other income	9	**323,099**	609,315
Other expenses, net	10	**(36,186)**	(114,772)
Profit before income tax	11	**1,121,548**	915,207
Income tax expense	12	**(500,917)**	(339,124)
Profit for the year		**620,631**	576,083
Other comprehensive income for the year, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Net movement in fair value of financial assets at fair value through other comprehensive income (non-recycling) ("FVTOCI")		**1,302**	938
Items that will or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas joint venture		**5,915**	16,447
Total comprehensive income for the year		**627,848**	593,468
Earnings per share for profit attributable to owners of the Company (presented in RMB per share)	13	**RMB**	**RMB**
Basic and diluted		**0.033**	0.030

Section X Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS at 31 December 2024

	Notes	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	17(a)	**25,690,139**	26,401,129
Other non-current assets	17(b)	**7,208,900**	7,938,767
Intangible assets	18	**301,802**	330,581
Interests in joint ventures	19(a)	**212,735**	517,961
Interests in associates	19(b)	**38,815**	35,535
Financial assets at FVTOCI	20	**137,441**	135,763
Deferred tax assets	35	**330,305**	400,687
Total non-current assets		**33,920,137**	35,760,423
Current assets			
Inventories	24	**913,530**	1,042,559
Financial assets at FVTOCI	20	**2,557,311**	2,735,081
Trade receivables	21	**13,294,827**	10,602,242
Prepayments and other receivables	22	**6,146,060**	5,841,569
Contract assets and cost to fulfil contracts	23(a)	**16,859,726**	16,364,984
Restricted cash	25	**207,116**	27,318
Cash and cash equivalents	26	**3,441,398**	2,788,798
Total current assets		**43,419,968**	39,402,551
Total assets		**77,340,105**	75,162,974
Equity			
Share capital	27	**18,979,412**	18,984,340
Reserves		**(10,330,610)**	(10,961,138)
Total equity		**8,648,802**	8,023,202
Liabilities			
Non-current liabilities			
Long-term borrowings	34	**304,333**	635,842
Deferred income	31	**24,758**	18,189
Deferred tax liabilities	35	**78,065**	87,028
Provisions	38	**90,365**	212,709
Total non-current liabilities		**497,521**	953,768
Current liabilities			
Notes and trade payables and liabilities under supplier finance arrangement	32	**31,653,814**	35,195,688
Other payables	33	**5,351,550**	5,078,771
Contract liabilities	23(b)	**7,909,917**	5,361,274
Short-term borrowings	34	**23,142,909**	20,343,556
Current income tax payable		**135,592**	206,715
Total current liabilities		**68,193,782**	66,186,004
Total liabilities		**68,691,303**	67,139,772
Total equity and liabilities		**77,340,105**	75,162,974
Net current liabilities		**(24,773,814)**	(26,783,453)
Total assets less current liabilities		**9,146,323**	8,976,970

On behalf of the board of directors

Chairman of the Board:

WU Baizhi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Translation reserve	FVTOCI reserve (non-recycling)	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 27)	(Note 29(i))	(Note 29(i))	(Note 29(ii))	(Note 29(iii))		(Note 29(iv))		
At 1 January 2023	18,984,340	11,622,283	95,490	200,383	326,705	–	5,232	(23,804,699)	7,429,734
Profit for the year	–	–	–	–	–	–	–	576,083	576,083
Other comprehensive income for the year:									
Net movement in fair value of financial assets at FVTOCI	–	–	–	–	–	–	938	–	938
Exchange differences on translation of financial statements of overseas joint venture	–	–	–	–	–	16,447	–	–	16,447
Total comprehensive income	–	–	–	–	–	16,447	938	576,083	593,468
Transactions with owners:									
Appropriation of specific reserve	–	–	–	–	1,230,578	–	–	(1,230,578)	–
Utilisation of specific reserve	–	–	–	–	(1,243,712)	–	–	1,243,712	–
Total transactions with owners	–	–	–	–	(13,134)	–	–	13,134	–
At 31 December 2023 and 1 January 2024	18,984,340	11,622,283	95,490	200,383	313,571	16,447	6,170	(23,215,482)	8,023,202
Profit for the year	–	–	–	–	–	–	–	620,631	620,631
Other comprehensive income for the year:									
Net movement in fair value of financial assets at FVTOCI	–	–	–	–	–	–	1,302	–	1,302
Exchange differences on translation of financial statements of overseas joint venture	–	–	–	–	–	5,915	–	–	5,915
Total comprehensive income	–	–	–	–	–	5,915	1,302	620,631	627,848
Transactions with owners:									
Appropriation of specific reserve	–	–	–	–	1,208,060	–	–	(1,208,060)	–
Utilisation of specific reserve	–	–	–	–	(1,218,757)	–	–	1,218,757	–
Purchase of own shares	(4,928)	2,680	–	–	–	–	–	–	(2,248)
Transfer of OCI reserve	–	–	–	–	–	–	358	(358)	–
Total transactions with owners	(4,928)	2,680	–	–	(10,697)	–	358	10,339	(2,248)
At 31 December 2024	18,979,412	11,624,963	95,490	200,383	302,874	22,362	7,830	(22,584,512)	8,648,802

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash flows generated from operations	37(a)	**3,531,735**	6,069,661
Interests received		**63,109**	23,649
Income tax paid		**(493,990)**	(516,397)
Net cash generated from operating activities		**3,100,854**	5,576,913
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and other non-current assets		**(3,681,379)**	(4,153,602)
Proceeds from disposal of property, plant and equipment and other non-current assets		**217,557**	75,961
Proceeds from disposal of joint ventures		**–**	11,217
Dividends received from joint ventures		**–**	766
Dividends received from associates		**4,849**	4,203
Proceeds from other investments		**509**	2,072
Net cash used in investing activities		**(3,458,464)**	(4,059,383)
Cash flows from financing activities	37(b)		
Proceeds from borrowings		**34,289,050**	27,351,504
Repayments of borrowings		**(31,827,424)**	(26,568,095)
Payment of lease liabilities		**(665,479)**	(628,989)
Interests paid		**(749,254)**	(712,646)
Repurchase of shares		**(2,248)**	–
Net cash generated from/(used in) financing activities		**1,044,645**	(558,226)
Net increase in cash and cash equivalents		**687,035**	959,304
Effect of foreign exchange rate changes on cash and cash equivalents		**(34,435)**	28,344
Cash and cash equivalents at beginning of year		**2,788,798**	1,801,150
Cash and cash equivalents at end of year	26	**3,441,398**	2,788,798

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Sinopec Oilfield Service Corporation (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office is No. 22, Chaoyangmen North Street, Chaoyang District, Beijing, the PRC and the headquarter address is No. 9, Jishikou Road, Chaoyang District, Beijing, the PRC.

The immediate and ultimate holding company of the Company is China Petrochemical Corporation (hereinafter referred to as the "Sinopec Group") which is a state wholly-owned enterprise established in the PRC. The principal activities of the Group are the provision of onshore and offshore oil, natural gas and other mineral prospecting, exploration, drilling and exploitation and provision of general contracting, design and construction services for the oil and gas and other types of construction projects.

These consolidation financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidation financial statements have been approved and authorised for issue by the Board of Directors on 18 March 2025.

2. SUMMARY OF ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidation financial statements are set out below.

2.1 Basis of preparation

(1) Statement of compliance

The consolidation financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (the "IASB") and interpretations (collectively IFRS Accounting Standards). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

(2) Basis of preparation of the consolidated financial statements and going concern assumption

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 4.

As at 31 December 2024, the Group had net current liabilities of approximately RMB24,773,814,000 and capital commitments of approximately RMB221,811,000 (Note 36(a)). For assessing the appropriateness of the use of the going concern basis for the preparation of these consolidated financial statements, the directors of the Company have performed a cash flow forecast covering a period of 12 months from the year ended 31 December 2024, taking account of the following events and measures:

(i) On 24 February 2025, the Group has renewed the credit facility from Sinopec group's subsidiaries that includes a line of credit of RMB43.0 billion and USD0.1 billion (Total: approximately RMB43.6 billion), and also a line of credit promissory note and letter of guarantee of RMB11.3 billion and USD0.6 billion (Total: approximately RMB15.3 billion). The facility remains valid until 28 February 2026;

(ii) As disclosed in Note 34(i), the Group's borrowings amounted to approximately RMB22.7 billion are sourced from Sinopec Group and its subsidiaries, where the Group maintains ongoing good relationship with these companies, which enables the Group to secure sufficient financial support from these companies; and

(iii) To obtain additional credits facilities, the Group will diversify its source of finance by exploring and developing good relationship with listed and state-owned financial institutions.

The directors of the Company are in the opinion that the above measures are sufficient to meet with the expected liquidity, daily operation and capital and the Group is expected to be able to generate net operating cash inflows in the next twelve months. As a result, the directors of the Company considered that the going concern basis of accounting is appropriate for the preparation of these consolidated financial statements.

2.2 Basis of preparation of the consolidated financial statements

Scope of consolidation

The scope of consolidation is on the basis of control. Control refers to the power over investee of the Group, exposure or rights to variable returns in participating in the investee's related activities and the ability to use the power to affect those variable returns.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation of the consolidated financial statements (Continued)

Scope of consolidation (Continued)

Subsidiaries

Subsidiaries are entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group ceases control.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's shares of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments.

Joint ventures

A joint venture is a joint arrangement whereby the Group that has joint control of the arrangement has rights to the net assets of the arrangement.

The accounting treatment is in accordance with the provisions of long-term investment under equity method.

2.3 Foreign currency transactions and translation of foreign currency statements

(1) Foreign currency transactions

When foreign currency transactions occur, they are translated into the reporting currency at spot exchange rate at the dates of the transactions.

At the reporting date, foreign currency monetary items are translated using the spot exchange rate at the reporting date. Exchange differences arising from the differences between the spot exchange rate prevailing at the reporting date and those spot rates used on initial recognition or at the previous reporting date are recognised in profit or loss in current period; foreign currency non-monetary items carried at historical cost continue to be measured at the amounts using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences arising from retranslation are included in profit or loss in current period except for differences arising on retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

(2) Translation of foreign currency statements

At the reporting date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities of the statement of financial position are translated using the spot exchange rate at the reporting date.

The revenue and expenses in the consolidated statement of comprehensive income are translated using at spot rates with reasonable approximation of the exchange rates prevailing on the transaction dates.

All items in the statement of cash flows are translated using at spot rates with reasonable approximation of the exchange rates prevailing on the transaction dates. The impact of exchange rate changes on cash amount is reflected separately in the cash flow as "Effect of foreign exchange rate changes on cash and cash equivalents."

Differences arising from the translation of foreign currency financial statements are separately reflected in "other comprehensive income."

2.4 Property, plant and equipment (including other non-current assets)

(1) Recognition and initial measurement

The Group's property, plant and equipment and other non-current asset are tangible assets that are held for use in production, rendering of services, for rentals, or for administrative purposes and have useful lives of more than one accounting year.

Property, plant and equipment and other non-current asset of the Group are stated at cost less accumulated depreciation and accumulated impairment loss.

(2) Depreciation methods, estimated useful lives and residual value

The Group uses the straight-line method for depreciation. The Group's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates.

Buildings	12 – 50 years
Oil engineering equipment and others	4 – 30 years

Among these, property, plant and equipment which have been impaired should deduct the cumulative amount of impairment provision to determine the depreciation rate. Other non-current assets, such as specific drilling and logging equipment, were depreciated over their estimated useful life or units of production. Other non-current assets that cannot generate future benefits are recognised in the profit or loss in the period of relevant cost being incurred.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (including other non-current assets) (Continued)

(2) Depreciation methods, estimated useful lives and residual value (Continued)

The Group reviews the useful life and estimated residual value of a property, plant and equipment and other non-current assets and the depreciation method applied annually at each of the period end.

The estimated useful lives and residual values of property, plant and equipment and other non-current assets are adjusted if they are different from the original estimates.

(3) Overhaul costs

The overhaul costs occurred in regular inspection of property, plant and equipment and other non-current assets are recognised in the cost of property, plant and equipment and other non-current assets if there is undoubted evidence to confirm that they meet the recognition criteria, otherwise, the overhaul costs are recognised in profit or loss for the current period. Property, plant and equipment and other non-current assets are depreciated during the intervals of the regular overhaul.

(4) Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalised before the construction reaches the condition for intended use and other relevant expenses.

Construction in progress is transferred to other classes of property, plant and equipment when the assets are ready for their intended use.

2.5 Intangible assets

Intangible assets include software, etc.

The Group initially measures the intangible asset at cost, and analyses and judges its useful life when it is acquired. An intangible asset is amortised using straight-line method as follows:

Software	5 years
Others	10 years/unit of production method

The Group reviews the useful life and amortisation method at the end of each financial year, if it is different from the previous estimate, adjustment is made at previous estimates and accounted for according to changes in accounting estimates.

The carrying amount of an intangible asset should be transferred to profit or loss in current period when it is estimated that no further economic benefits can be brought to the Group as at the reporting date.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment of non-financial assets such as subsidiaries, associates, joint ventures, property, plant and equipment (including right-of-use assets and other non-current assets) and intangible assets are determined as follows:

At the reporting date, the Group perform impairment test if there is any such evidence.

The recoverable amount of an asset is determined by the higher amount of fair value deducting disposal costs and net present value of future cash flows expected from the assets. When the asset or asset group's recoverable amount is lower than its carrying amount, the Group reduces its carrying amount to its recoverable amount. The reduced amount is included in profit or loss, while the provision for impairment of assets is recognised.

2.7 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the financial instrument.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

(1) Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

(i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

Trade receivables, other receivables, restricted cash and cash and cash equivalents are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Financial assets at FVTOCI – equity investments

They are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other comprehensive income reserve (non-recycling); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the other comprehensive income reserve (non-recycling).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTOCI – debt investments

Notes receivables held by the Group are classified as at FVTOCI. Notes receivables are initially measured at fair value plus transaction costs. Subsequently, changes in their carrying amount as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these notes receivables had been measured at amortised cost. All other changes in their carrying amount are recognised in other comprehensive income and accumulated under the heading of other comprehensive income (recycling). When these notes receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(2) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(3) Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments that are measured at FVTOCI. The Group has the following types of assets that are subject to IFRS 9's ECL model:

- notes and trade receivables
- contract assets
- cash and cash equivalents
- restricted cash
- other receivables

The Group generally measures loss allowances at an amount equal to lifetime ECL, except that the credit risk of a financial assets has not been increased significantly since initial recognition, in which case, measured at 12-month ECL. ECL are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For notes and trade receivables, and contract assets, the Group applies the simplified approach to provide for ECL as prescribed by IFRS 9 and has calculated ECL based on lifetime ECL, using provision matrix.The provision matrix is determined based on historical observed default rates over the expected life of the notes and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

(3) Impairment of financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, in particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indication of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

(i) significant financial difficulty of the borrower or issuer;

(ii) a breach of contract such as a default or past due event;

(iii) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

(iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(v) the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, contract assets, restricted cash and cash and cash equivalents etc., where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the other comprehensive income reserve (recycling) without reducing the carrying amounts of these debt instruments.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(4) Classification and measurement of financial liabilities

The Group's financial liabilities include notes and trade payables, other payables, long-term borrowings and short-term borrowings. Financial liabilities (other than lease liabilities) are classified as measured at amortised cost. Accounting policies for lease liability are set out in Note 2.20.

(5) Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.8 Inventories

Inventories are recognised at its actual cost when acquired. Inventories are calculated by weighted average method when issued.

Net realisable value is based on the estimated selling price deducting the estimated costs to be, the estimated selling expenses and related taxes amount incurred when it is completed. Recognition of the net realisable value is based on the verified evidence and considers the purpose of holding inventories and the effect of post balance sheet events to the extent that such events confirm conditions existing at the end of the reporting period.

At the reporting date, if the cost of inventory of the Group exceeds its net realisable value, the inventories is written down to their net realisable value, if the factors caused the inventory previously written-down have disappeared, the amount of write down is reversed to the extent that the new carrying amount is the lower of the cost and the net realisable value.

2.9 Contract assets and contract liabilities

The contract asset is the Group's right to consideration in the exchange for services that the Group has transferred to customer. The contract assets are transferred to trade receivables when receipt of the consideration is conditional only on the passage of time.

The Group expects that contract assets have the same risk characteristics as notes and trade receivables.

The contract liabilities are due to the non-refundable advance payment made by customers. Such liabilities fluctuated as a result of the terms of different projects. A contract liability is the Group's obligation to render services to a customer for which the Group has received consideration. A contract liability is recognised by the Group when the customer pays consideration but before the Group recognised the related revenue.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.10 Cash and cash equivalents

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

2.11 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

2.12 Borrowing costs

(1) Recognition principle of capitalisation of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalised and included in the cost of related assets; other borrowing costs are recognised as expenses and included in profit or loss when incurred. Capitalisation of such borrowing costs can commence only when all of the following conditions are satisfied:

(1) Capital expenditures for the asset are being incurred, which includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalisation;

(2) Borrowing costs are being incurred; and

(3) Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalisation period of borrowing costs

Capitalisation of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognised as an expense in the period in which they are incurred and included in profit or loss for the period incurred.

Capitalisation of borrowing costs is suspended during the periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period are continued to be capitalised.

(3) Calculation of rate and amount of borrowing costs to be capitalised

Interest expenses for specific borrowings incurred in the period, less interest income of unused specific borrowings deposited with bank or investment income arising from temporary investment are capitalised. The capitalisation rate of the general borrowing is determined by reference to the weighted average effective interest rate of general borrowings. The amount of capitalisation of general borrowings is determined by reference to the weighted average of the amount of cumulative expenditures of the asset over the amount of specific borrowings and the capitalisation rate of general borrowings.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.13 Deferred tax assets and deferred tax liabilities

Tax expense comprises current tax expense and deferred tax expense. Current tax and deferred tax are included in profit or loss for the current period as tax expense, except for deferred tax related to transactions or events that are recognised in other comprehensive income or directly recognised in shareholders' equity, which are recognised in other comprehensive income or directly in shareholders' equity.

Temporary differences are recognised as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred tax liabilities except for those incurred in the following transactions:

(1) The initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary difference when the transaction occurs;

(2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognised deductible temporary differences, deductible tax losses as deferred tax assets to the extent that they are available for set-off future taxable income unless such timing difference was arisen from the following transactions:

(1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary difference when the transaction occurs;

(2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, it is probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

The Group has also applied the mandatory exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes (i.e. income taxes arising from the jurisdictional implementation of OECD's Pillar Two model rules).

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected.

2.14 Employee Benefits

(1) Scope of employee benefits

Employee benefits are all forms of consideration and compensation given by the Group in exchange for service rendered by employees. Employee benefits include short-term employee benefits, post-employment benefits and other long-term employee benefits. Employee benefits include benefits provided to employees' spouses, children, and other dependants, survivors of the deceased employees or to other beneficiaries.

(2) Short-term employee benefits

Wages, bonuses, contribution to the social welfare (including medical insurance, injury insurance, birth insurance, etc.) and house funding are recognised as liability and to the profit of loss or cost of related assets in the period of relevant costs being incurred. If related liabilities in which the employees render their services are not expected to be wholly payable within twelve months after the financial period of relevant expenses being incurred and the financial impact is significant, relevant liabilities will be measured at discounted values.

(3) Post employment benefits

Post-employment comprised of defined contribution plan. The Group's obligations under the defined contribution plan are limited to the fixed amount of contribution to the independent trustee.

Defined contribution plans

Defined contribution plans include the basic pension insurance, unemployment insurance and annuity scheme.

In addition to the basic social pension insurance, the Group sets up annuity scheme according to the relevant policies of annuity system, employees may voluntarily participate in the annuity scheme. The Group has no other significant commitments of social security of employees.

The Group recognised the contribution payable under the defined contribution plan as liabilities with corresponding amount recognised in the profit or loss of the financial period of services rendered by employees.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.15 Provision

An obligation for additional losses of investees related to a contingency is recognised as a provision when all of the following conditions are satisfied:

1. The obligation is a present obligation of the Group;
2. It is probable that an outflow of economic benefits will be required to settle the obligation;
3. The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Group reviews the carrying amount of provisions at the reporting date and adjusts the carrying amount to reflect the best estimate.

If the expenses for clearing of predictive liability is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognised separately as an asset. The compensated amount shall not be greater than the carrying amount of the predictive liability.

2.16 Research and development expenditure

Expenditure on the research phase is related to theories of oil-gas exploration and development, oil-gas exploration and development experiments, pilot tests for oil-gas exploration, researches of software, etc.; Expenditure on the development phase is related to applications of oil-gas exploration and development technology, pilot tests of oil-gas development, adaptability of technologies in a development process, software developments, etc.

Expenditure on the research phase is recognised in profit or loss when incurred.

Expenditure on the development phase is capitalised only when the Group can satisfy all of the following conditions: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset is to use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Otherwise, it is charged to profit or loss.

The research and development projects of the Group will enter into the development stage after meeting the above conditions and passing through the technical feasibility and economic feasibility studies and the formation of the project.

Capitalised expenditure on the development phase is presented as “development costs” in the statement of financial position and shall be transferred to intangible assets when the project is completed to its intended use state.

2.17 Government grants

Grants from the government are recognised only when there is a reasonable assurance that the grant will be received and the Group can comply with the attached conditions.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. Where there is undoubted evidence that the grants can meet the relevant conditions of financial support policy and is expected that the financial support fund is receivable, they can be measured in accordance with the receivable amount, and otherwise, they shall be measured according to the amount actually received. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. When fair value is not reliably determinable, the item is measured at nominal amount.

Government grant related to assets represents the government grant received for acquisition, construction of long-term assets. Except for these, all government grants are related to income.

Regarding to the government grant not clearly defined in the official documents and can be used for long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period; if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and then recognised in profit or loss over the periods in which the costs are recognised.

When recognised government grants need to be returned, the repayment is offset against book balance of deferred income and the excess is recognised in profit or loss for the current period; if there is no related deferred income, it is directly recognised in profit or loss for the current period.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.18 Cost to fulfil contracts

If the costs incurred in fulfilling a contract with a customer are not within the scope of an accounting standard other than IFRS 15, the Group shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

A recognised asset shall be subsequently amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The assets shall be subjected to impairment review.

Capitalised cost to fulfil contracts is stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

2.19 Revenue recognition and other income

(1) Sales of products

Revenue from sales of products is recognised when control of the products has been transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(2) Revenue from construction contracts and service contracts

Drilling engineering and geophysics

Revenues from drilling engineering and geophysics service contracts are recognised progressively over time using the output method, based on total value of contract work performed as a percentage of total contract sum, as customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs.

Engineering construction

Revenue from engineering construction contracts is recognised progressively over time using the input method, based on the contract costs incurred to date as a percentage of total forecast costs, as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Special downhole operations and Logging and mud logging

Revenue from special downhole operation and logging and mud logging service contract is recognised overtime using the output method when services are rendered as customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs.

(3) Dividend income

Dividend income is recognised when the right to receive payment is established.

(4) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.20 Leases

(1) The Group as a lessee

For entering any new contracts, the Group considers whether a contract is, or contains a lease. The Group assesses whether the contract meets three key evaluations which are whether:

(i) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

(ii) the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

(iii) the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone selling price of the lease component and the aggregate stand-alone selling price of the non-lease components.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

– there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– there are changes in lease payments due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

– a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

(2) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

3. NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

3.1 Application of new and amendments to IFRS Accounting Standards

The IASB has issued a number of new and amendments to IFRS Accounting Standards. The Group has adopted all these new and amendments to IFRS Accounting Standards, which are effective for the Group's consolidated financial statements for the accounting period beginning on or after 1 January 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify the following:

– An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.

– If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the end of the reporting period.

– The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.

– In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

The adoption of these amendments does not have a material impact on the consolidated financial statements.

Amendments to IAS 1, Non-current Liabilities with Covenants

The amendments deal with the classification of long-term loan arrangements with covenants by specifying that covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date.

The adoption of these amendments does not have a material impact on the consolidated financial statements.

Amendments to IFRS 16, Lease liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

The adoption of these amendments does not have a material impact on the consolidated financial statements.

Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

The adoption of these amendments does not have a material impact on the consolidated financial statements.

3. NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (CONTINUED)

3.2 New and amendments to IFRS Accounting Standards that have been issued but are not yet effective and not early adopted

The new and amendments to accounting standards issued but not yet effective for the accounting period ended 31 December 2024 which the Group has not early adopted are set out below:

Amendments to IAS 21 and IFRS 1	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards – Volume 11[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

IFRS 18 Presentation and Disclosure in Financial Statements supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The directors of the Company are currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

The adoption of IFRS 19 is optional. IFRS 19 specifies the disclosure requirements that an entity is permitted to apply to substitute the disclosure requirements in other IFRSs. The Company's shares are listed and traded in The Stock Exchange of Hong Kong Limited. Therefore, it has public accountability according to IFRS 19 and does not qualify for electing to apply the standard to prepare its financial statements.

The Group anticipates that the application of other new and amendments to IFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

4. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The Group continually evaluates the critical accounting estimates and key assumptions based on its historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that are likely to have significant risks of causing material adjustments to the carrying amounts of assets and liabilities in the next financial year are set out as below:

(1) Classification of financial assets

The Group's critical judgements on determining the classification of financial assets, including the business model and analysis of contractual cash flow characteristics.

The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of the way for how the performance of the financial assets are evaluated and reported to the Group's key management personnel, the way for how the risks for being affected by the performance of the financial assets are evaluated and managed, and the way for how managers are compensated and etc.

The Group's critical judgements on whether the cash flows are consistent with the loan arrangement include whether principal amount may change (including future cash flow and amount) over the life of the financial asset (for example, if there are early repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk, and for other basic lending risks and costs, as well as a profit margin. For examples, whether the amount for early repayment solely reflects the outstanding principal and related interest and the reasonable compensation for the early termination of agreement.

(2) Provision for ECL of trade receivables and contract assets

The Group makes allowances on trade receivables (Note 21) and contract assets (Note 23) based on assumptions about risk of default and expected loss rates. The Group applies judgment in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. During the year ended 31 December 2024, reversal of ECL allowance on trade receivables of RMB435,936,000 (2023: reversal of ECL allowance of RMB134,408,000) and reversal of ECL allowance on contract assets of RMB138,134,000 (2023: ECL allowance of RMB4,250,000) respectively are recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(3) Write down of inventories

The Group regularly reviews the net realisable value of inventories and inventories write-down is recognised at the excess of the carrying amounts of inventories over their net realisable value. When making estimation of the net realisable value of inventories, the Group considers the purpose of the inventories held on hand and other information available to form the underlying assumptions, including the market prices of inventories and the Group's historical operating costs. The actual selling price, costs of completion, selling expenses and taxes may vary according to the changes in market conditions, technology or the actual use of the inventories. The profit or loss for the period will be affected by the adjustment in carrying amount of inventories. The carrying amount of inventories is set out in Note 24.

(4) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefit. Significant judgement is required in determining the capitalisation of development costs. Development costs that do not meet the above criteria are expensed as incurred.

(5) Depreciation and amortisation of property, plant and equipment, intangible assets and other non-current assets

The Group takes into account of residual value before calculating the depreciation and amortisation of property, plant and equipment, intangible assets and other non-current assets. The Group regularly review the estimated useful lives of the assets to determine the depreciation and amortisation charged in each reporting period. The useful lives of the assets are determined based on historical experiences of similar assets and the estimated technical changes, the amortisation periods for other non-current assets are determined by the Group in accordance with the expected benefit period of each assets. Depreciation and amortisation charges is revised if there is material effect on the previous estimation.

Carrying amount of property, plant and equipment and other non-current asset as well as intangible assets is set out in Notes 17 and 18.

(6) Revenue recognition

The contract revenue of petroleum engineering and technical services provided by the Group is recognised over time. The recognition of related revenue depends on the total budgeted costs and the estimation of progress towards satisfaction of a performance obligation by the Group. The management of the Group adopts the expected value method to estimate the total amount of consideration to which the Group will be entitled, and evaluates the total budgeted costs according to historical information and construction plan. Consideration is included in the transaction price until it is highly probable that such an inclusion will not result in a significant revenue reversal in the future. In view of the fact that the construction service contract cycle may span multiple accounting periods, the Group will continuously and periodically review and revise the estimated amount of consideration to which the Group will be entitled, estimated contract costs and the progress towards satisfaction of a performance obligation. If the total amount of consideration to which the Group will be entitled, and total contract costs are actually higher or lower than the management's estimated value, the amount of revenue recognised will be affected in the future.

(7) Provision for litigation claims

For the legal proceedings and claims, the Group derives the best estimate of the expenditure required to settle the related current obligations based on the legal advices consulted and according to the process and solutions of the legal proceedings and claims. The estimated losses will change according to the progress of the legal proceedings. The related information is set out in Note 39.

(8) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences when the Group is probable to have sufficient taxable profits to utilise them. The management estimates the timing and amount in relation to the future taxable profits, including the availability of tax planning strategy to recognise the appropriate amount of deferred tax assets. If the taxable profits in future accounting period is lower than the expected amount or the actual tax rate is lower than the expected tax rate, the deferred tax assets recognised will be reversed and included in the consolidated statement of comprehensive income. The related information is set out in Note 35.

(9) Taxation

There are various uncertainties on interpretation of the complicated tax regulations (including related tax incentive regulations) and timing and extent of the taxable profits. Regarding to various international business and complexity of current contract, there may be adjustment to the recognised taxable income and expenses in the future. The Group has reasonably estimated the provision of taxation in the countries where the Group operates. Such provision of taxation is based on different factors, such as previous tax audit experience and interpretation by related tax authorities. Since the Group operates in different tax regions, different interpretations may be resulted from various events. Relevant information is set out in Notes 12.

(10) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financing plan assessed as detailed in note 2.1 to these consolidated financial statements. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's and Company's ability to continue as a going concern.

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	2024 RMB'000	2023 RMB'000
Geophysics	**5,899,180**	5,672,348
Drilling engineering	**40,178,343**	39,803,724
Logging and mud logging	**3,592,013**	3,555,682
Special downhole operations	**10,965,379**	10,697,995
Engineering construction	**17,809,820**	17,817,700
Others	**2,651,443**	2,433,490
	81,096,178	79,980,939

Segment information

The Group identifies its operating segments based on the internal organisation structure, senior executive management requirements and internal reporting system. The Group has identified five operating segments including geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction. These operating segments are identified based on the regular internal financial information reported to the senior executive management. Senior executive management of the Company regularly reviews the segment information for their decision about the resources allocation and performance assessment.

Five reportable operating segments are as follows:

– Geophysics, which provides terrestrial and marine geophysical exploration, development and technical services;

– Drilling engineering, which provides customers with land and ocean drilling design, construction, technical services and drilling instrumentation;

– Logging and mud logging, which provides land and ocean project contracting and technical services for collection, monitoring, transmission, processing and interpretation and evaluation of wellbore oil and gas, geology and engineering information;

– Special downhole operations, which provides oil engineering technical and construction, including oil (gas) testing, well repair, lateral drilling, fracturing, acidising and oil assignments; and

– Engineering construction, which provides a package of services, including feasibility studies, design, procurement, construction for projects of onshore and offshore oil and gas fields, long-distance pipeline projects, oil and gas transporting process projects, storage and transportation projects, petrochemical supporting projects, building construction, water resources and hydropower, ports and waterways, electricity transmission and distribution projects, manufacturing of pressure vessels, LNG projects, coal chemical engineering, geothermal utilisation, energy saving and municipal roads and bridges.

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

All assets are allocated to reportable segments other than certain property, plant and equipment, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets and cost to fulfil contracts, certain notes and trade receivables, certain prepayment and other receivables, certain cash and cash equivalents, and certain deferred tax assets.

All liabilities are allocated to reportable segments other than certain borrowings, certain deferred income, certain deferred tax liabilities, certain notes and trade payables, certain other payables, certain contract liabilities, and certain current income tax payable.

The resources related to interest income, interest expenses, interests in joint ventures, interests in associates, gain on investment, income tax expense as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

Segment information of each reportable segment were reported and disclosed to the senior executive management in accordance with the accounting policies and the respective measurement bases. These accounting policies and measurement bases were the same as those used in for the preparation of the consolidated financial statements.

Information regarding each reportable segment provided to the senior executive management was as follows:

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(a) Segment results, assets and liabilities

For the year ended 31 December 2024 and as at that date, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
During the year ended 31 December 2024								
Segment revenue and results								
Revenue from external customers	5,899,180	40,178,343	3,592,013	10,965,379	17,809,820	2,651,443	–	81,096,178
Inter-segment revenue	120,111	2,072,896	3,043,301	571,372	99,594	6,024,207	(11,931,481)	–
Segment revenue	6,019,291	42,251,239	6,635,314	11,536,751	17,909,414	8,675,650	(11,931,481)	81,096,178
Reportable segment profit/(loss)	198,746	906,987	314,860	259,202	438,865	(1,284,024)	–	834,636
Other income	9,897	166,080	11,577	7,073	38,638	89,834	–	323,099
Other expenses	(5,585)	(68,348)	(7,947)	(8,017)	83,853	(30,142)	–	(36,186)
Profit/(loss) before income tax	203,058	1,004,719	318,490	258,258	561,356	(1,224,333)	–	1,121,548
Income tax expense								(500,917)
Profit for the year								620,631
Supplementary information								
Depreciation and amortisation								
– Property, plant and equipment	347,808	1,947,828	225,455	530,249	314,644	314,588	–	3,680,572
– Other non-current assets	182,510	2,267,266	166,621	511,344	8,767	112,164	–	3,248,672
– Intangible assets	178	1,029	878	8,077	12,222	181,553	–	203,937
During the year ended 31 December 2024								
Capital expenditure								
– Property, plant and equipment	360,743	1,530,249	232,272	292,601	394,191	545,409	–	3,355,465
– Intangible assets	25	4,504	2,863	–	9,963	157,803	–	175,158
– Other non-current assets	52,493	1,612,916	144,337	540,844	27,019	179,125	–	2,556,734
(Reversal of provision for)/provision for ECL on trade receivables, net	3,659	(248,034)	(26,336)	14	(25,342)	(139,897)	–	(435,936)
(Reversal of provision for)/provision for ECL on other receivables, net	819	7,075	(1,013)	(10)	(35,160)	(1,560)	–	(29,849)
(Reversal of provision for)/provision for ECL on contract assets	806	(551)	(49)	(112)	1,884	(140,112)	–	(138,134)
As at 31 December 2024								
Assets								
Segment assets	6,391,939	11,289,518	4,477,704	8,463,778	27,642,305	20,762,789	(1,687,928)	77,340,105
Liabilities								
Segment liabilities	5,431,227	7,468,074	2,568,453	4,697,820	25,826,311	24,387,346	(1,687,928)	68,691,303

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(a) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2023 and as at that date, the segment results, assets and liabilities were as follows:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Eliminated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
During the year ended 31 December 2023								
Segment revenue and results								
Revenue from external customers	5,672,348	39,803,724	3,555,682	10,697,995	17,817,700	2,433,490	–	79,980,939
Inter-segment revenue	107,976	2,370,872	3,088,804	551,490	34,420	6,639,421	(12,792,983)	–
Segment revenue	5,780,324	42,174,596	6,644,486	11,249,485	17,852,120	9,072,911	(12,792,983)	79,980,939
Reportable segment profit/(loss)	177,706	114,220	248,443	281,902	579,917	(981,524)	–	420,664
Other income	23,287	344,965	20,860	77,134	106,567	36,502	–	609,315
Other expenses	(12,440)	(69,061)	(6,520)	(3,670)	(5,477)	(17,604)	–	(114,772)
Profit/(loss) before income tax	188,553	390,124	262,783	355,366	681,007	(962,626)	–	915,207
Income tax expense								(339,124)
Profit for the year								576,083
Supplementary information								
Depreciation and amortisation								
– Property, plant and equipment	359,971	1,951,469	204,290	530,992	297,357	301,228	–	3,645,307
– Other non-current assets	171,697	1,949,614	173,755	267,620	10,092	69,673	–	2,642,451
– Intangible assets	191	373	634	8,470	12,714	157,991	–	180,373
During the year ended 31 December 2023								
Capital expenditure								
– Property, plant and equipment	302,077	1,857,162	354,838	512,720	321,345	519,116	–	3,867,258
– Intangible assets	–	2,400	–	4,714	18,162	107,530	–	132,806
– Other non-current assets	50,898	2,570,035	137,244	386,021	126,956	77,370	–	3,348,524
(Reversal of provision for)/Provision for ECL on trade receivables, net	(3,463)	(67,040)	(7,913)	(5,049)	(37,620)	(13,323)	–	(134,408)
Provision for ECL/(Reversal of provision for) on other receivables, net	983	2,655	(477)	(1,608)	(268,648)	2,509	–	(264,586)
(Reversal of provision for)/Provision for ECL on contract assets	(699)	(6,697)	432	(561)	3,139	136	–	(4,250)
As at 31 December 2023								
Assets								
Segment assets	6,249,564	10,614,355	4,457,471	8,124,855	22,914,821	24,186,553	(1,384,645)	75,162,974
Liabilities								
Segment liabilities	5,251,583	7,995,911	2,970,292	4,437,053	22,098,107	25,771,471	(1,384,645)	67,139,772

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(b) Geographical information

The following table presents the geographical information. Revenue is based on the location at which revenue were derived. Specified non-current assets include property, plant and equipment, other non-current assets, intangible assets, interests in joint ventures and interests in associates, which are based on the physical location of the assets or operations.

	Revenue from external customers	
	2024	2023
	RMB'000	RMB'000
The PRC	**62,866,445**	63,835,888
Middle East (Note)	**12,385,368**	9,830,963
Other countries	**5,844,364**	6,314,088
	81,096,178	79,980,939

	Specified non-current assets	
	2024	2023
	RMB'000	RMB'000
The PRC	**26,393,096**	28,152,480
Saudi Arabia	**5,148,372**	4,608,373
Other countries	**1,910,923**	2,463,120
	33,452,391	35,223,973

Note: Middle East and other countries are mainly represented Saudi Arabia and Kuwait.

(c) Major customer

For the years ended 31 December 2024 and 2023, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2024	2023
	RMB'000	RMB'000
Customer A	**48,987,648**	54,004,946

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction accounted for approximately 60% (2023: 68%) of the Group's revenue.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(d) Analysis on revenue from contracts

For the years ended 31 December 2024 and 2023, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following segment for geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics RMB'000	Drilling engineering RMB'000	Logging and mud logging RMB'000	Special downhole operations RMB'000	Engineering construction RMB'000	Unallocated RMB'000	Total RMB'000
During the year ended 31 December 2024							
Timing of revenue recognition:							
– At a point in time	**–**	**2,377**	**–**	**924**	**37,383**	**790,174**	**830,858**
– Over time	**5,899,180**	**40,175,966**	**3,592,013**	**10,964,455**	**17,772,437**	**1,861,269**	**80,265,320**
Total	**5,899,180**	**40,178,343**	**3,592,013**	**10,965,379**	**17,809,820**	**2,651,443**	**81,096,178**
During the year ended 31 December 2023							
Timing of revenue recognition:							
– At a point in time	–	7,359	–	6,120	20,432	633,433	667,344
– Over time	5,672,348	39,796,365	3,555,682	10,691,875	17,797,268	1,800,057	79,313,595
Total	5,672,348	39,803,724	3,555,682	10,697,995	17,817,700	2,433,490	79,980,939

(e) Performance obligation of contracts with customers

The Group enters into petroleum engineering technical service contracts or construction contracts with customers to provide geophysical exploration, drilling, logging and mud logging, special downhole operations and surface engineering construction services of which rendering of services and construction contracts is completed according to the agreed schedule. When value of the completed work is confirmed and is certified, customers pay progress payments within 30-180 days after billing. Final billing and payment are made upon the completion and acceptance of the work.

In accordance with contracts and relevant legal requirement, the Group's engineering construction business provides quality assurance for the constructed assets. This type of quality assurance is an assurance-type warranty that ensures that the constructed assets fulfil the established quality standards and cannot be purchased separately, which does not constitute a single performance obligation.

6. FINANCE EXPENSES – NET

	2024 RMB'000	2023 RMB'000
Finance income		
Interest income		
– Sinopec Group's subsidiaries	**37,194**	7,658
– Third-parties and other financial institutions	**25,915**	15,991
	63,109	23,649
Finance expenses		
Interest expenses on loans wholly repayable within 5 years		
– Sinopec Group and its subsidiaries	**(662,794)**	(682,830)
– Third parties and other financial institutions	**(47,463)**	(79,730)
Interest expenses on lease liabilities		
– Sinopec Group and its subsidiaries	**(9,287)**	(15,854)
– Associates and joint ventures of Sinopec Group	**(155)**	(7,399)
– Third parties	**(29,555)**	(19,203)
Exchange gain/(losses), net	**61,836**	(34,952)
Bank and other charges	**(105,212)**	(77,754)
	(792,630)	(917,722)
	(729,521)	(894,073)

7. REVERSAL OF EXPECTED CREDIT LOSS (“ECL”) AND OTHER IMPAIRMENTS AND WRITE-DOWN OF INVENTORIES TO NET REALISABLE VALUE

	2024 RMB'000	2023 RMB'000
Reversal of ECL on trade and other receivables, net	(465,785)	(398,994)
Reversal of ECL on contract assets, net	(138,134)	(4,250)
Write-down of inventories to net realisable value	797	–
Others	(3,864)	–
	(606,986)	(403,244)

8. INVESTMENT INCOME

	2024 RMB'000	2023 RMB'000
Investment income from financial assets at FVTOCI	500	1,200

9. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Gains on disposal of property, plant and equipment, net	62,853	85,168
Gains on disposal of other non-current assets, net	12,547	2,675
Gains on debt restructuring	28,110	34,011
Government grants (Note)	87,392	350,293
Waived payables	31,200	20,509
Penalty income	3,223	2,508
Compensation received	7,685	3,489
Insurance claims	8,357	1,159
Asset surplus	77,535	90,682
Others	4,197	18,821
	323,099	609,315

Note:

For the years ended 31 December 2024 and 2023, government grants primarily represent financial appropriation income and non-income tax refunds received from respective government agencies without conditions or other contingencies attached to the receipts of the grants.

10. OTHER EXPENSES, NET

	2024 RMB'000	2023 RMB'000
Loss on scarps of assets	29,586	22,011
Penalty	3,236	2,067
Donation	3,214	966
Compensation	4,053	1,314
Impairment loss on property, plant and equipment	111	4,957
Loss on disposal of a joint venture	–	13,003
Reversal of provision for loss on judicial reorganisation (Note 38)	(95,214)	–
Others	91,200	70,454
	36,186	114,772

11. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging/(crediting) the followings:

	2024 RMB'000	2023 RMB'000
Staff costs, including directors and supervisors emoluments (Note 16)	**19,007,330**	19,130,017
Retirement benefit plan contribution (including in the above mentioned staff costs)		
－Municipal retirement scheme costs	**1,498,206**	1,449,372
－Supplementary retirement scheme costs	**753,555**	722,845
Changes in inventories of finished goods and work in progress	**(1,140)**	(3,815)
Raw materials and consumables used	**30,974,027**	30,961,028
Depreciation and amortisation		
－Property, plant and equipment	**3,680,572**	3,645,307
－Other non-current assets	**3,248,672**	2,642,451
－Intangible assets	**203,937**	180,373
Short-term leases and leases with lease term of 12 months or less	**2,490,508**	2,953,666
ECL, net		
－Trade and other receivables	**(465,785)**	(398,994)
－Contract assets	**(138,134)**	(4,250)
Write-down of inventories to net realisable value	**797**	–
Impairment loss on property, plant and equipment	**111**	4,957
Rental income from property, plant and equipment after relevant expenses	**(28,248)**	(24,330)
Gains on disposal of property, plant and equipment, net	**(62,853)**	(85,168)
Gains on disposal of other non-current assets, net	**(12,547)**	(2,675)
Auditors' remuneration	**7,200**	7,200
Exchange (gain)/loss, net	**(61,836)**	34,952

12. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax		
PRC corporate income tax	**160,730**	109,339
Overseas corporate income tax	**279,202**	242,259
	439,932	351,598
Deferred tax		
Origination and reversal of temporary difference (Note 35)	**60,985**	(12,474)
Income tax expense	**500,917**	339,124

According to the Corporate Income Tax Law of the PRC, the applicable income tax rate of the years ended 31 December 2024 and 2023 is 25%.

According to the statutory PRC corporate income tax and relevant rules, apart from certain subsidiaries of the Company subjected to the relevant development zone policy or participation in technology development and the PRC's western development project that can enjoy 15% preferential tax rate during the years ended 31 December 2024 and 2023, the majority of the companies of the Group are subject to 25% income tax rate.

Taxes in other countries are calculated according to the tax laws where the related companies of the Group operate.

During the year ended 31 December 2024, Pillar Two legislation was enacted in Kuwait in which the Group operates. However, the legislation is not in effect by 31 December 2024 and therefore there is no current income tax impact for the year.

The Group is in the progress of assessing the impacts. Due to the complexity of the tax laws, the Group has yet to complete their assessment and therefore the effect is not yet reasonably estimated.

12. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between income tax expense and profit before income tax calculated at the statutory tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before income tax	**1,121,548**	915,207
Taxation calculated at the statutory tax rate	**280,387**	228,802
Income tax effects of:		
Difference in overseas profits tax rates	**(11,598)**	(11,339)
Non-deductible expenses	**99,573**	91,560
Utilisation of unrecognised tax losses and deductible temporary differences	**(30,853)**	(28,915)
Unrecognised tax losses and deductible temporary differences	**297,118**	248,619
Adjustment of current tax in previous years	**(13,283)**	(38,439)
Equity method accounting for the joint ventures and associates' profit or loss	**7,926**	(4,552)
Research and development expenses	**(128,353)**	(146,612)
Income tax expense	**500,917**	339,124

13. EARNINGS PER SHARE

(a) Basic

For the years ended 31 December 2024 and 2023, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company.

	2024	2023
Profit for the year attributable to owners of the Company (RMB'000)	**620,631**	576,083
Weighted average number of ordinary shares in issue (Shares)	**18,982,939,727**	18,984,340,033
Basic earnings per share (RMB)	**0.033**	0.030

(b) Diluted

For the years ended 31 December 2024 and 2023, the diluted earnings per share was the same as the basic earnings per share for the years as there were no dilutive potential ordinary shares in existence during both years.

14. DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any dividends for the years ended 31 December 2024 and 2023.

15. DIRECTORS', SUPERVISORS', AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS

Directors', supervisors' and highest individuals' emoluments, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance is as follows:

(a) Directors' and supervisors' emoluments

Details of directors and supervisors of the Company are as follows:

(i) For the year ended 31 December 2024

	Fee	Salary, allowance and bonus	Contributions to pension plans	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
WU Baizhi (i)	–	519	34	–	553
ZHANG Jiankuo (i)	–	1,011	66	–	1,077
CHEN Xikun (ii)	–	522	33	–	555
	–	2,052	133	–	2,185
Non-executive directors:					
DU Kun (i)	–	444	34	–	478
XU Keyu (i)	–	–	–	–	–
ZHANG Lili (i)	–	–	–	–	–
FAN Zhonghai (ii)	–	–	–	–	–
WEI Ran (ii)	–	–	–	–	–
ZHOU Meiyun (ii)	–	–	–	–	–
ZHAO Jinhai (i),(iii)	–	–	–	–	–
	–	444	34	–	478
Independent non-executive directors:					
LIU Jiangning (i)	100	–	–	–	100
WANG Pengcheng (i)	100	–	–	–	100
CHEN Weidong (ii)	100	–	–	–	100
DONG Xiucheng (ii)	100	–	–	–	100
ZHENG Weijin	200	–	–	–	200
	600	–	–	–	600
Supervisors:					
CHENG Zhongyi	–	890	66	–	956
DU Guangyi	–	524	33	–	557
KE Yuehua	–	256	23	–	279
SUN Bingxiang	–	874	66	–	940
SUN Yongzhuang	–	522	20	–	542
WANG Jun	–	907	66	–	973
WANG Zhonghong	–	513	34	–	547
ZHANG Bailing	–	734	41	–	775
ZHANG Congbang	–	988	66	–	1,054
ZHANG Qin	–	30	–	–	30
ZHANG Zongjing	–	516	21	–	537
	–	6,754	436	–	7,190
	600	9,250	603	–	10,453

Notes:

(i) Appointed on 12 June 2024.
(ii) Retired on 12 June 2024.
(iii) Retired on 10 December 2024.

15. DIRECTORS', SUPERVISORS', AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

Details of directors and supervisors of the Company are as follows: (Continued)

(ii) For the year ended 31 December 2023

	Fee	Salary, allowance and bonus	Contributions to pension plans	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
CHEN Xikun	–	1,030	63	–	1,093
YUAN Jiangqiang (i)	–	1,030	63	–	1,093
	–	2,060	126	–	2,186
Non-executive directors:					
LU Baoping (ii)	–	35	–	–	35
FAN Zhonghai	–	–	–	–	–
WEI Ran	–	–	–	–	–
ZHOU Meiyun	–	–	–	–	–
	–	35	–	–	35
Independent non-executive directors:					
CHEN Weidong	200	–	–	–	200
DONG Xiucheng	200	–	–	–	200
ZHENG Weijin	200	–	–	–	200
	600	–	–	–	600
Supervisors:					
DU Jiangbo	–	–	–	–	–
ZHANG Jianbo (iii)	–	–	–	–	–
ZHANG Qin	–	55	–	–	55
SUN Yongzhuang	–	971	41	–	1,012
ZHANG Bailing	–	821	40	–	861
DU Guangyi	–	1,029	63	–	1,092
WANG Jun	–	876	63	–	939
	–	3,752	207	–	3,959
	600	5,847	333	–	6,780

Notes:

(i) Resigned on 8 December 2023.
(ii) Resigned on 27 July 2023.
(iii) Resigned on 13 February 2023.

For the year ended 31 December 2023, Mr. YUAN Jianqiang is also the general manager of the Company and his emoluments disclosed above included his remuneration of serving as the general manager.

15. DIRECTORS', SUPERVISORS', AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The number of director or supervisor and non-director or supervisor included in the five highest paid individuals for the years ended 31 December 2024 and 2023 are as follows:

	2024	2023
Director or supervisor	5	4
Non-director or non-supervisor	–	1
	5	5

The aggregate of the emoluments in respect of the highest paid non-director or supervisor are as follows:

	2024	2023
	RMB'000	RMB'000
Salaries, allowances and bonus	–	987
Contributions to pensions plans	–	63
	–	1,050

For the year ended 31 December 2023, one of the five highest paid individuals who are non-director or supervisor is within the following bands:

	2024	2023
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	–	–

16. STAFF COSTS

	2024	2023
	RMB'000	RMB'000
Salaries, wages and other benefits	16,755,569	16,957,800
Contribution to pension plans (Note)		
— Municipal retirement scheme costs	1,498,206	1,449,372
— Supplementary retirement scheme costs	753,555	722,845
	19,007,330	19,130,017

Note:

Retirement benefits

As stipulated by the regulations of the PRC, the Group participates in basic defined contribution retirement schemes organised by respective municipal government. For the year ended 31 December 2024, the Group and the employees pay 16% and 8% (31 December 2023: 16% and 8%) of salary respectively to basic defined contribution plan.

In addition, the Group provides a supplementary defined contribution retirement plan for its staff at rates not exceeding 8% (31 December 2023: 8%) of the salaries. Employees who have served the Group for one year or more are entitled to participating in this plan. The funds of this plan are held separately from the Group in an independent fund administered by a committee consisting of representatives from the employees and the Group.

Those employees who involved supplementary retirement scheme are entitled to receive the pension in accordance with a certain percentage of the pre-retirement salary after retirement. The Group has no other material obligation for the payment of retirement benefits associated with these plans beyond Municipal retirement scheme and Supplementary retirement scheme.

17. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

(a) Property, plant and equipment

For the year ended 31 December 2024

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2024	2,800,709	67,113,289	141,104	150,387	699,115	70,904,604
Additions	288,714	304,088	68,514	13,789	2,680,360	3,355,465
Remeasurement of leases	–	(52,570)	3,928	–	–	(48,642)
Expiration of or early termination of leases	(262,833)	(364,456)	(62,269)	–	–	(689,558)
Disposals/Write-off	(4,841)	(2,957,964)	–	–	–	(2,962,805)
Transferred from construction in progress	93,923	2,488,563	–	–	(2,582,486)	–
At 31 December 2024	2,915,672	66,530,950	151,277	164,176	796,989	70,559,064
Accumulated depreciation and impairment						
At 1 January 2024	1,408,610	42,943,329	109,844	38,190	3,502	44,503,475
Depreciation	451,066	3,176,023	49,921	3,562	–	3,680,572
Impairment loss	–	111	–	–	–	111
Expiration of or early termination of leases	(262,775)	(318,098)	(62,269)	–	–	(643,142)
Disposals/Write-off	(4,325)	(2,667,766)	–	–	–	(2,672,091)
At 31 December 2024	1,592,576	43,133,599	97,496	41,752	3,502	44,868,925
Carrying amounts						
At 31 December 2024	1,323,096	23,397,351	53,781	122,424	793,487	25,690,139

17. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS (CONTINUED)

(a) Property, plant and equipment (Continued)

For the year ended 31 December 2023

	Buildings	Oil engineering equipment and others	Land	Prepaid land leases	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2023	2,709,818	66,641,561	152,116	137,876	470,886	70,112,257
Additions	231,906	296,345	11,834	12,511	3,270,814	3,823,410
Remeasurement of leases	2,535	36,042	5,272	–	–	43,849
Expiration of or early termination of leases	(148,660)	(474,759)	(28,118)	–	–	(651,537)
Disposals/Write-off	(8,362)	(2,415,013)	–	–	–	(2,423,375)
Transferred from construction in progress	13,472	3,029,113	–	–	(3,042,585)	–
At 31 December 2023	2,800,709	67,113,289	141,104	150,387	699,115	70,904,604
Accumulated depreciation and impairment						
At 1 January 2023	1,126,625	42,428,938	86,484	34,626	3,502	43,680,175
Depreciation	414,706	3,175,592	51,445	3,564	–	3,645,307
Impairment loss	–	4,957	–	–	–	4,957
Expiration of or early termination of leases	(126,018)	(441,755)	–	–	–	(567,773)
Disposals/Write-off	(6,703)	(2,224,403)	(28,085)	–	–	(2,259,191)
At 31 December 2023	1,408,610	42,943,329	109,844	38,190	3,502	44,503,475
Carrying amounts						
At 31 December 2023	1,392,099	24,169,960	31,260	112,197	695,613	26,401,129

Notes:

(i) Recognised depreciation is analysed as follows:

	2024	2023
	RMB'000	RMB'000
Cost of sales	**3,518,369**	3,469,023
Selling expenses	**629**	667
General and administrative expenses	**99,124**	106,829
Research expenses	**62,450**	68,788
	3,680,572	**3,645,307**

(ii) As at 31 December 2024, right-of-use assets with carrying amounts of RMB742,837,000 are included in property, plant and equipment (2023: right-of-use assets with carrying amounts of RMB911,829,000).

	Carrying amounts		Depreciation
	As at 31 December 2024	As at 1 January 2024	During the year 31 December 2024
	RMB'000	RMB'000	RMB'000
Buildings	**386,900**	**481,630**	**383,388**
Oil engineering equipment and others	**179,732**	**286,742**	**193,784**
Land	**53,781**	**31,260**	**49,921**
Prepaid land leases	**122,424**	**112,197**	**3,562**
	742,837	**911,829**	**630,655**

(iii) For the year ended 31 December 2024, the total increase in the right-of-use assets included in property, plant and equipment was RMB542,930,000 (2023: RMB413,150,000).

17. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS (CONTINUED)

(b) Other non-current assets

For the year ended 31 December 2024

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2024	18,449,825	3,310,886	2,826,505	51,214	24,638,430
Additions	1,674,518	728,138	125,894	28,184	2,556,734
At 31 December 2024	20,124,343	4,039,024	2,952,399	79,398	27,195,164
Accumulated depreciation					
At 1 January 2024	12,558,084	2,105,678	1,991,235	44,666	16,699,663
Amortisation	2,160,821	775,393	305,165	7,293	3,248,672
Other decrease	17,240	15,194	5,495	–	37,929
At 31 December 2024	14,736,145	2,896,265	2,301,895	51,959	19,986,264
Carrying amounts					
At 31 December 2024	5,388,198	1,142,759	650,504	27,439	7,208,900

For the year ended 31 December 2023

	Special tools of petroleum engineering	Other tools of petroleum engineering	Camping house	Other long-term deferred expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2023	16,289,261	2,455,532	2,493,899	51,214	21,289,906
Additions	2,160,564	855,354	332,606	–	3,348,524
At 31 December 2023	18,449,825	3,310,886	2,826,505	51,214	24,638,430
Accumulated depreciation					
At 1 January 2023	10,605,349	1,669,883	1,716,021	43,214	14,034,467
Amortisation	1,943,776	428,586	268,637	1,452	2,642,451
Other decrease	8,959	7,209	6,577	–	22,745
At 31 December 2023	12,558,084	2,105,678	1,991,235	44,666	16,699,663
Carrying amounts					
At 31 December 2023	5,891,741	1,205,208	835,270	6,548	7,938,767

18. INTANGIBLE ASSETS

For the year ended 31 December 2024

	Computer software RMB'000	Others RMB'000	Total RMB'000
Cost			
At 1 January 2024	**300,742**	**946,709**	**1,247,451**
Additions	**48,322**	**126,836**	**175,158**
Disposals/Write-off	**(9,560)**	**(3,501)**	**(13,061)**
At 31 December 2024	**339,504**	**1,070,044**	**1,409,548**
Accumulated amortisation			
At 1 January 2024	**187,687**	**729,183**	**916,870**
Amortisation	**37,426**	**166,511**	**203,937**
Disposals/Write-off	**(9,560)**	**(3,501)**	**(13,061)**
At 31 December 2024	**215,553**	**892,193**	**1,107,746**
Carrying amounts			
At 31 December 2024	**123,951**	**177,851**	**301,802**

For the year ended 31 December 2023

	Computer software RMB'000	Others RMB'000	Total RMB'000
Cost			
At 1 January 2023	251,083	864,222	1,115,305
Additions	50,319	82,487	132,806
Disposals/Write-off	(660)	–	(660)
At 31 December 2023	300,742	946,709	1,247,451
Accumulated amortisation			
At 1 January 2023	162,689	574,376	737,065
Amortisation	25,566	154,807	180,373
Disposals/Write-off	(568)	–	(568)
At 31 December 2023	187,687	729,183	916,870
Carrying amounts			
At 31 December 2023	113,055	217,526	330,581

Recognised amortisation is analysed as follows:

	2024 **RMB'000**	2023 RMB'000
Cost of sales	**178,144**	161,018
Selling expenses	**1**	3
General and administrative expenses	**25,265**	18,498
Research expenses	**527**	854
	203,937	180,373

19. INTERESTS IN JOINT VENTURES AND ASSOCIATES

(a) Interests in joint ventures

	2024 RMB'000	2023 RMB'000
At 1 January	**517,961**	23,340
Reclassification	**–**	477,951
Deregister	**–**	(13,003)
Share of total comprehensive income	**(36,722)**	13,992
Exchange adjustments	**5,915**	16,447
Distribution	**–**	(766)
Impairment	**(274,419)**	–
At 31 December	**212,735**	517,961

The interests in each joint venture are as follows:

	2024 RMB'000	2023 RMB'000
Zhong Wei Energy Service Co. Limited ("Zhong Wei")	**8,988**	9,892
EBAPAN, S.A. DE C.V ("EBAPAN")	**1,550**	1,024
DS Servicios Petroleros, S.A.de C.V. ("Mexico DS Company")	**202,197**	507,045
	212,735	517,961

Impairment loss

Impairment of RMB274,419,000 is provided for interests in Mexico DS Company to adjust it to its recoverable amount as at 31 December 2024.

The details of joint ventures, unlisted and established as limited companies, of the Group are as follows:

Name	Place of incorporation/ registration	Registered capital		Actual interest held indirectly	Principal activities and place of operation
		RMB'000	MXN'000		
Zhong Wei	The PRC	305,000 (2023: 305,000)	–	50.00% (2023: 50.00%)	Oilfield technical service/ The PRC
EBAPAN	Mexico	–	50 (2023: 50)	50.00% (2023: 50.00%)	Oil and gas extraction professional and auxiliary activities/Mexico
Mexico DS Company	Mexico	–	5,250 (2023: 5,250)	50.00% (2023: 50.00%)	Oil and gas extraction professional and auxiliary activities/Mexico

The above joint ventures are accounted for using equity method.

Notes:

(i) The decision of financial and operating strategies requires unanimous consent from the Group and other ventures as stated in the contracts signed by the both parties.

(ii) Commitments and contingent liabilities of the joint ventures

As at 31 December 2024 and 2023, there is no material contingent liability and commitment between the Group and its joint ventures or the joint ventures themselves.

The summarised financial information of non-major joint ventures of the Group is as follows:

	2024 RMB'000	2023 RMB'000
(Loss) /profit for the year from continuing operations	**(73,444)**	27,984
Profit for the year from discontinued operations	**–**	–
Other comprehensive income	**11,828**	32,894
Total comprehensive income	**(61,616)**	60,878

19. INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(b) Interest in associates

	2024	2023
	RMB'000	RMB'000
At 1 January	35,535	26,875
Additions	–	6,013
Share of total comprehensive income	8,129	6,850
Distribution	(4,849)	(4,203)
At 31 December	38,815	35,535

The details of associates, unlisted and established as limited companies, of the Group are as follows:

Name	Place of incorporation/ registration	Registered capital		Actual interest held indirectly	Principal activities and place of operation
		RMB'000	USD'000		
Ordos North China Ruida Oil Service Company Limited ("Ordos North")	The PRC	10,000 (2023: 10,000)	–	35.00% (2023: 35.00%)	Oil and natural gas exploration/The PRC
Xinjiang North China Tianxiang Oil Service Company Limited ("Xinjiang North")	The PRC	10,000 (2023: 10,000)	–	20.00% (2023: 20.00%)	Oil and natural gas exploration/The PRC
Zhenjiang Huajiang Oil Service Company Limited ("Huajiang Oil")	The PRC	5,000 (2023: 5,000)	–	37.00% (2023: 37.00%)	Oil and natural gas exploration/The PRC
Henan Zhongyuan Petroleum Technology Service Company Limited ("Henan Zhongyuan")	The PRC	10,000 (2023: 10,000)	–	20.00% (2023: 20.00%)	Oil and natural gas exploration/The PRC
Henan Zhongyou Petroleum Technology Service Company Limited ("Henan Zhongyou")	The PRC	10,000 (2023: 10,000)	–	20.00% (2023: 20.00%)	Oil and natural gas exploration/The PRC
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited ("Qianjiang HengYun")	The PRC	2,100 (2023: 2,100)	–	49.10% (2023: 49.10%)	Transportation services/ The PRC
Beijing Shigong Intelligent Control Technology Company Limited ("Beijing Shigong")	The PRC	20,043 (2023: 20,043)	–	30.00% (2023: 30.00%)	Oil and natural gas exploration/The PRC

The above associates are accounted for using equity method.

Note:

Commitments and contingent liabilities of the associates

As at 31 December 2024 and 2023, there is no material contingent liability and commitment between the Group and its associates or associates themselves.

20. FINANCIAL ASSETS AT FVTOCI

	2024	2023
	RMB'000	RMB'000
Non-current asset:		
Financial assets at FVTOCI (non-recycling)		
Unlisted securities: Equity securities – the PRC	137,441	135,763
Current assets:		
Financial assets at FVTOCI		
Notes receivable	2,557,311	2,735,081

Notes:

(i) Unlisted securities represent the Groups' equity interests in the unlisted entities in the PRC. They are mainly engaged in drilling and technical services operations.

The Group designated its investment in unlisted securities as financial assets at FVTOCI (non-recycling), as the investment is held for strategic purpose.

(ii) As at 31 December 2024 and 2023, notes receivable were classified as financial assets at FVTOCI, as the Group's business model is achieved both by collecting contractual cash flows and by selling of these assets.

(iii) Financial assets at FVTOCI are measured at fair value. Refer to Note 41.4 for details. All financial assets at FVTOCI are denominated in RMB.

21. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables		
– Sinopec Group and its subsidiaries	**6,075,263**	3,927,454
– Joint ventures of the Group	**17,534**	20,354
– Joint ventures and associates of Sinopec Group	**125,362**	73,269
– Third parties	**8,865,528**	8,814,526
	15,083,687	12,835,603
Less: ECL allowance	**(1,788,860)**	(2,233,361)
Trade receivables – net	**13,294,827**	10,602,242

As at 31 December 2024 and 2023, the carrying amounts of Group's trade receivables approximate their fair values.

The Group usually provides customers with a credit term between 90 to 180 days. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The Group does not hold any collateral as security.

Ageing analysis of trade receivables, net of ECL allowance based on invoice date is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**12,606,210**	10,052,405
1 to 2 years	**456,985**	416,954
2 to 3 years	**152,307**	73,512
Over 3 years	**79,325**	59,371
	13,294,827	10,602,242

The movements of ECL allowance on trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
Balance at beginning of the year	**2,233,361**	2,397,795
ECL allowance	**21,662**	20,878
Reversal	**(457,598)**	(155,286)
Receivables written-off as uncollectible	**(4,559)**	(31,558)
Others	**(4,006)**	1,532
At 31 December	**1,788,860**	2,233,361

22. PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments (Note (i))	**595,747**	515,307
Less: Impairment	**–**	(3,864)
	595,747	511,443
Other receivables (Note (ii))		
Petty cash funds	**1,642**	4,728
Guarantee deposits	**1,743,401**	1,153,100
Disbursement of funds	**697,282**	934,741
Temporary payment	**600,190**	899,349
Escrow payments	**4,770**	5,271
Deposits	**29,145**	42,785
Export tax refund receivables	**1,222**	5,386
Excess value-added tax paid	**969,601**	1,030,914
Value added tax to be certified	**84,727**	53,422
Prepaid value-added tax	**1,504,051**	1,403,186
Prepaid income tax	**58,456**	5,327
Dividend receivable	**424**	433
Others	**398,303**	382,627
	6,093,214	5,921,269
Less: ECL allowance	**(542,901)**	(591,143)
	5,550,313	5,330,126
Prepayments and other receivables – net	**6,146,060**	5,841,569

Notes:

(i) As at 31 December 2024, the prepayments included related party balances with Sinopec Group and its subsidiaries amounting to RMB123,112,000 (2023: RMB93,764,000).

(ii) As at 31 December 2024, the other receivables included related party balances: Sinopec Group and its subsidiaries amounting to RMB301,453,000 (2023: RMB282,732,000), the joint ventures of the Group amounting to RMB147,228,000 (2023: RMB139,194,000) and associates and the joint ventures of Sinopec Group amounting to RMB115,000 (2023: RMB19,285,000).

(iii) The amounts due from related parties are unsecured, interest free and repayable on demand.

(iv) The carrying amounts of the Group's prepayments and other receivables as at 31 December 2024 and 2023 approximate their fair values.

The movements of ECL allowance on other receivables are as follows:

	2024 RMB'000	2023 RMB'000
Balance at the beginning of the year	**591,143**	857,691
ECL allowance	**118,162**	76,517
Reversal	**(148,011)**	(341,103)
Receivables written-off as uncollectible	**(201)**	–
Others	**(18,192)**	(1,962)
At 31 December	**542,901**	591,143

23. CONTRACT ASSETS AND COST TO FULFIL CONTRACTS/CONTRACT LIABILITIES

(a) Contract assets and cost to fulfil contracts

	2024 RMB'000	2023 RMB'000
Contract assets arising from construction and service contracts (Note (a))	**16,821,077**	16,402,808
Cost to fulfil contracts (Note (b))	**95,972**	161,736
Less: ECL allowance	**(57,323)**	(199,560)
	16,859,726	16,364,984

Notes:

(a) Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction and service contracts include payment schedules which require progress payments over the construction period once certain specified milestones are reached. Approximate 5% of progress billings of engineering construction service would be retained as quality guarantee. This amount is included in contract assets and the Group's entitlement to this final payment is until the end of guarantee period.

The amount of contract assets that is expected to be recovered after more than one year is RMB1,644,141,000 (31 December 2023: RMB1,712,760,000).

(b) Cost to fulfil contracts represented costs directly related to existing contracts or to specifically identifiable anticipated contracts, including direct labor, direct materials, cost allocation and costs clearly payable by the customer. Managements consider the cost to fulfil contracts is recoverable and the cost is deferred and amortised in the profit or loss when relevant contract revenue is recognised.

The movements of ECL allowance on contract assets are as follows:

	2024 RMB'000	2023 RMB'000
Balance at the beginning of the year	**199,560**	201,404
Reversal of ECL allowance	**(138,134)**	(4,250)
Others	**(4,103)**	2,406
At 31 December	**57,323**	199,560

(b) Contract liabilities

	2024 RMB'000	2023 RMB'000
Contract liabilities arising from construction and service contracts	**7,909,917**	5,361,274

Note:

When the Group received the deposits in advance to the commencement of construction period/provision of services, the amount will be recognised as contract liabilities at contract inception until the amount of recognised revenue is greater than the deposits.

The balance of contract liabilities as at 1 January 2024 is RMB5,361,274,000 (2023: RMB5,115,819,000), in which RMB5,355,804,000 (2023: RMB3,637,714,000) was recognised as revenue during the year.

Unsatisfied performance obligation:

The Group has signed engineering service contracts with several customers to provide petroleum engineering and technical service and construction engineering contracts, which will be completed within the agreed period and regarded as a single performance obligation as a whole. As at 31 December 2024, part of the Group's petroleum engineering and technical service and construction engineering contracts were still in the process, and the total transaction price apportioned to the unsatisfied performance obligation was RMB46.16 billion (2023: RMB24.28 billion), the amount of which was related to the progress of the performance of each contract, and will be recognised as revenue in accordance with the percentage of work performed in the future, which is expected to be completed in the coming 60 months.

24. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**800,381**	949,128
Finished goods	**92,857**	92,117
Work in progress	**3,852**	5,732
Turnover materials	**33,732**	12,077
	930,822	1,059,054
Less: Inventories write-down	**(17,292)**	(16,495)
	913,530	1,042,559

For the years ended 31 December 2024 and 2023, cost of inventories recognised as expenses and included in "cost of sales" amounting to RMB30,974,027,000 and RMB30,957,213,000 respectively. During the year ended 31 December 2024, there was addition of provision for inventories of RMB797,000 was made to write down inventories to their net realisable values (2023: reversal of provision for inventories of RMB12,099,000) and no inventory previously written down were written off during the year (2023: RMB nil).

25. RESTRICTED CASH

	2024 RMB'000	2023 RMB'000
Letter of credit guarantee deposits	**122,251**	97
Guarantee deposits	**84,865**	27,221
	207,116	27,318

As at 31 December 2024 and 2023, restricted cash represents the deposits in banks with initial maturity due for six months.

As at 31 December 2024 and 2023, the annual interest rates on restricted cash are determined in accordance with the annual interest rates of bank current account.

At the end of the respective reporting periods, the maximum exposure to credit risk approximates to carrying amounts of the Group's restricted cash.

26. CASH AND CASH EQUIVALENTS

	2024	2023
	RMB'000	RMB'000
Cash on hand	**1,100**	1,551
An initial term of less than three months:		
– Sinopec Finance Company Limited	**10,406**	1,043,814
– Sinopec Century Bright Capital Investment Company Limited	**561,265**	796,415
– Third party banks and other financial institutions	**2,868,627**	947,018
	3,441,398	2,788,798

As at 31 December 2024 and 2023, the annual interest rates on cash at bank are determined in accordance with the annual interest rates of bank current account.

At the end of the respective reporting periods, the maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents.

27. SHARE CAPITAL

	2024		2023	
	Number of shares	Amount	Number of shares	Amount
	Share	RMB'000	Share	RMB'000
Registered:				
– Domestic non-public legal person shares of RMB1.00 each	**11,674,988,118**	**11,674,989**	11,786,045,218	11,786,046
– Social public A shares of RMB1.00 each	**1,894,390,433**	**1,894,390**	1,783,333,333	1,783,333
– H shares of RMB1.00 each	**5,410,033,482**	**5,410,033**	5,414,961,482	5,414,961
	18,979,412,033	**18,979,412**	18,984,340,033	18,984,340

	2024		2023	
	Number of shares	Amount	Number of shares	Amount
	Share	RMB'000	Share	RMB'000
Issued and paid:				
At beginning of the year	**18,984,340,033**	**18,984,340**	18,984,340,033	18,984,340
Decrease in domestic non-public legal person shares (Note)	**(111,057,100)**	**(111,057)**	–	–
Increase in social public A shares (Note)	**111,057,100**	**111,057**	–	–
Share repurchased	**(4,928,000)**	**(4,928)**	–	–
At end of the year	**18,979,412,033**	**18,979,412**	18,984,340,033	18,984,340

Note:

The decrease in domestic non-public shares is due to decrease in its shareholding of the Company's share by a shareholder, CITIC Group, which is a state-owned enterprise. The transaction is at shareholder level and only change the allocation between domestic non-public legal person shares and social public A shares.

28. THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

(i) The statement of financial position of the Company

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Assets		
Non-current assets		
Property, plant and equipment	71,016	48,599
Intangible assets	66,246	61,766
Interests in subsidiaries	36,192,571	35,793,475
Deferred tax assets	2,401	156
Total non-current assets	36,332,234	35,903,996
Current assets		
Inventories	51,845	–
Trade receivables	81,826	–
Other receivables	118,290	361
Contract assets	15,655	–
Amount due from subsidiaries	24,178,590	20,941,818
Other current assets	17,156	11,090
Cash and cash equivalents	8,571	1,044,457
Total current assets	24,471,933	21,997,726
Total assets	60,804,167	57,901,722
Equity		
Share capital	18,979,412	18,984,340
Reserves	9,713,704	9,630,882
Total equity	28,693,116	28,615,222
Liabilities		
Current liabilities		
Trade payables	125,343	–
Other payables	2,362,874	216,220
Amount due to subsidiaries	9,308,909	10,849,094
Short-term borrowing	20,313,925	18,221,187
Total current liabilities	32,111,051	29,286,501
Total liabilities	32,111,051	29,286,501
Total equity and liabilities	60,804,167	57,901,723
Net current liabilities	(7,639,118)	(7,288,775)
Total assets less current liabilities	28,693,116	28,615,222

Approved and authorised for issue by the board of directors on 18 March 2025.

Chairman of the Board:

WU Baizhi

28. THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (CONTINUED)

(ii) The statement of changes in equity of the Company

	Share capital	Share premium	Other capital reserve	Surplus reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 29(i))	(Note 29(i))	(Note 29(ii))		
As at 1 January 2023	18,984,340	13,919,394	(3,187,594)	200,383	(1,346,589)	28,569,934
Total comprehensive income	–	–	–	–	45,288	45,288
At 31 December 2023 and 1 January 2024	**18,984,340**	**13,919,394**	**(3,187,594)**	**200,383**	**(1,301,301)**	**28,615,222**
Total comprehensive income	**–**	**–**	**–**	**–**	**80,142**	**80,142**
Purchase of own shares	**(4,928)**	**2,680**	**–**	**–**	**–**	**(2,248)**
At 31 December 2024	**18,979,412**	**13,922,074**	**(3,187,594)**	**200,383**	**(1,221,159)**	**28,693,116**

As at 31 December 2023 and 2024, the accumulated losses of Company are RMB1,301,301,000 and RMB1,221,159,000 respectively. Therefore, no distributable profits is available as at 31 December 2023 and 2024.

29. RESERVES

(i) Share premium and other capital reserve

In accordance with the relevant laws and regulations of the PRC, at the restructuring in 2014, the surplus of related asset revaluation, transaction with Sinopec Group, issue of share capital and share repurchases are reflected in these reserves. Other capital reserve includes the fair value of recognised share options.

(ii) Surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company and subsidiaries in PRC, it is required to appropriate 10% of their net profit to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional. The statutory surplus reserve can be used to offset losses, if any, and may be converted into share capital by issuing new shares.

(iii) Specific reserve

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund for its oil construction business. The fund can be used for improvements of safety at the worksite, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, an equivalent amount is transferred from safety fund to retained earnings.

(iv) FVTOCI reserve (non-recycling)

FVTOCI reserve (non-recycling) includes net accumulated movement in fair value of equity investment at FVTOCI (refer to Note 2.7 to the consolidated financial statements for the accounting policies).

30. SHARE-BASED PAYMENTS

Pursuant to the resolution of the fourteen meeting of the eighth session of the Board of Directors of the Company on 1 November 2016, the proposal regarding "the Adjustment of the List of Participants and the Number of the Share Options under the Proposed Grant of the Share Option Incentive Scheme" and the proposal regarding "the Proposed Grant under Share Option Incentive Scheme" was approved.

According to the Company's share option incentive scheme, the grant date of share options was 1 November 2016, and there were a total of 49,050,000 share options granted to 477 participants (0.3469% of the total ordinary share capital issued). Each share option has a right to purchase an ordinary A share listed in PRC on vesting date at an exercise price of RMB5.63 under vesting conditions. The options are exercisable starting two years from the grant date, subject to the following vesting conditions:

(i) achieving compound annual growth rate of no less than 6% in profit before income tax for 2017, 2018 and 2019, respectively based on the profit before income tax of 2015;

(ii) ratio of earnings before interest, tax, depreciation and amortisation to net asset of the Group should be no less than 32% for 2017, 2018 and 2019 in respect to the three vesting periods;

(iii) the above (i) and (ii) conditions should be no lower than the 75% level of peer companies; and

(iv) the performance of the indicator for economic value added has reached the target set by the Sinopec Group for 2017, 2018 and 2019, and the changes of economic value added should be large than zero.

The total fair value of share options at the grant date was RMB54,229,200 for 49,050,000 share options, which has been valued by an external valuation expert using Black-Scholes valuation model. The Third Exercise Period under the First Grant of the A Share Option Incentive Scheme of the Company is from 1 November 2020 to 30 October 2021. On 28 October 2021, the outstanding Share Options granted to the Participants were cancelled in view of the relatively substantial difference between the Company's A Share price and the exercise price. As at 31 December 2023 and 2024, there is no outstanding share options.

No share-based payment expenses has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2023 and 31 December 2024.

31. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
At 1 January	**18,189**	11,576
Government grants received during the year	**54,591**	352,614
Recognised in the statement of comprehensive income for the year	**(48,022)**	(346,001)
At 31 December	**24,758**	18,189

Deferred income mainly related to income from the national special research government grants.

32. NOTES AND TRADE PAYABLES AND LIABILITIES UNDER SUPPLIER FINANCE ARRANGEMENT

	2024 RMB'000	2023 RMB'000
Trade payables		
– Sinopec Group and its subsidiaries	**4,603,046**	2,481,469
– Joint ventures	**16,891**	90,398
– Sinopec Group's joint ventures and associates	**685**	3,636
– Third parties	**19,205,285**	23,798,425
	23,825,907	26,373,928
Notes payables	**3,387,768**	8,821,760
Liabilities under supplier finance arrangement	**4,440,139**	–
	31,653,814	35,195,688

As at 31 December 2024 and 2023, the carrying amounts of Group's notes and trade payables approximate their fair values.

32. NOTES AND TRADE PAYABLES AND LIABILITIES UNDER SUPPLIER FINANCE ARRANGEMENT (CONTINUED)

Ageing analysis of notes and trade payables and liabilities under supplier finance arrangement based on invoice date is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**31,136,345**	34,328,566
1 and 2 years	**327,915**	563,627
2 and 3 years	**70,429**	156,428
Over 3 years	**119,125**	147,067
	31,653,814	35,195,688

Liabilities under supplier finance arrangement

During the year, the Group has entered into agreements with supply chain financing institutions such as Easy-Pec and banks (the "Institutions"), agreeing that they will provide the Group with agency payment and accounts payable factoring services. The Group is required to repay the amount to the Institutions within agreed period (usually not more than 18 months) from the actual payment date of the Institutions. The financing arrangement does not involve any guarantees or pledges.

The trade payables subject to the supplier finance arrangement described above are included in trade and other payables in the consolidated statement of financial position:

Range of payment due dates	**As at 31 December 2024**	As at 31 December 2023	As at 1 January 2023
Liabilities under supplier finance arrangement	**3 to 18 months**	Not applicable	Not applicable
Comparable trade payables that are not part of the supplier finance arrangement	**3 to 18 months**	Not applicable	Not applicable

Carrying amount of liabilities under supplier financing arrangement	**As at 31 December 2024 RMB'000**	As at 31 December 2023 RMB'000	As at 1 January 2023 RMB'000
Carrying amount of trade payables that are part of a supplier finance arrangement	**4,440,139**	–	–
Carrying amounts of trade payables for which the suppliers have already received payment and included in trade and other payable	**4,193,879**	–	–

33. OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Salaries payables	**719,036**	863,071
Other tax payables	**829,487**	794,189
Interest payables (Note (i))	**–**	20,006
Other payables (Note (ii))		
Guarantee deposits	**1,145,101**	1,056,429
Deposits	**172,753**	157,375
Disbursement of funds	**865,540**	725,937
Temporary receipts	**531,755**	474,728
Escrow payments	**33,876**	45,194
Withheld payments	**53,179**	57,811
Project expenses payable	**690,698**	302,134
Others	**310,125**	581,897
	5,351,550	5,078,771

Notes:

(i) As at 31 December 2023, the interest payables include related party balances: Sinopec Group and its subsidiaries amounting to RMB17,586,000.

(ii) As at 31 December 2024, the other payables include related party balances: Sinopec Group and its subsidiaries amounting to RMB125,043,000 (2023: RMB69,875,000), joint ventures of the Group amounting to RMB1,289,000 (2023: RMB172,000) and the joint ventures of Sinopec Group amounting to RMB nil (2023: RMB2,654,000).

(iii) Amounts due to related parties are unsecured, interest free and repayable on demand.

34. BORROWINGS

	2024 RMB'000	2023 RMB'000
Current liabilities		
Loans from Sinopec Finance Company Limited (Note (i))	**22,690,000**	19,185,000
Loans from Sinopec Century Bright Capital Investment Limited (Note (i))	**23,925**	722,435
Other loan	**156,524**	–
Lease liabilities (Note (ii))	**272,460**	436,121
	23,142,909	20,343,556
Non-current liabilities		
Bank borrowings (Note (i))	**–**	318,722
Lease liabilities (Note (ii))	**304,333**	317,120
	304,333	635,842
	23,447,242	20,979,398

Notes:

(i) The loans of the Group are repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**22,870,449**	19,907,435
1 to 2 years	**–**	318,722
	22,870,449	20,226,157

As at 31 December 2024, annual interest rates of credit loans from related parties and bank ranged from 2.70% to 3.60% (2023: 2.90% to 3.75%).

(ii) Lease liabilities

	2024 RMB'000	2023 RMB'000
Total future lease payments		
– Within 1 year	**284,312**	455,092
– 1 to 2 years	**178,632**	153,117
– 2 to 5 years	**103,382**	130,398
– Over 5 years	**55,383**	62,520
	621,709	801,127
Future finance charges on lease liabilities	**(44,916)**	(47,886)
Present value of lease liabilities	**576,793**	753,241

	2024 RMB'000	2023 RMB'000
Present value of future lease payments:		
– Within 1 year	**272,460**	436,121
– 1 to 2 years	**160,652**	143,015
– 2 to 5 years	**92,111**	117,805
– Over 5 years	**51,570**	56,300
	576,793	753,241
Less: Portion due within one year included under current liabilities	**(272,460)**	(436,121)
Portion due after one year included under non-current liabilities	**304,333**	317,120

Notes:

(a) For the year ended 31 December 2024, the Group leases various residential properties, office and equipment under non-cancellable operating lease agreements. The leases run for an initial period of 1 to 30 years (2023: 1 to 30 years), with an option to renew the leases and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors.

(b) As at 31 December 2024, lease liabilities included related party balances: Sinopec Group and its subsidiaries amounting to RMB25,297,000 (2023: RMB7,256,000), the associated and joint ventures of Sinopec Group amounting to RMB403,000 (2023: RMB403,000).

35. DEFERRED TAX

Deferred tax assets and liabilities recognised:

The analysis of deferred tax assets and liabilities is as follows:

	2024	2023
	RMB'000	RMB'000
Deferred tax assets	**330,305**	400,687
Deferred tax liabilities	**(78,065)**	(87,028)
Deferred tax assets, net	**252,240**	313,659

The movement of the deferred tax account is as follows:

	2024	2023
	RMB'000	RMB'000
At 1 January	**313,659**	301,518
(Debited)/credited to profit or loss (Note 12)	**(60,985)**	12,474
Debited to other comprehensive income	**(434)**	(333)
At 31 December	**252,240**	313,659

The movement of deferred tax assets/(liabilities) during the years ended 31 December 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Deferred income	Provision for impairment on assets	Net movement in fair value of financial assets at FVTOCI	Tax losses	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	732	289,473	1	72,264	7,544	370,014
(Debited)/credited to:						
Profit or loss	495	(120,930)	–	42,389	108,719	30,673
Other comprehensive income	–	–	–	–	–	–
At 31 December 2023 and 1 January 2024	**1,227**	**168,543**	**1**	**114,653**	**116,263**	**400,687**
(Debited)/credited to:						
Profit or loss	**418**	**100,806**	**–**	**(61,526)**	**(110,080)**	**(70,382)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2024	**1,645**	**269,349**	**1**	**53,127**	**6,183**	**330,305**

35. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Accelerated depreciation allowance	Revaluation on assets	Net movement in fair value of financial assets at FVTOCI	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	53,794	7,729	1,844	5,129	68,496
Debited to:					
Profit or loss	23,269	–	–	(5,070)	18,199
Other comprehensive income	–	–	333		333
At 31 December 2023 and 1 January 2024	**77,063**	**7,729**	**2,177**	**59**	**87,028**
(Credited)/debited to:					
Profit or loss	**(1,669)**	**(7,729)**		**2**	**(9,396)**
Other comprehensive income	**–**	**–**	**433**	**–**	**433**
At 31 December 2024	**75,394**	**–**	**2,610**	**61**	**78,065**

Deferred tax assets represent the recognised deductible temporary difference and tax losses carried forward to the extent that the realisation of the related income tax benefits through the future taxable profits is probable. In accordance with the PRC tax law applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. Tax losses and deductible temporary differences not recognised as deferred tax assets in the Group is as follow:

	2024	2023
	RMB'000	RMB'000
Tax losses not recognised as deferred tax assets	**14,976,406**	14,421,209
Deductible temporary differences not recognised as deferred tax assets	**2,181,353**	2,196,367

The Group did not recognise the above as deferred tax assets as the management believes that it is less likely such deductible temporary differences and tax losses would be realised. The said tax losses would be expired within five years.

36. COMMITMENTS

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 31 December 2024 and 2023 not provided for in the financial statements are as follows:

	2024 RMB'000	2023 RMB'000
Contracted but not provided for	221,811	138,720

(b) Lease commitments

The Group as a lessee

The lease commitments for short-term leases as at 31 December 2024 and 2023 are as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	139,535	46,397

As at 31 December 2024 and 2023, the Group leases various residential properties, office and equipment under non-cancellable operating leases, with a lease period of 6 to 12 months, which are qualified to apply short-term lease exemption under IFRS 16.

The Group as a lessor

The Group has entered into operating leases on its property, plant and equipment. Rental income recognised by the Group during the year was RMB70,214,000 (2023: RMB58,916,000)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	164,020	128,288
1 to 2 years	24,334	11,170
2 to 3 years	5,774	5,575
3 to 4 years	5,546	5,498
4 to 5 years	3,014	5,498
Over 5 years	101	3,039
	202,789	159,068

(c) Investment commitments

As at 31 December 2024, the Group has outstanding commitments of RMB129,625,000 (2023: RMB129,625,000) in respect of its investment in in joint ventures.

36. COMMITMENTS (CONTINUED)

(d) Fulfilment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 31 December 2024.

37(a). CASH GENERATED FROM OPERATIONS

	Notes	2024 RMB'000	2023 RMB'000
Profit before income tax		**1,121,548**	915,207
Adjustments for:			
– Depreciation of property, plant and equipment	11	**3,680,572**	3,645,307
– Gains on disposal of property, plant and equipment	9	**(62,853)**	(85,168)
– Amortisation of other non-current assets	11	**3,248,972**	2,642,451
– Amortisation of intangible assets	11	**203,937**	180,373
– Gains on disposal of other non-current assets	9	**(12,547)**	(2,675)
– Gains on debt restructuring	9	**(28,110)**	(34,011)
– Waived payables		**(31,200)**	(20,509)
– Interest income	6	**(63,109)**	(23,649)
– Interest expense	6	**749,254**	805,016
– Share of loss/(profit) from joint ventures	19(a)	**36,722**	(13,992)
– Share of profit from associates	19(b)	**(8,129)**	(6,850)
– Reversal of provision for ECL on trade receivables, net	21	**(435,936)**	(134,408)
– Reversal of provision for ECL on other receivables, net	22	**(29,849)**	(264,586)
– Reversal of provision for ECL on contract assets	23	**(138,134)**	(4,250)
– Reversal of provision for loss on judicial reorganisation	10	**(95,214)**	–
– Impairment loss on property, plant and equipment	10	**111**	4,957
– Write down of inventories to net realisable value	7	**797**	–
– Investment income from financial assets at FVTOCI	8	**(500)**	(1,200)
– Loss on disposal of a joint venture	10	**–**	13,003
Cash flows generated from operating activities before changes in working capital		**8,136,032**	7,615,016
Changes in working capital:			
– Inventories		**193,997**	(29,314)
– Trade receivables		**(2,248,084)**	(1,198,629)
– Prepayments and other receivables		**(254,383)**	436,571
– Contract assets and cost to fulfil contracts		**(352,505)**	(643,740)
– Restricted cash		**(179,798)**	9,761
– Deferred income		**6,569**	6,613
– Provisions		**(122,344)**	11,711
– Notes and trade payables		**(3,385,350)**	1,604,235
– Other payables		**(811,042)**	(1,988,018)
– Contract liabilities		**2,548,643**	245,455
Cash generated from operations		**3,531,735**	6,069,661

37(b). RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the year ended 31 December 2024, the details changes in the Group's liabilities arising from financing activities are as below:

	Borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2024	**20,226,157**	**753,241**	**20,979,398**
Changes from financing cash flows:			
Proceeds from borrowings	**34,289,050**	**–**	**34,289,050**
Repayments of borrowings	**(31,827,424)**	**–**	**(31,827,424)**
Interest paid	**(710,257)**	**–**	**(710,257)**
Capital element of lease rentals paid	**–**	**(665,479)**	**(665,479)**
Interest element of lease rentals paid	**–**	**(38,997)**	**(38,997)**
Total changes from financing cash flows	**1,751,369**	**(704,476)**	**1,046,893**
Other changes:			
Addition of lease liabilities	**–**	**542,930**	**542,930**
Remeasurement of leases	**–**	**619**	**619**
Expiry write-off or early termination of lease liabilities	**–**	**(44,928)**	**(44,928)**
Settlement on behalf of the Group	**156,524**	**–**	**156,524**
Interest expenses on borrowings	**710,257**	**–**	**710,257**
Interest expenses on lease liabilities	**–**	**38,997**	**38,997**
Exchange difference	**26,142**	**(9,590)**	**16,552**
Total other changes	**892,923**	**528,028**	**1,420,951**
At 31 December 2024	**22,870,449**	**576,793**	**23,447,242**

For the year ended 31 December 2023, the details changes in the Group's liabilities arising from financing activities are as below:

	Borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	19,403,765	1,014,235	20,418,000
Changes from financing cash flows:			
Proceeds from borrowings	27,351,504	–	27,351,504
Repayments of borrowings	(26,568,095)	–	(26,568,095)
Interest paid	(670,190)	–	(670,190)
Capital element of lease rentals paid	–	(628,989)	(628,989)
Interest element of lease rentals paid	–	(42,456)	(42,456)
Total changes from financing cash flows	113,219	(671,445)	(558,226)
Other changes:			
Addition of lease liabilities	–	413,150	413,150
Remeasurement of leases	–	43,849	43,849
Expiry write-off or early termination of lease liabilities	–	(83,764)	(83,764)
Interest expenses on borrowings	762,560	–	762,560
Interest expenses on lease liabilities	–	42,456	42,456
Exchange difference	(53,387)	(5,240)	(58,627)
Total other changes	709,173	410,451	1,119,624
At 31 December 2023	20,226,157	753,241	20,979,398

38. PROVISIONS

	Provision for the pending litigations	Provision for onerous contracts	Provision for loss on judicial reorganisation	Others	Total
	RMB'000	RMB'000 (Note(a))	RMB'000 (Note(b))	RMB'000	RMB'000
At January 2023	4,000	17,429	159,323	20,246	200,998
Provision during the year	–	–	–	49,367	49,367
Reversal during the year	(4,000)	–	(8,580)	–	(12,580)
Realisation during the year	–	(13,481)	–	(11,595)	(25,076)
At 31 December 2023 and 1 January 2024	**–**	**3,948**	**150,743**	**58,018**	**212,709**
Provision during the year	**–**	**59**	**–**	**873**	**932**
Reversal during the year	**–**	**–**	**(95,214)**	**(4,182)**	**(99,396)**
Realisation during the year	**–**	**(2,595)**	**(3,636)**	**(17,649)**	**(23,880)**
At 31 December 2024	**–**	**1,412**	**51,893**	**37,060**	**90,365**

Notes:

(a) As at 31 December 2024, the Group had a provision of approximately RMB1,412,000 (2023: RMB3,948,000) for onerous contracts, of which the expected unavoidable costs of meeting the performance obligation as stated in construction contracts have exceeded the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The provision was recognised for the contract based on the estimated minimum net cost of completing the contract.

(b) On 16 August 2018, Sinopec (Brazil) Co., Ltd., an indirectly wholly-owned subsidiary of the Company (the "Brazil Subsidiary") applied for judicial reorganisation to the Third State Court of Commercial Enterprises in Rio de Janeiro, Brazil (the "Court of Rio") according to the relevant local laws in Brazil. On 31 August 2018, the Brazil Subsidiary received ruling from Court of Rio, which approved Brazil subsidiary's entered into judicial reorganisation and Nascimento & Rezende Advogados, the law firm, was appointed as the judicial reorganisation manager by Court of Rio.

According to relevant laws of Brazil, the Brazil Subsidiary is required to prepare a reorganisation plan upon the court of Rio has approved that the Brazil Subsidiary is allowed to implement the legal reorganisation procedure. Such legal reorganisation is conditional upon the approval of the reorganisation plan from the creditors' meeting and the court of Rio.

The Brazil Subsidiary continues to proceed with the judicial reorganization work in accordance with the approved judicial reorganization plan based on Brazil's judicial reorganization practice. Upon communication and consultation with relevant creditors and in accordance with relevant Brazilian laws and regulations, the Brazil Subsidiary has applied to the competent court to close the judicial reorganization process. In late of June 2024, the Brazil Subsidiary received a final ruling from the Court of Rio, which ruled that it had fulfilled its judicial reorganisation obligations and the judicial reorganisation process shall be terminated and the normal operations of the Brazil Subsidiary was resumed.

As at 31 December 2024, the Brazil Subsidiary is also expected to further pay creditors another amount equivalent to RMB51.9 million in total based on estimation. The Group reversed an estimated liability of RMB95.2 million during the year.

39. CONTINGENCIES AND GUARANTEES

(a) Contingent liabilities and financial impacts due to pending litigation

The Group is the defendant of certain lawsuits and also the third party or the designated party of other proceedings arising in the ordinary course of business. Management has assessed the possibility of adverse results of these contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have significant negative impact on the financial position, operating results or cash flow of the Group. Therefore, the management does not make provision for the foresaid matters.

On 8 October 2014, the Ecuador Banya Duri Company 厄瓜多爾斑尼亞杜麗公司("EBDC"), an indirectly wholly-owned subsidiary of the Company (the "Banya Duri Company") entered into the Contract for I-L-Y Oilfield Comprehensive Service Projects in Ecuador (the "I-L-Y Oilfield Projects Contract") with Corporacion Estatal Petrolera Ecuatoriana (the "PAM"). During the implementation of the I-L-Y oilfield comprehensive service project, the two parties had disputes over the oilfield production and payment amount from 2016 to 2017 and negotiations were unsuccessful. In October 2018, the EBDC has initiated an international legal arbitration plan. In April 2019, in accordance with the relevant provisions of the I-L-Y oilfield project contract, EBDC submitted a "Notice of Application for Legal Arbitration" to PAM for contract disputes to initiate legal arbitration procedures. In May 2020, the Company submitted an arbitration application for the compensation and the accrued interest, approximately amounting to USD79.22 million. In February 2022, Banya Duli Company received the international arbitration award issued by the arbitral tribunal on the dispute over the payment of oil production increase in the I-L-Y oilfield comprehensive service project. The overall result of the award is favourable for Banya Duli Company. However, since the place of arbitration is Chile, the parties to the arbitration have the right to apply for annulment of the arbitral award according to the relevant laws of Chile, and there is still uncertainty as whether the other party will perform the arbitral award. In August 2022, EBDC received a formal notification from the Santiago Court of Chile that PAM had hired a local Chilean law firm to submit an application for revocation of the arbitration award to the court in late July 2022. EBDC has to file the statement of defence within 10 working days of receipt of the notice. After receiving the notice, EBDC has hired a local law firm in Chile to provide litigation support in accordance with Chilean law, and submitted a statement of defence in August 2022. EBDC received an email from a supporting lawyer from Chile in October 2022, and the Chilean court has included the hearing of the case on the schedule. In November 2022, Chilean law firm received a notice from the local court to request confirmation of the hearing on 29 November 2022. PAM has then filed an application for postponement of the hearing, and PAM is waiting for the court to notify the latest hearing date.

39. CONTINGENCIES AND GUARANTEES (CONTINUED)

(a) Contingent liabilities and financial impacts due to pending litigation (Continued)

On 12 May 2023, Ecuadorian time, Santiago court in Chile issued the judgement of first instance to dismiss the application of PAM and its relevant parties to revoke the arbitration ruling supports PAM's payment of approximately USD64 million as compensation to EBDC ("the Ruling"). In December 2023, EBDC and PAM entered into a settlement arrangement in Quito. Ecuador in relation to the payment of part of the award in the Ruling. Pursuant to the foregoing agreement, the parties agreed that PAM shall pay part of the award in the Ruling in 11 monthly instalments from December 2023, totalling approximately US$34.98 million and to set up coordinated work meetings to determine corresponding payment plans in relation to the remaining award in the Ruling.

As at 31 December 2024, EBDC has recovered the full amount of the increased oil production payment, totalling RMB63,290,000, along with an expert appraisal service fee of RMB60,000, amounting to a combined total of RMB63,350,000. The remaining payments are still under negotiation between the two parties.

(b) Contingent liabilities arising from overseas tax penalties and their financial impact

Sinopec Group International Petroleum Engineering Algeria Co., Ltd. ("Algeria Subsidiary"), a subsidiary of Sinopec International Oil Engineering Company Limited ("Sinopec International"), has been operating in Algeria since its establishment. The Algerian tax department is conducting a tax audit on the taxes and fees generated by the business income of the Algerian subsidiary from 2018 to 2020. After receiving the preliminary investigation results, the Algerian subsidiary of Sinopec International and each project department hired a local intermediary agency to conduct tax defense. Based on the audit results of previous years and the assessment of project tax risks, the Company's management accrues estimated liabilities for the relevant taxes that may be involved. As at 31 December 2024, the estimated liability balance is RMB36,186,000 (2023: RMB49,366,000).

(c) Contingent liabilities and financial impacts from guarantee provided for other entities

As at 31 December 2024, there is no material contingency from guarantee provided for other entities except for disclosed in note 39(d) below (2023: none).

(d) Performance guarantee

As at 31 December 2024, the Group agreed to provide performance guarantee for DS Servicios Petroleros, S.A.de C.V. ("Mexico DS Company") for the performance obligations under the production sharing contract for the EBANO project entered into between Mexican National Hydrocarbons Commission, being the beneficiary, and the Mexico DS Company. During the guarantee period, when Mexico DS Company loses contract performance capabilities, the Group shall undertake to perform the contracts on its behalf to an amount not exceed USD274,950,000.

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the "state-owned enterprises").

In accordance with IAS 24 "Related party disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to the related party transactions and balances shown elsewhere in these financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the year ended 31 December 2024 and 2023.

The transactions with related parties are carried out on normal commercial terms or relevant agreements with counter parties in the ordinary course of business.

The majority of these significant related party transactions with Sinopec Group and its fellow subsidiaries also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries:

	2024 RMB'000	2023 RMB'000
Purchases of materials		
– Sinopec Group and its subsidiaries	**9,575,704**	10,383,595
Sales of products		
– Sinopec Group and its subsidiaries	**117,205**	59,011
Rendering of engineering services		
– Sinopec Group and its subsidiaries	**48,295,689**	48,946,921
Receiving of engineering services		
– Sinopec Group and its subsidiaries	**264,171**	–
Receiving of community services		
– Sinopec Group and its subsidiaries	**30,711**	34,198
Rendering of integrated services		
– Sinopec Group and its subsidiaries	**116.567**	70,088
Receiving of integrated services		
– Sinopec Group and its subsidiaries	**1,001,529**	942,389
Rendering of technology development services		
– Sinopec Group and its subsidiaries	**240,641**	237,410
Rental income – Buildings		
– Sinopec Group and its subsidiaries	**4,109**	1,742
Rental income – Equipment		
– Sinopec Group and its subsidiaries	**2,499**	1,194
Lease payment – Lands and buildings – short-term leases		
– Sinopec Group and its subsidiaries	**70,147**	30,017
Lease payment – Lands and buildings – right-of-use assets		
– Sinopec Group and its subsidiaries	**–**	253,322
Lease payment – equipment and vehicles – short-term leases		
– Sinopec Group and its subsidiaries	**138,294**	122,673

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries: (Continued)

	2024 RMB'000	2023 RMB'000
Lease payment – equipment and vehicles – right-of-use assets		
– Sinopec Group and its subsidiaries	**209**	2,658
Deposits interest income		
– Sinopec Group's subsidiaries	**37,194**	7,658
Loans interest expenses		
– Sinopec Group and its subsidiaries	**662,794**	682,830
Interest expenses on lease liabilities		
– Sinopec Group and its subsidiaries	**9,287**	15,854
Borrowings obtained		
– Sinopec Group and its subsidiaries	**34,012,825**	27,351,504
Borrowings repaid		
– Sinopec Group and its subsidiaries	**31,232,463**	26,398,951
Safety and insurance fund expenses		
– Sinopec Group	**85,950**	84,290
Safety and insurance fund refund		
– Sinopec Group	**168,263**	114,933

(b) Significant related party transactions arising with the associates and joint ventures of the Group:

	2024 RMB'000	2023 RMB'000
Sales of products		
– Associates and joint ventures of the Group	**454**	–
Rendering of engineering services		
– Associates and joint ventures of the Group	**16,797**	31,031
Receiving of engineering services		
– Associates and joint ventures of the Group	**2,128,316**	2,101,454

(c) Significant related party transactions arising with Sinopec Group's associates and joint ventures:

	2024 RMB'000	2023 RMB'000
Purchases of materials		
– Sinopec Group's associates and joint ventures	**1**	48
Sales of products		
– Sinopec Group's associates and joint ventures	**6,818**	212
Rendering of engineering services		
– Sinopec Group's associates and joint ventures	**4,162,131**	4,649,684
Receiving of engineering services		
– Sinopec Group's associates and joint ventures	**171,100**	148,202
Rendering of integrated services		
– Sinopec Group's associates and joint ventures	**–**	763
Receiving of integrated services		
– Sinopec Group's associates and joint ventures	**–**	1,303
Lease payment – equipment and vehicles –short-term leases		
– Sinopec Group's associates and joint ventures	**25,811**	8,118
Lease payment – equipment and vehicles – right-of-use assets		
– Sinopec Group's associates and joint ventures	**–**	41,843
Interest expenses on lease liabilities		
– Sinopec Group's associates and joint ventures	**155**	7,399

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Remuneration of key management personnel

Key management includes directors, supervisors, president, vice presidents, chief financial officer and secretary to the Board of Directors. The compensation paid or payable to key management from employee services is shown below:

	2024 RMB'000	2023 RMB'000
Fee	600	600
Salaries, allowances and bonus	9,851	9,860
Contributions to pension plans	604	608
	11,055	11,068

Senior management, excluding directors and supervisors, whose remuneration fell within the following bands is as follows:

	2024 Number of Individuals	2023 Number of Individuals
RMB0 to RMB500,000	5	3
RMB500,001 to RMB1,000,000	–	3
RMB1,000,001to RMB2,000,000	–	1
	5	7

(e) Provision for counter guarantee

As at 31 December 2024, the Group has provided the counter guarantee to Sinopec Group, amounting to RMB100,000,000 (2023: RMB300,000,000). The counter guarantee will be ended in June 2026 (2023: September 2024).

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT

The Group established certain risk management policies to recognise and analyse the potential risk of the Group. The Group designed an internal control procedure according to proper acceptable risk level in order to monitor the risk position of the Group. Both risk management policies and related internal control system will be reviewed regularly to adapt the market condition or changes in operating activities of the Group. The implementation of internal control system will be reviewed regularly or randomly by the internal audit department in accordance to the risk management policies.

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.1 Category of financial assets and liabilities

	2024 RMB' 000	2023 RMB' 000
Financial assets		
Financial assets at FVTOCI (non-recycling)		
– Unlisted equity investment	**137,441**	135,763
Financial assets at FVTOCI (recycling)		
– Notes receivables	**2,557,311**	2,735,081
	2,694,752	2,870,844
Financial assets measured at amortised cost		
– Restricted cash and cash and cash equivalents	**3,648,515**	2,816,116
– Trade receivables	**13,294,827**	10,602,242
– Other receivables	**2,551,564**	2,170,612
	19,494,906	15,588,970
	22,189,658	18,459,814
Financial liabilities		
Financial liabilities measured at amortised cost		
– Notes and trade payables	**31,653,814**	35,195,688
– Other payables	**3,803,027**	3,421,511
– Borrowings	**23,447,242**	20,979,398
	58,904,083	59,596,597

41.2 Financial risk factors

The Group's financial instrument risks mainly include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's objective in risk management is to obtain an appropriate equilibrium between risk and return. It also focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

Market risk includes interest rate risk and currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the changes in market price.

(i) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from cash and cash equivalents, borrowings and interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Group's finance department continuously monitors the interest rate position of the Group. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Group's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk. For the year ended 31 December 2024 and 2023, the Group did not enter into any interest rate swap arrangements. The fair value interest rate risk of the deposit with bank was not significant because the fixed term deposits are short-term deposits.

Interest-bearing financial instruments held by the Group are as below:

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

	2024		2023	
	%	RMB'000	%	RMB'000
Fixed rate financial instruments				
Restricted cash and cash and cash equivalents (Notes 25 and 26)	**1.95%**	**223,827**	2.75%	52,500
Borrowings (Note 34)	**2.70%-3.60%**	**22,870,449**	2.90%-3.75%	19,938,241
Floating rate financial instruments				
Restricted cash and cash and cash equivalents (Notes 25 and 26)	**0.10%-0.15%**	**3,424,688**	0.01%-0.35%	2,813,116
Borrowings (Note 34)	**–**	**–**	2.37%-2.92%	1,041,157

As at 31 December 2023, it is estimated that a general increase of 50 basis points in the borrowings with variable interest rates, with all other variables held constant, would decrease the Group's net profit and decrease the shareholder's equity for the year by approximately RMB5,205,000. There is no borrowings with variable interest rates as at 31 December 2024.

As at 31 December 2023, a general decrease of 50 basis points in variable interest rates would have had the same magnitude but of opposite effect, on the basis that all other variables remain constant.

The financial instruments held by the Group at the reporting date expose the Group to fair value interest rate risk. This sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative financial instruments issued at floating interest rate held by the Group at the reporting date expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis above is arisen from the effect the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for last year.

(ii) Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group's major operational activities are carried out in the PRC and a majority of the transactions are denominated in RMB. The Group is exposed to foreign currency risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily denominated in US Dollars, Saudi Riyals and Kuwait Dinars.

The foreign currency assets and liabilities include restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings which are denominated in foreign currencies.

The following table details the financial assets and liabilities held by the Group which denominated in foreign currencies and amounted to RMB are as follows:

As at 31 December 2024	**USD**	**SAR**	**KWD**	**Others**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Restricted cash and cash and cash equivalents	**746,434**	**88,421**	**81,467**	**326,036**
Trade and other receivables	**3,795,421**	**798,042**	**551,384**	**406,250**
Trade and other payables	**(728,628)**	**(671,782)**	**(218,482)**	**(259,724)**
Net exposure in RMB	**3,813,227**	**214,681**	**414,369**	**472,562**

As at 31 December 2023	USD	SAR	KWD	Others
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted cash and cash and cash equivalents	621,753	21,946	173,485	157,642
Trade and other receivables	4,409,866	678,607	639,294	621,419
Trade and other payables	(993,312)	(499,153)	(230,640)	(224,688)
Borrowings	(1,041,157)	–	–	–
Net exposure in RMB	2,997,150	201,400	582,139	554,373

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

The Group's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies in order to minimise foreign exchange risk. The Group may sign a forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. In 2024 and 2023, the Group did not enter into any forward exchange contracts or currency swap contracts to mitigate the foreign currency risk.

The following table illustrates the effect on the Group's net profit/loss in regard to a 5% appreciation in RMB against the following currencies, with other variables were held constant as at 31 December 2024 and 2023:

	2024	2023
	RMB'000	RMB'000
	Decrease in net profit	Decrease in net profit
– USD	**(142,996)**	(112,239)
– SAR	**(8,051)**	(7,552)
– KWD	**(15,539)**	(21,830)

As at 31 December 2024 and 2023, the same 5% depreciation in RMB against the respective foreign currencies would have the same magnitude but of opposite effect, on the basis that all other variables remain constant.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from restricted cash, cash and cash equivalent, notes and trade receivables, contract assets and other receivables.

In order to minimise credit risk, the Group has developed and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is based on the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For receivables, the Group has policies to limit the credit risk exposure. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, shorten or cancel credit periods, to ensure the overall credit risk is limited to a controllable extent.

The Group has certain concentration of credit risk in respect of trade receivables as 22.31% (2023: 20.78%) of the total trade receivables was due from the Group's five largest trade debtors. The Group has certain concentration of credit risk in respect of other receivables as 27.38% (2023: 31.07%) of the total other receivables was due from the Group's five largest other debtors.

For financial assets at amortised cost and contract assets, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. The Group does not hold any collateral from its debtors.

Impairment assessment under ECL model

The Group's current credit risk grading framework comprises the following categories:

		Basis for recognising ECL	
Category	**Description**	**Trade receivables and contract assets**	**Other financial assets**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Trade receivables and contract assets

As set out in Note 2.7, the Group assesses ECL under IFRS 9 on trade receivables and contract assets based on provision matrix, the expected loss rates are based on the payment profile for sales in the past years as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

As at 31 December 2024, the gross carrying amount of trade receivables of RMB748,668,000 (2023: RMB976,229,000) has been individually assessed and impaired in full. For remaining trade receivables and contract assets, based on the historical credit loss experience of the existing debtors and all available forward-looking information, the Group assessed the losses for trade receivables and contract assets based on aging for classes of debtors with similar credit risk characteristics and exposures.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2024 and 2023:

	As at 31 December 2024				
Type	Gross carrying amount RMB'000	Proportion (%)	ECL allowance RMB'000	ECL (%)	Net carrying amount RMB'000
Provision made on individual basis	748,668	4.96	748,668	100.00	–
Provision made on collective basis	14,335,019	95.04	1,040,192	7.26	13,294,827
Including:					
Related party grouping	6,218,159	41.22	62,360	1.00	6,155,799
Third party grouping	8,116,860	53.81	977,832	12.05	7,139,028
Total	15,083,687	100.00	1,788,860		13,294,827

	As at 31 December 2023				
Type	Gross carrying amount RMB'000	Proportion (%)	ECL allowance RMB'000	ECL (%)	Net carrying amount RMB'000
Provision made on individual basis	976,229	7.61	979,229	100.00	–
Provision made on collective basis	11,859,374	92.39	1,257,132	10.60	10,602,242
Including:					
Related party grouping	4,021,077	31,33	50,766	1.26	3,970,311
Third party grouping	7,838,297	61.70	1,206,366	15.39	6,631,931
Total	12,835,603	100.00	2,233,361		10,602,242

Provision made on an individual basis:

	As at 31 December 2024			
Name	Gross carrying amount RMB'000	ECL allowance RMB'000	ECL (%)	Reason of provision
Entity A	662,359	662,359	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Entity B	47,882	47,882	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Entity C	25,569	25,569	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Others	12,858	12,858	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Total	748,668	748,668		

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Trade receivables and contract assets (Continued)

	As at 31 December 2023			
Name	Gross carrying amount RMB'000	ECL allowance RMB'000	ECL (%)	Reason of provision
Entity A	892,635	892,635	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Entity B	47,178	47,178	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Entity C	26,703	26,703	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Others	9,713	9,713	100.00	The debtor is short of funds and the amount is outstanding for a long time.
Total	976,229	976,229		

Provision made on collective basis: Related party grouping

	As at 31 December 2024			As at 31 December 2023		
	Gross carrying amount	**ECL allowance**	**ECL**	Gross carrying amount	ECL allowance	ECL
Category	**RMB'000**	**RMB'000**	**(%)**	RMB'000	RMB'000	(%)
Within 1 year	**5,822,053**	**25,744**	**0.44**	3,837,904	14,961	0.39
Including:						
Not overdue	**4,764,611**	**18,526**	**0.39**	3,361,555	11,870	0.35
Overdue within 1 year	**1,057,442**	**7,218**	**0.68**	476,349	3,091	0.65
1 to 2 years	**236,369**	**8,973**	**3.80**	119,513	9,256	7.74
2 to 3 years	**111,091**	**8,065**	**7.26**	24,333	2,779	11.42
Over 3 years	**48,646**	**19,578**	**40.25**	39,327	23,770	60.44
Total	**6,218,159**	**62,360**	**1.00**	4,021,077	50,766	1.26

Provision made on collective basis: Third party grouping

	As at 31 December 2024			As at 31 December 2023		
	Gross carrying amount	**ECL allowance**	**ECL**	Gross carrying amount	ECL allowance	ECL
Category	**RMB'000**	**RMB'000**	**(%)**	RMB'000	RMB'000	(%)
Within 1 year	**6,858,607**	**48,706**	**0.71**	6,214,501	52,512	0.84
Including:						
Not overdue	**4,318,901**	**8,725**	**0.20**	4,806,350	12,634	0.26
Overdue within 1 year	**2,539,706**	**39,981**	**1.57**	1,408,151	39,878	2.83
1 to 2 years	**269,809**	**40,220**	**14.91**	385,795	65,932	17.09
2 to 3 years	**79,939**	**30,658**	**38.35**	105,685	44,753	42.35
Over 3 years	**908,505**	**858,248**	**94.47**	1,132,316	1,043,169	92.13
Total	**8,116,860**	**977,832**	**12.05**	7,838,297	1,206,366	15.39

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets as at 31 December 2024 and 2023:

Type	As at 31 December 2024				
	Gross carrying amount RMB'000	Proportion (%)	ECL allowance RMB'000	ECL (%)	Net carrying amount RMB'000
Provision made on individual basis	**13,566**	**0.08**	**6,783**	**50.00**	**6,783**
Provision made on collective basis	**16,807,511**	**99.92**	**50,5460**	**0.30**	**16,756,971**
Including:					
Petroleum engineering	**8,587,026**	**51.05**	**25,719**	**0.30**	**8,561,307**
Construction and Engineering	**8,220,485**	**48.87**	**24,821**	**0.30**	**8,195,664**
Total	**16,821,077**	**100.00**	**57,323**		**16,763,754**

Type	As at 31 December 2023				
	Gross carrying amount RMB'000	Proportion (%)	ECL allowance RMB'000	ECL (%)	Net carrying amount RMB'000
Provision made on individual basis	144,307	0.88	144,307	100	–
Provision made on collective basis	16,258,501	99.12	55,253	0.34	16,203,248
Including:					
Petroleum engineering	8,632,396	52.63	32,304	0.37	8,600,092
Construction and Engineering	7,626,105	46.49	22,949	0.30	7,603,156
Total	16,402,808	100.00	199,560		16,203,248

Other receivables

As at 31 December 2024, lifetime ECL is applied for credit impaired other receivables with gross carrying amount RMB662,031,000 (2023: RMB543,636,000).

Other than abovesaid other receivables, the Group measures the loss allowance equal to 12-month ECL of remaining other receivables. There is no significant increase in credit risk since initial recognition, the Group apply 12-month ECL based on aging for classes of debtors with similar credit risk characteristics and exposures.

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables as at 31 December 2024 and 2023:

As at 31 December 2024

	Gross carrying amount	ECLs allowance		Net carrying amount 2024
	RMB'000	%	RMB'000	RMB'000
Petty cash funds	**1,642**	**13.64**	**224**	**1,418**
Guarantee deposits	**1,743,401**	**6.11**	**106,523**	**1,636,878**
Disbursement of funds	**697,282**	**24.71**	**172,306**	**524,976**
Escrow payments	**4,770**	**2.62**	**152**	**4,645**
Deposits	**29,145**	**13.60**	**3,963**	**25,182**
Dividend receivable	**424**	**–**	**–**	**424**
Others	**398,303**	**10.03**	**39,962**	**358,341**
Total	**2,874,967**		**323,103**	**2,551,564**

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Other receivables (Continued)

ECL provision in the first stage:

Category	Gross carrying amount RMB'000	ECL (%)	ECL allowance RMB'000	Net carrying amount RMB'000
Provision made on collective basis:				
– Petty cash funds	1,418	0.07	1	1,417
– Guarantee and other deposits	1,660,093	1.12	18,672	1,641,421
– Others	551,425	5.06	27,917	523,508
Total	2,212,936	2.11	46,590	2,166,346

ECL provision in the second stage:

Category	Gross carrying amount RMB'000	ECL (%)	ECL allowance RMB'000	Net carrying amount RMB'000
Provision made on collective basis:				
– Others	147,082	7.23	10,632	136,450
Total	147,082	7.23	10,632	136,450

ECL provision in the third stage:

Category	Gross carrying amount RMB'000	ECL (%)	ECL allowance RMB'000	Net carrying amount RMB'000
Provision made on collective basis:				
– Petty cash funds	224	100.00	224	–
– Guarantee and other deposits	112,453	81.65	91,813	20,640
– Others	402,272	43.22	173,844	228,428
Total	514,949	51.63	265,881	249,068

As at 31 December 2023

	Gross carrying amount	ECLs allowance		Net carrying amount
	RMB'000	%	RMB'000	RMB'000
Petty cash funds	4,728	2.66	126	4,602
Guarantee deposits	1,153,100	9.29	107,117	1,045,983
Disbursement of funds	934,741	22.24	207,872	726,869
Escrow payments	5,271	0.93	49	5,222
Deposits	42,785	6.49	2,776	40,009
Dividend receivable	433	–	–	433
Others	382,627	9.18	35,133	347,494
Total	2,523,685		353,073	2,170,612

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment assessment under ECL model (Continued)

Other receivables (Continued)

ECL provision in the first stage:

Category	Gross carrying amount RMB'000	ECL (%)	ECL allowance RMB'000	Net carrying amount RMB'000
Provision made on collective basis:				
– Petty cash funds	4,728	2.66	126	4,602
– Guarantee and other deposits	1,094,742	3.70	40,505	1,054,237
– Others	880,579	4.01	35,312	845,267
Total	1,980,049	3.88	75,943	1,904,106

ECL provision in the third stage:

Category	Gross carrying amount RMB'000	ECL (%)	ECL allowance RMB'000	Net carrying amount RMB'000
Provision made on collective basis:				
– Guarantee and other deposits	101,143	68.60	69,387	31,756
– Others	442,493	46.95	207,743	234,750
Total	543,636	50.98	277,130	266,506

Restricted cash and cash and cash equivalents

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks, and the Group considers the credit risk to be insignificant that the losses due to the breach of contract is minimal.

Notes receivables measured at FVTOCI

The Group's notes receivables measured at FVTOCI issued by banks and other financial institutions with high credit ratings, and the Group considers the credit risk to be insignificant that the losses due to the breach of contract is minimal.

The Group's maximum exposure to credit risk is the carrying amount of each financial asset in the statement of financial position as stated in Note 41.1. Except as disclosed in Note 40(e), the Group did not provide any financial guarantees that may pose credit risk to the Group.

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.2 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

Regarding to the management of liquidity risk, the Group's management monitors cash and cash equivalents to meet operational needs and reduce the effect of floating cash flow. The Group's management monitors the usage of bank loan so that the Group does not breach borrowing limits or covenants while maintaining sufficient commitment on reserve fund from major financial institute to meet needs of short-term and long-term liquidity. Besides, to improve the cash flow position, the Group also considers to negotiate with suppliers with a view to lower the amount due.

The Group raised working capital through its operations, bank and other borrowings. As at 31 December 2024, the Group's unused line of credit was RMB7,829,785,000 (2023: RMB12,779,970,000).

The financial assets and liabilities of the Group at the reporting date are analysed by their maturity date as below at their undiscounted contractual cash flows:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024						
Restricted cash and cash and cash equivalents	**3,648,515**	–	–	–	**3,648,515**	**3,648,515**
Trade receivables	**13,294,827**	–	–	–	**13,294,827**	**13,294,827**
Financial assets at FVTOCI – Notes receivables	**2,557,311**	–	–	–	**2,557,311**	**2,557,311**
Other receivables	**2,551,864**	–	–	–	**2,551,864**	**2,551,864**
Notes and trade payables	**(31,653,814)**	–	–	–	**(31,653,814)**	**(31,653,814)**
Other payables	**(3,803,027)**	–	–	–	**(3,803,027)**	**(3,803,027)**
Borrowings	**(23,722,930)**	**(178,632)**	**(103,382)**	**(55,583)**	**(24,060,527)**	**(23,447,242)**
	(37,127,254)	**(178,632)**	**(103,382)**	**(55,583)**	**(37,464,851)**	**(36,851,566)**
As at 31 December 2023						
Restricted cash and cash and cash equivalents	2,816,116	–	–	–	2,816,116	2,816,116
Trade receivables	10,602,242	–	–	–	10,602,242	10,602,242
Financial assets at FVTOCI – Notes receivables	2,735,081	–	–	–	2,735,081	2,735,081
Other receivables	2,170,612	–	–	–	2,170,612	2,170,612
Notes and trade payables	(35,195,688)	–	–	–	(35,195,688)	(35,195,688)
Other payables	(3,421,511)	–	–	–	(3,421,511)	(3,421,511)
Borrowings	(20,307,940)	(598,827)	(70,320)	(37,830)	(21,014,917)	(20,979,398)
	(40,601,088)	(598,827)	(70,320)	(37,830)	(41,308,065)	(41,272,546)

41.3 Capital risk management

The objectives of the Group's capital risk management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net liabilities divided by total capital. Net liabilities are calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is the sum of total equity and net liabilities as shown in the consolidated statement of financial position. Total equity includes the equity attributable to shareholders of the parent and non-controlling interests.

41. FINANCIAL AND CAPITAL RISKS MANAGEMENT (CONTINUED)

41.3 Capital risk management (Continued)

At the reporting date, the gearing ratio is set out as below:

	2024 RMB'000	2023 RMB'000
Total borrowings (Note 34)	**23,447,242**	20,979,398
Less: Cash and cash equivalents (Note 26)	**(3,441,398)**	(2,788,798)
Net debts	**20,005,844**	18,190,600
Total equity	**8,648,802**	8,023,202
Total capital	**28,654,645**	26,213,802
Gearing ratio	**70%**	69%

41.4 Fair value estimation

Fair value measurements

Other than noted as below, the carrying value of the Group's financial assets and liabilities stated at the consolidated statement of financial position are not materially different from their fair values.

Fair value is the price that would be received to sell assets or paid to transfer liabilities in an orderly transaction between market participants at the measurement date. The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

(a) Recurring fair value measurement of the Group's financial assets measured at fair value

The financial assets measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Level 3	
	2024 RMB'000	2023 RMB'000
Financial assets at FVTOCI (non-recycling)		
– Unlisted equity investments	**137,441**	135,763
Financial assets at FVTOCI		
– Notes receivable	**2,557,311**	2,735,081
	2,694,752	2,870,844

The reconciliation of the carrying amounts of assets classified within Level 3 of the fair value hierarchy is as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	**2,870,844**	1,602,832
Issues	**35,499,441**	38,285,634
Settlements	**(35,677,211)**	(37,018,893)
Movement in fair value recognised in other comprehensive income	**1,678**	1,271
At 31 December	**2,694,752**	2,870,844

The fair value of the unlisted equity securities and notes receivables is measured using valuation techniques with reference to the net asset value and asset-based valuation and discounted cash flow, where appropriate. The Directors believe that the change in fair value (which is included in other comprehensive income) derived from the valuation technique is reasonable and is the most appropriate value at the end of the reporting period.

There have been no transfers into or out of Level 3 during the year ended 31 December 2024 (2023: Nil).

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying value of the Group's financial instruments carried at amortised cost are not materially different from fair value as at 31 December 2024 and 2023.

42. POST BALANCE SHEET EVENTS

As at 18 March 2025, there are no other material events after reporting period to be disclosed.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2024 and 2023, the Group has direct interests in the following principal subsidiaries:

Name	Establishment/ Place of incorporation and type of legal entity	Registered capital	Actual interest held	Principal activities and place of operation
Sinopec Oilfield Service Co., Ltd.	The PRC/Limited Company	RMB4,000,000	100%	Petroleum engineering and technical services/The PRC
Sinopec Shengli Oil Engineering Company Limited	The PRC/Limited Company	RMB700,000	100%	Petroleum engineering and technical services/The PRC
Sinopec Zhongyuan Oil Engineering Company Limited	The PRC/Limited Company	RMB450,000	100%	Petroleum engineering and technical services/The PRC
Sinopec Jianghan Oil Engineering Company Limited	The PRC/Limited Company	RMB250,000	100%	Petroleum engineering and technical services/The PRC
Sinopec East China Oil Engineering Company Limited	The PRC/Limited Company	RMB864,297	100%	Petroleum engineering and technical services/The PRC
Sinopec North China Oil Engineering Company Limited	The PRC/Limited Company	RMB886,300	100%	Petroleum engineering and technical services/The PRC
Sinopec Southwest China Oil Engineering Company Limited	The PRC/Limited Company	RMB300,000	100%	Petroleum engineering and technical services/The PRC
Sinopec Oil Engineering Geophysical Company Limited	The PRC/Limited Company	RMB300,000	100%	Petroleum engineering and technical services/The PRC
Sinopec Oil Engineering and Construction Corporation	The PRC/Limited Company	RMB500,000	100%	Engineering and Construction/ The PRC
Sinopec Shanghai Offshore Oil Engineering Company Limited	The PRC/Limited Company	RMB2,000,000	100%	Offshore Oil engineering and technical services/The PRC
Sinopec International Oil Engineering Company Limited	The PRC/Limited Company	RMB700,000	100%	Petroleum engineering and technical services/The PRC
Sinopec Jingwei Company Limited	The PRC/Limited Company	RMB1,000,000,000	100%	Testing, logging and locating service/The PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Section XI Documents Available for Inspection

The following documents are available for inspection at the legal address of the Company from 19 March 2025 (Wednesday) upon requests by related supervisory institute and shareholders in accordance with the Articles of Association of the Company and relevant regulations:

1. The original copy of the annual report signed by the Chairman of the Company;
2. The financial statements signed by the Chairman, General Manager, Chief Financial Officer and the Head of the Accounting Department;
3. The original reports of the auditors and the accounts prepared in accordance with the PRC Accounting Standards for Business Enterprises signed by the Certified Public Accountants, registered the PRC under the seal of BDO China Shu Lun Pan CPAs (LLP); The original reports of the auditors and the financial statements prepared in accordance with IFRSs signed by BDO Limited;
4. Documents and Announcements disclosed in the reporting period;
5. The Article of Associations of the Company;
6. Copies of the Annual Reports and Interim Reports from 1993 to 2024 and the First Quarter Report and the Third Quarter Report from 2002 to 2024 of the Company.

This Annual Report has been drafted in both English and Chinese. In the event that different interpretation occurs, except the financial statements prepared in accordance with IFRSs and its related reports of the auditors, the Chinese version is considered to be more accurate.

中国石化
SINOPEC