



**中国石化**  
**SINOPEC**

**中石化石油工程技术服务有限公司**  
**Sinopec Oilfield Service Corporation**

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

# 2025

Interim Report



# IMPORTANT NOTES

1. The Board 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 Interim Report and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this Interim Report.
2. The 2025 Interim Report has been approved at the ninth meeting of the eleventh session of the Board. Six directors of the Company have attended. Mr. Wu Baizhi, chairman of the Board, was absent from the meeting due to official affairs, but had authorized Mr. Zhang Jiankuo, a director, to attend the meeting and exercise his rights.
3. The interim financial statements of the Company for 2025, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises ("PRC ASBE") and International Financial Report Standards ("IFRS"), are unaudited. But the interim financial statements of the Company for 2025 which have been prepared in accordance with IFRS have been reviewed by BDO Limited.
4. Mr. Wu Baizhi, Chairman, Mr. Zhang Jiankuo, General Manager, Mr. Cheng Zhongyi, Chief Financial Officer and Ms. Zhang Xueping, Manager of the Accounting Department of the Company, hereby warranted the authenticity, accuracy and completeness of the financial report contained in the Interim Report.
5. According to the Articles of Association, the Board resolved that no interim cash dividend was paid for the first half of the year ended 31 December 2025, and no issue of bonus shares by way of capitalization of common reserves.
6. The Company's forward-looking statement about the development strategy in the future and operation plan does not constitute its substantive commitment to investors, and the Company would ask investors to notice the investment risks.
7. There was no occupancy of non-operating funds by the controlling shareholder of the Company and its connected parties.
8. The Company did not provide external guarantees made 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 2025 Interim Report.
10. There are no significant risks that need to be prompted in the Company.

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## Section I Definitions

In this Interim 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 traded on the SSE (Stock code 600871) and H Shares are listed on the Main Board of 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 HKSE as well as SSE, the subsidiary of CPC
A Share(s)	Domestic share(s) of the Company which is (are) listed on the SSE and par value per share is RMB1.00
H Share(s)	Overseas listed foreign share(s) which is (are) listed on the Main Board of the Stock Exchange 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 Limited
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 relevant information during the drilling process. Mud logging is the most basic technique in oil and gas exploration and production activities, and is the most timely and direct way to find and evaluate the oil and gas reservoir. It has the characteristics of obtaining the downhole information timely and various and analyzing and interpreting it quickly
downhole operation service	Providing all oil and gas wellbore operations for oil and gas field exploration and development, except 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 or China	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 Information

	Secretary to the Board	Company Secretary, Securities Affairs Representative
Name	Ke Yuehua	Shen Zehong
Address	Office of the Board of Directors, No. 9 Jishikou Road, Chaoyang District, Beijing, PRC	
Telephone	86-10-59965998	
Fax	86-10-59965997	
E-mail	ir.ssc@sinopec.com	

### 3. The Changes for the 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. Information Disclosure and Inspection Place

Domestic newspapers disclosing information	China Securities, Shanghai Securities News, Securities Journal Times
Internet website designated by stock exchange to publish the Interim Report	www.sse.com.cn www.hkexnews.hk
Place where the Interim Report available for inspection	Office of the board of directors of the Company

### 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	—

## Section II Company Profile and Principal Financial Indicators

### 6. Other Related Information

<b>Auditors</b>	
Domestic Auditor:	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Address:	4th Floor, 61 Nanjing East Road, Shanghai
Overseas Auditor:	BDO Limited
Address:	25th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong
<b>Legal advisors</b>	
PRC:	Beijing Haiwen & Partners
Address:	20th Floor, Fortune Financial Center, No. 5 Dong San Huan Central Road, Chaoyang District, Beijing
Hong Kong:	Zhong Lun Law Firm
Address:	4/F, Jardine House, 1 Connaught Place, Central, Hong Kong
<b>Share registrars and transfer office</b>	
H Share:	Computershare Hong Kong Investor Services Limited
Address:	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Roads East, Hong Kong
A Share:	China Securities Registration and Clearing Corporation Limited, Shanghai Branch
Address:	No. 188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone

### 7. Key financial data and financial indicators of the Company (extracted from the consolidated financial statements prepared in accordance with the PRC ASBE which is unaudited)

#### (1) Key financial data

	For the six months ended 30 June 2025	For the six months ended 30 June 2024	Increase/(Decrease) from corresponding period of last year
	RMB' 000	RMB' 000	(%)
<b>Operating income</b>	37,050,751	36,821,444	0.6
<b>Operating profit</b>	788,207	692,652	13.8
<b>Profit before income tax</b>	782,970	781,564	0.2
<b>Net profit attributable to equity shareholders of the Company</b>	492,256	451,807	9.0
<b>Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company</b>	423,900	251,181	68.8
<b>Net cash inflow from operating activities ("-" for outflow)</b>	2,150,567	-190,066	not applicable

  

	As at 30 June 2025	As at 31 December 2024	Increase/(Decrease) from last year
	RMB' 000	RMB' 000	(%)
<b>Total equity attributable to equity shareholders of the Company</b>	9,303,490	8,648,802	7.6
<b>Total assets</b>	78,148,983	77,340,105	1.0

## Section II Company Profile and Principal Financial Indicators

### (2) Key financial indicators

	For the six months ended 30 June 2025	For the six months ended 30 June 2024	Increase/(Decrease) from corresponding period of last year (%)
Basic earnings per share (RMB/share)	0.026	0.024	8.3
Diluted earnings per share (RMB/share)	0.026	0.024	8.3
Basic earnings per share deducted extraordinary gain and loss (RMB/share)	0.022	0.013	69.2
Weighted average return on net assets	5.53%	5.48%	increased by 0.05 percentage points
Weighted average return on net assets deducted extraordinary gain and loss	4.77%	3.04%	increased by 1.73 percentage points

Explanations for key financial data and key financial indicators

✓ Applicable    □ Not Applicable

From 21 August to 12 September 2024, the Company repurchased an aggregate of 4,928,000 H shares, which were cancelled on 19 September 2024. From 8 January to 22 May 2025, the Company repurchased an aggregate of 22,366,200 A shares, which were cancelled on 6 June 2025. Therefore, the total share capital of the Company used in the calculation of the above relevant indicators of earnings per share during the reporting period was 18,957,045,833 shares, as compared with 18,984,340,033 shares used in the same period last year.

### 8. Differences between the interim financial reports of the Company prepared in accordance with the PRC ASBE and IFRS

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	For the six months ended 30 June 2025	For the six months ended 30 June 2024	As at 30 June 2025	As at 1 January 2025
	RMB '000	RMB '000	RMB '000	RMB '000
PRC ASBE	492,256	451,807	9,303,490	8,648,802
Adjustment of items and amount in accordance with the IFRS:				
Specific reserve (a)	267,893	301,143	—	—
IFRS	760,149	752,950	9,303,490	8,648,802

#### (a) Specific 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. Extraordinary gain and loss items and amount (figures are based on the interim financial report prepared in accordance with the PRC ASBE which is unaudited)

Extraordinary gain and loss items	Amount (RMB'000)
Gains and losses on disposal of non-current assets, including write-offs of provision for impairment of assets	35,820
Government subsidies included in the current profits and losses, except those that are closely related to the normal business operations of the Company, comply with the national policies and regulations, are enjoyed in accordance with the determined standards, and have a continuous impact on the profits and losses of the Company	6,529
Reversal of provision for impairment of receivables individually tested for impairment	39,434
Gain or loss on debt restructuring	16,995
Other non-operating income and expenses excluding the aforesaid items	-14,555
Less: Effect of income tax	15,867
Total	68,356

## Section II Company Profile and Principal Financial Indicators

### 10. Key financial data and financial indicators prepared under IFRS (Unaudited)

	As at 30 June 2025	As at 31 December 2024	Increase/(Decrease) From last year
	RMB '000	RMB '000	(%)
<b>Total assets</b>	78,148,983	77,340,105	1.0
<b>Total liabilities</b>	68,845,493	68,691,303	0.2
<b>Total equity attributable to equity shareholders of the Company</b>	9,303,490	8,648,802	7.6
<b>Net assets per share attributable to equity shareholders of the Company (RMB)</b>	0.49	0.46	6.5

	For the six months ended 30 June 2025	For the six months ended 30 June 2024	Increase/(Decrease) from corresponding period of last year
	RMB '000	RMB '000	(%)
Profit attributable to equity shareholders of the Company	760,149	752,950	1.0
Basic and diluted earnings per share	RMB0.040	RMB0.040	1.0
Net cash generated from/(used in) operating activities	2,150,567	(190,066)	not applicable
Return on net assets	8.08%	8.58%	decreased by 0.50 percentage points
Net cash generated from/(used in) operating activities per share	RMB0.113	RMB(0.010)	not applicable



## Section III Discussion and Analysis of Management

### 1. Description of the Company's industry and main business during 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 oilfield services. As at 30 June 2025, the Company provided oil and gas engineering services with more than 70 basins and 550 blocks in more than 20 provinces in China, while its overseas business keeps growing with provision of oilfield technology services in 29 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 oil engineering supporting technologies 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 Jiayue 18-S12HF, with a horizontal section length of 4,286 meters. The Company has formed five major technology series including drilling, logging, fracturing and gas testing, equipment manufacturing and engineering construction, most key and core technologies have realized localization.

Committed to the vision of “serving customers, supporting oil and gas, leading technology, creating value”, the Company adheres to the principle of establishing enterprises by technology, shouldering the primary responsibility of supporting oil and gas exploration and development, focusing on the three transformations of “high-end, intellectualization and greening”, implementing six strategies of “value-leading, innovation-driven, market development, industry renewal, talent strengthening enterprises and green low-carbon”, and striving to realize the enterprise vision of “building a world-class technology-oriented oilfield service company”.

In the first half of 2025, China's economy continued to pick up, with a year-on-year increase of 5.3% in gross domestic product (GDP), a good situation of stable and increased production of domestic oil and gas, and a steady improvement in supply guarantee capacity. According to the statistics of the National Bureau of Statistics, in the first half of the year, the output of industrial crude oil above designated size in China was 108 million tons, representing a year-on-year increase of 1.3%; the output of industrial natural gas above designated size was 130.8 billion cubic meters, a record high for the same period in history, representing a year-on-year increase of 5.8%. Benefiting from the domestic policy of increasing production and storage, the oilfield service industry continued to maintain a steady development trend. In the first half of the year, the supply and demand of the international crude oil market was loose, and the average spot price of Brent crude oil in the North Sea was \$71.91 per barrel, down by 14.2% from \$83.83 per barrel in the same period last year.

Description of newly added important non-main business of the Company during the reporting period

☐ Applicable    ☒ Not Applicable

### 2. Discussion and Analysis of Operation

The following financial figures, except where specifically noted, are extracted from the Company's unaudited interim financial report prepared in accordance with the PRC ASBE.

#### Interim results

In the first half of 2025, faced with the complex and ever-changing external environment and in-depth challenges in reform and development, the Company has comprehensively promoted production and operation, technological innovation, reform and development, safety and environmental protection, strived to improve the quality and efficiency of business development, continued to deepen the optimization of resources such as human resources and assets, and strived to expand the light assets and high-end business market relying on the integration advantages of the whole industry chain. We promoted the coordinated development of intelligent equipment and low-carbon technology, strengthened core competitiveness, and help the company to steadily improve its operating performance and maintain a stable financial situation. During the first half of 2025, the consolidated revenue of the Company was RMB37.05 billion, representing an increase of 0.6% over RMB36.82 billion in the same period of the previous year. Net profit attributable to shareholders of the Company amounted to RMB490 million, representing an increase of 9.0% from RMB450 million in the same period of the previous year. Basic earnings per share was RMB0.026, representing an increase of RMB0.002 over the same period of the previous year.

## Section III Discussion and Analysis of Management

### Operation review

In the first half of 2025, the Company focused on the main line of high-quality development, strengthened integration and regional optimization, strengthened technical research, deepened reform and development, made every effort to tackle key problems and create efficiency, and consolidated risk prevention and control. The production and operation maintained stable operation, and the main operating indicators achieved good growth. In the first half of the year, the amount of newly signed contracts reached the best level in the same period since the “13th Five-Year Plan”, and our accumulated value of newly signed contracts amounted to RMB63.67 billion, representing a year-on-year growth of 3.2%. Among which, the value of our newly signed contracts in the market of China Petrochemical Corporation reached RMB34.37 billion, representing a year-on-year increase of 3.0%; the value of our newly signed contracts in the domestic external markets reached RMB9.68 billion, representing a year-on-year decrease of 42.7%; and the value of our newly signed contracts in the overseas markets reached RMB19.62 billion, representing a year-on-year increase of 71.8%.

#### A. Geophysical service

In the first half of 2025, the Company's operation revenue from the principal business of geophysical service was RMB1.81 billion, representing a decrease of 15.6% from RMB2.15 billion in the same period of the previous year. The completed 2D seismic exploration accumulated for 1,859 kilometers, representing a year-on-year increase of 38.4%; while the completed 3D seismic exploration accumulated for 5,227 square kilometers, representing a year-on-year decrease of 26.1%. The Company achieved major breakthroughs in the Sichuan Basin, Tarim Basin, and Ordos Basin. The OBN 3D acquisition technology in offshore areas supported Sinopec Group's first major exploration breakthrough in a medium-deepwater self-operated oilfield. The quality of acquisition data was greatly improved, with the excellent rate of seismic data reaching 90.6%, an increase of 4.3 percentage points over the contract requirements. Newly signed projects include the seismic data acquisition for the 3D development of the Panhe wells in the Shengli Oilfield, the 3D seismic data acquisition for the Hongxing area in the Jiangnan Oilfield, the high-precision 3D testing in the Ziyang area of the Southwest Oil and Gas Region, and the 2D project for the Fuyu-Yian Block in the Northeast Oil and Gas Region.

#### B. Drilling service

In the first half of 2025, the Company's operation revenue from the principal business of drilling service was RMB18.19 billion, representing a decrease of 3.6% from RMB18.88 billion in the same period of the previous year. Our completed drilling footage reached 5,600 kilometers, representing a year-on-year increase of 2.2%, which completed 54.4% of the annual plan and exceeded the planned progress of operation. The Company continued to optimize the size of our team and enhance the reasonableness of our team layout, the drilling footage of a single team increased by 4.5% year-on-year. The Company comprehensively deepened the integrated operation of Party A and Party B with focus on managing operation and providing technical support for key wells and demonstration wells, and continuously improved the quality and efficiency of service, with good results achieved in the “Four Improvements” initiatives. The SHZ4-7X well was completed with a depth of 8,476 meters and the drilling cycle was 59.6 days, marking the first time that the drilling cycle for wells at depths of 8,000 to 8,500 meters in the Northwest Oilfield was controlled within 60 days and the Jiaoye 44-Z5HF well was completed with a depth of 8,517 meters and a horizontal section length of 5,442 meters, setting a new national record for the longest horizontal section of a shale gas horizontal well.

#### C. Logging and mud logging service

In the first half of 2025, the Company's operation revenue from the principal business of logging and mud logging service was RMB1.73 billion, representing an increase of 8.1% from RMB1.60 billion in the same period of the previous year. Our completed logging projects accumulated for 137,910,000 standard meters, representing a year-on-year increase of 9.0%, whereas our completed mud logging projects accumulated for 4,640 kilometers, representing a year-on-year increase of 10.5%. The Company continued to promote technology research and development, with breakthroughs in drilling-while-logging technology, drilling-while-logging directional resistivity detection, and recoverable drilling-while-logging electromagnetic wave resistivity instruments, gradually established a comprehensive drilling-while-logging series. Post-drilling logging technology was applied in more than 50 wells, achieving a single-run measurement of acoustic, neutron, density, and resistivity. Our self-developed rotary steering was applied in 378 wells, with a total drilling depth of 498,500 meters, achieving a drilling success rate of 91%. Stability and reliability continued to improve, forming an annual construction capacity of over 300 wells.

#### D. Downhole operation service

In the first half of 2025, the Company's operation revenue from the principal business of downhole operation service was RMB5.14 billion, representing a year-on-year decrease of 7.7% as compared with RMB5.57 billion in the same period of the previous year. We completed downhole operation for 2,963 wells times, with a year-on-year increase of 16.4%, and the fracturing construction efficiency in key work areas increased by 6.0% year on year. 175 MPa ultra-high pressure fracturing equipment and technology were successfully applied in the Tiebei 1 side well, achieved a daily gas production of 314,500 cubic meters of high-yield industrial gas flow, contributing to another major breakthrough for the “Sichuan-Chongqing Natural Gas Base.” Advanced technologies such as coiled tubing side drilling and optical fiber monitoring were promoted and applied to accelerate the development of distinctive businesses. We further promoted the cooperative development of difficult-to-use reserves, 35 cooperative development blocks were implemented, utilizing 26.829 million tons of reserves and adding 401,000 tons of new production capacity, driving 1.051 million meters of drilling progress in the first half of the year.

## Section III Discussion and Analysis of Management

### E. Engineering and construction service

In the first half of 2025, the Company's operation revenue from the principal business of engineering and construction service was RMB8.66 billion, representing a year-on-year increase of 19.3% from RMB7.26 billion in the same period of the previous year. Our accumulated value of newly signed contracts amounted to RMB17.02 billion, representing a year-on-year decrease of 4.3%. We completed projects with an accumulated contract value of RMB9.99 billion, representing a year-on-year increase of 32.5%. In the first half of the year, 74 key projects constructed by the Company were operated in a safe and orderly fashion. The "Hongxing Purification Station Project" participated by the Company was successfully put into operation at one go. The main structures of the Daniudi Ethane Recovery Project were completed, and the skids and equipment were put in place and are operating according to plan. Key projects such as the relocation and reconstruction of the Dasha Dam Oil Depot were fully launched, helping Sinopec increase reserves and production. We signed a new contract for the EPC (Engineering, Procurement, and Construction) project for the design and construction of the Dongying Crude Oil Commercial Reserve Project, with a contract value of RMB3.21 billion, and a new contract for the first construction package of the main line construction of the Hubei-Henan-Jiangxi-Anhui-Zhejiang-Fujian section of the National Pipeline Network's Sichuan-East Gas Pipeline Phase II Project, with a contract value of RMB2.12 billion.

### International business

In the first half of 2025, the Company's operation revenue from the principal business of international business was RMB9.28 billion, representing a year-on-year growth of 4.3% from RMB8.89 billion in the same period of the previous year, accounting for 25.3% of the revenue from our principal business in the first half of the year. In the first half of the year, the Company's overseas business continued to maintain a positive development trend. In the Saudi Arabia market, the Company actively organized and participated in bidding for Saudi Aramco's unconventional fracturing production enhancement service project. In the Kuwait market, we signed a southern drilling turnkey project and a drilling and workover human resources recruitment project with Kuwait Oil Company (KOC). We successfully passed KOC's qualification review for logging, perforating, and offshore drilling services, becoming the only contractor in the Kuwait market with integrated drilling service capabilities. We signed a drilling and completion turnkey project for the western and northern blocks of Ecuador National Oil Company, and successfully won the bid for the Algerian 4-rig drilling project and commenced drilling operations smoothly. Other long-term ground business projects in Uganda, Mexico, and other regions progressed well.

### Technology research & development

In the first half of 2025, the Company intensified its efforts in scientific and technological innovation, and continued to forge core tools to support reserve expansion and production growth. Sinopec developed and launched the first self-developed "Idrilling (Yinglong) Scientific Drilling System." The drilling optimization technology was applied to a cumulative total of 411 wells, reducing the average drilling cycle by 12.7% and increasing the average mechanical drilling speed by 19.4%. New drill bits and drilling and completion technologies were developed to meet the needs of shale oil development, reducing the shortest drilling cycle record in the Minfeng depression shale oil field to 17.05 days. The 175°C directional resistivity boundary detection instrument achieved breakthrough applications in markets outside of Sinopec. In the Daguang Guanye area under CNPC, the instrument was applied to 10 shale oil wells, with bottomhole circulation temperatures exceeding 143°C and a maximum circulation temperature reaching 157°C, achieving the longest single-trip downhole operating time of 320 hours, setting multiple records including the deepest well depth and highest circulation temperature for shale oil in the same area, and contributing to the development of advanced technical services beyond Sinopec. We established the Sinopec standard system for CCUS engineering construction, won the bid for the survey and design of a million-ton CCUS project in the Yanchang Oilfield, marking the first application of million-ton CCUS engineering technology in markets outside of Sinopec. In the first half of the year, the Company filed 540 patent applications, including 341 invention patents. Product industrialization achieved a production value of RMB890 million.

### Internal reform and management

In the first half of 2025, the Company continued to implement its reform and optimization initiatives, accelerating the reform and optimization of "one specialty, one business, one region, two resources", striving to forge a low-cost advantage and lay a solid foundation for high-quality development. We optimized and restructured the underground operations system, systematically implementing measures such as streamlining organizational structures, reducing inefficient teams, and optimizing job placements. As a result, 41 agencies were dissolved and 54 teams were merged. We comprehensively launched the optimization of outsourcing business standards, established a full-process control platform for outsourcing business, implemented 550 projects transitioning from outsourcing to self-operation, and reduced outsourcing costs by RMB140 million year-on-year. The Company put great efforts in advancing the construction demonstration project of the Northwest Work Area drilling rigs automation and completed the automation equipment upgrades for 15 drilling rigs. At present, the total number of drilling rigs equipped with automation equipment in the Northwest Work Area has reached 25. The Company also completed the site selection and land acquisition for the first centralized residential area in the main site in Tahe, and a professional team has been formed for relocation. Aiming at optimizing human and equipment resources, 6,619 employees were dispatched to undertake external contracting business. Through coordinating and revitalizing equipment assets, adjusting drilling rigs, high-temperature directional drilling equipment and other instruments, the Company generated revenue of RMB80 million. The lean management capabilities of the Company were steadily enhanced with the implementation of categorized budget management across all organizational levels. Efforts were exerted in enhancing the resource efficiency of production and operation units while strictly controlling management institution expenses, resulting in a year-on-year decrease of 12.8% in non-production expenses.

### Capital expenditure

In the first half of 2025, the Company had a capital expenditure of RMB950 million, with a year-on-year increase of 80.6%. Mainly for the renewal of two 40 fully automatic drilling rigs, five fully automatic workover rigs, the acquisition of nine self-developed rotary steering instruments, the construction of one LNG dual-fuel support vessel, and the purchase of 22 sets of power catwalks.

## Section III Discussion and Analysis of Management

Significant changes of operation in reporting period, and the matters happened in reporting period that have or will have important impact on the Company operation.

☐ Applicable ☒ Not Applicable

### 3. Analysis on core competitiveness of the Company during the reporting period

The Company has service capabilities covering the entire oilfield service industry chain. As at 30 June 2025, the Company has 599 onshore drilling rigs (among them, 328 units above 7,000 meters), 11 offshore drilling platforms, 59 sets of seismic acquisition equipment and 133 sets of imaging logging tools, 521 sets of logging instruments, 361 sets of Model 2500 and above fracturing trucks, 81 sets of 750 HP and above workover rigs and 1,455 professional teams in drilling, geophysical exploration, and other fields. 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 CPC 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.

### 4. Statement of main business during the reporting period

#### (1) Main business analysis of the Company

##### A. Changes in the relevant items of financial statements

	For the six months ended 30 June 2025	For the six months ended 30 June 2024	Change
	RMB '000	RMB '000	(%)
Operating income	37,050,751	36,821,444	0.6
Operating costs	33,923,926	33,864,636	0.2
Selling and distribution expenses	30,919	28,842	7.2
General and administrative expenses	901,284	960,299	-6.1
Net financial expense	427,379	346,091	23.5
Research and development expenditure	882,537	1,115,981	-20.9
Net cash inflow from operating activities ("-" for outflow)	2,150,567	-190,066	not applicable
Net cash inflow from investing activities ("-" for outflow)	-790,037	-1,092,906	not applicable
Net cash inflow from financing activities	407,460	1,508,206	-73.0

Reasons for the changes:

- The change in operating revenue was mainly due to the direct impact of overseas market projects and the substantial increase in the workload of engineering construction and other businesses.
- The change in operating costs was mainly due to the increase in the workload and revenue of the main business, and the corresponding increase in material consumption and other costs, at the same time, the cost control effect during the construction process was better, and the increase in cost was less than that in revenue.
- The change in selling and distribution expenses was mainly due to the increase in the scale of product industrialization, which led to the increase in warehousing expenses.
- The change in administrative expenses was mainly due to the strengthening of cost control and the decrease of information maintenance cost.
- The change in financial expense was mainly due to the increase in exchange loss as a result of the change in exchange rate and the increase in exposure to US dollar assets.
- The change in research and development expenditure was mainly due to the implementation progress of some supporting R&D projects is lagging behind in order to coordinate with the major national oil and gas special R&D projects.
- The change in net cash inflow from operating activities was mainly due to the owner's payment of project funds for the previous year and the increase in the collection of receivables.
- The change in net cash inflow from investing activities was mainly due to a year-on-year decrease of equipment purchase expenses.
- The change in net cash inflow from financing activities was mainly due to the decrease in financing demand as a result of the increase in cash flow from operating activities.

## Section III Discussion and Analysis of Management

### B. The specific information about the change of Company's business type, profit structure or its profit resource

☐ Applicable    ☒ Not Applicable

### (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 30 June 2025 RMB' 000	Percentage of amount at 30 June 2025 in total assets (%)	Amount at 31 December 2024 RMB' 000	Percentage of amount at 31 December 2024 in total assets (%)	Changes from the end of the preceding year to the end of the reporting period
Cash at bank and on hand	5,398,763	6.9	3,648,514	4.7	48.0
Accounts receivable	10,251,446	13.1	13,294,827	17.2	-22.9
Receivable financing	749,156	1.0	2,557,311	3.3	-70.7
Prepayment	648,616	0.8	595,747	0.8	8.9
Inventories	2,647,232	3.4	1,009,501	1.3	162.2
Contractual Assets	20,000,273	25.6	16,763,754	21.7	19.3
Other current assets	3,073,471	3.9	2,616,835	3.4	17.4
Long-term equity investments	137,193	0.2	251,551	0.3	-45.5
Investment in other equity instruments	137,441	0.2	137,441	0.2	0.0
Fixed assets	23,121,741	29.6	24,238,814	31.3	-4.6
Construction in progress	794,020	1.0	793,487	1.0	0.1
Right-of-use assets	837,832	1.1	620,413	0.8	35.0
Intangible assets	329,328	0.4	424,226	0.5	-22.4
Long-term deferred and prepaid expenses	6,101,288	7.8	7,208,900	9.3	-15.4
Short-term borrowings	28,262,252	36.2	22,870,449	29.6	23.6
Bill payable	2,597,288	3.3	3,387,769	4.4	-23.3
Accounts payable	26,083,871	33.4	28,266,046	36.5	-7.7
Contractual liabilities	5,648,554	7.2	7,909,917	10.2	-28.6
Other payables	3,578,912	4.6	3,712,039	4.8	-3.6
Non-current liabilities due within one year	446,133	0.6	272,460	0.4	63.7
Long-term borrowings	199,918	0.3	0	0.0	not applicable
Lease liabilities	363,442	0.5	304,333	0.4	19.4
Long-term payable	122,283	0.2	90,987	0.1	34.4
Deferred income	57,513	0.1	24,758	0.0	132.3
Other comprehensive income	-33,299	0.0	30,193	0.0	-210.3
Specific reserve	570,767	0.7	302,874	0.4	88.5
Taxes payable	547,350	0.7	965,079	1.2	-43.3
Estimated liabilities	89,698	0.1	90,365	0.1	-0.7



## Section III Discussion and Analysis of Management

Reasons for the changes:

- (a) Cash at bank and on hand increased by RMB1,750,249,000 as compared with the beginning of the year, mainly due to the combined effect of the increase in net cash inflow from operating activities, the decrease in net cash outflow from investing activities and the cash arrangement for financing activities.
- (b) Financing receivables decreased by RMB1,808,155,000 as compared with the beginning of the year, mainly due to the owners reduced the amount of project payment in the form of bills, and the acceptance bills received by the Company decreased significantly.
- (c) Inventories increased by RMB1,637,731,000 as compared with the beginning of the year, mainly due to the increase in contract performance costs as a result of the increase in newly commenced and uncompleted labor projects.
- (d) Long-term equity investments decreased by RMB114,358,000 as compared with the beginning of the year, mainly due to the recognition of investment losses of overseas joint ventures and changes in net assets arising from the translation of foreign currency statements of overseas joint ventures.
- (e) The right-of-use assets increased by RMB217,419,000 as compared with the beginning of the year, mainly due to the new lease contracts signed with related parties.
- (f) Non-current liabilities due within one year increased by RMB173,673,000 as compared with the beginning of the year, mainly due to the increase in lease liabilities due within one year.
- (g) Long-term borrowings increased by RMB199,918,000 as compared with the beginning of the year, mainly due to the addition of low-interest borrowings for equipment renovation in key areas.
- (h) Long-term payables increased by RMB31,296,000 as compared with the beginning of the year, mainly due to the increase in repayment of unused security funds.
- (i) Deferred income increased by RMB32,755,000 as compared with the beginning of the year, mainly due to the increase in special funding for scientific research.
- (j) Other comprehensive income decreased by RMB63,492,000 as compared with the beginning of the year, which was mainly due to the recognition of translation differences of foreign currency statements of joint ventures.
- (k) The special reserve increased by RMB267,893,000 as compared with the beginning of the year, which was mainly due to the use progress of safety production expenses lags behind the accrual progress.
- (l) Taxes payable decreased by RMB417,729,000 as compared with the beginning of the year, mainly due to the payment of value-added tax and individual income tax.

### B. Situation about overseas assets:

- (a) Asset scale

On 30 June 2025, the Company's overseas assets was RMB29,876,896,000, accounting for 38.2% of total assets of the Company.

- (b) Relevant statement about the higher proportion of overseas assets

☒ Applicable   ☐ Not Applicable

Unit: RMB'000

Overseas assets	Cause of formation	Mode of operation	Operating income of main business during the reporting period	Net profit during the reporting period
Drilling rig, workover rig, geophysical acquisition instrument, ground construction equipment, project receivables, monetary funds, etc.	Undertaking overseas oilfield engineering projects	Self-operation	9,276,065	568,588

### C. Limitation of main assets by the end of the reporting period

On 30 June 2025, the Company's funds with restricted use such as margin deposit, etc. was RMB187,612,000 (On 31 December 2024: RMB207,116,000).

### (4) Analysis of investments

#### A. Significant equity investment

☐ Applicable   ☒ Not Applicable

#### B. Significant non-equity investment

☐ Applicable   ☒ Not Applicable

#### C. Information of financial assets measured at fair value

☐ Applicable   ☒ Not Applicable

## Section III Discussion and Analysis of Management

### (5) Sales of major assets and equity

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

### (6) Information of major subsidiaries

Unit: RMB' 000

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
Sinopec Shengli Oil Engineering Company Limited *	RMB 700,000,000	100	10,910,851	9,998,450	912,401	140,661	Petroleum engineering technical service
Sinopec Zhongyuan Oil Engineering Company Limited *	RMB 450,000,000	100	12,340,192	12,287,259	52,933	3,537	Petroleum engineering technical service
Sinopec Jiangnan Oil Engineering Company Limited *	RMB 250,000,000	100	4,644,545	3,233,019	1,411,526	38,369	Petroleum engineering technical service
Sinopec Southwest Oil Engineering Company Limited *	RMB 300,000,000	100	6,131,653	2,772,325	3,359,328	36,987	Petroleum engineering technical service
Sinopec North China Oil Engineering Company Limited *	RMB 890,000,000	100	5,102,035	3,210,798	1,891,237	7,924	Petroleum engineering technical service
Sinopec East China Oil Engineering Company Limited *	RMB 860,000,000	100	5,198,119	4,817,277	380,842	22,586	Petroleum engineering technical service
Sinopec Offshore Oil Engineering Company Limited *	RMB 2,000,000,000	100	4,501,137	541,981	3,959,156	87,019	Offshore Oil Engineering Technology Service
Sinopec International Petroleum Service Corporation *	RMB 700,000,000	100	2,272,000	1,071,778	1,200,222	-5,740	Petroleum engineering technical service
Sinopec Oil Engineering and Construction Corporation *	RMB 500,000,000	100	27,516,640	26,159,747	1,356,893	130,661	Construction
Sinopec Oil Engineering Geophysical Company Limited *	RMB 300,000,000	100	5,921,819	5,561,558	360,261	11,938	Geophysical exploration
Sinopec Jingwei Company Limited	RMB 1,000,000,000	100	4,897,322	2,841,313	2,056,009	123,196	testing, logging and locating service

Name of company	Revenue	Operating profit
	RMB' 000	RMB' 000
Sinopec Shengli Oil Engineering Company Limited *	8,302,327	186,780
Sinopec Zhongyuan Oil Engineering Company Limited *	5,218,813	40,658
Sinopec Jiangnan Oil Engineering Company Limited *	2,372,806	37,941
Sinopec Southwest Oil Engineering Company Limited *	2,883,517	56,149
Sinopec North China Oil Engineering Company Limited *	2,203,376	28,265
Sinopec East China Oil Engineering Company Limited *	1,738,461	22,099
Sinopec Offshore Oil Engineering Company Limited *	1,173,253	99,806
Sinopec International Petroleum Service Corporation *	996,819	71,068
Sinopec Oil Engineering and Construction Corporation *	9,088,406	168,276
Sinopec Oil Engineering Geophysical Company Limited *	1,815,573	32,635
Sinopec Jingwei Company Limited	2,506,206	146,576

Situation of acquisition and disposal of subsidiaries during the reporting period

☐ Applicable ☒ Not Applicable

### (7) The structured entity controlled by the Company

☐ Applicable ☒ Not Applicable

## Section III Discussion and Analysis of Management

### (8) Statement of the operations by products, industry and regions operating

#### A. Statement of operation by industry and products

Industry	Operating income for the first half of 2025	Operating cost for the first half of 2025	Gross profit margin	Increase/ (decrease) in operating income of main business as compared with last year	Increase/ (decrease) in operating cost of main business as compared with the corresponding period of last year	Gross profit margin compared with the corresponding period of last year
	RMB '000	RMB '000	(%)	(%)	(%)	
Geophysical	1,810,923	1,681,622	7.1	-15.6	-15.9	increased by 0.2 percentage points
Drilling	18,193,198	16,574,928	8.9	-3.6	-3.8	increased by 0.2 percentage points
Logging/Mud logging	1,731,249	1,387,772	19.8	8.1	7.9	increased by 0.1 percentage points
Downhole operation	5,138,698	4,751,555	7.5	-7.7	-7.9	increased by 0.1 percentage points
Engineering and construction	8,658,435	8,061,848	6.9	19.3	19.1	increased by 0.1 percentage points
Other	1,107,905	1,177,135	-6.2	7.0	5.9	increased by 1.1 percentage points
Total	36,640,408	33,634,860	8.2	0.4	0.2	increased by 0.1 percentage points

#### B. Statement of operation by regions

Region	Operating income for the first half of 2025	Increase/(decrease) as compared with the corresponding period of last year
	RMB '000	(%)
Mainland China	27,364,343	-0.9
Hong Kong, Macau, Taiwan and overseas	9,276,065	4.3

## 5. Market prospects and operation arrangements in the second half of 2025

### Market Forecast for the Second Half of 2025

Looking forward to the second half of 2025, the oil service industry will continue to boom. The global economy will continue to recover, China's economy will continue to develop steadily, and the demand for oil and gas will maintain a rigid growth. At the same time, as an important strategic energy, oil and gas will play a more prominent role in strategic reserves and emergency protection. Domestic oil companies will continue to implement the energy security strategy, and the capital expenditure on oil and gas exploration and development will remain stable. Benefiting from the oil companies' efforts to increase oil and gas reserves and production, the oil service market will grow steadily. However, we should also see that the current energy industry structure is in a period of deep adjustment, and the competition in the oil service market is becoming increasingly fierce, which brings severe challenges to the company's high-quality development.

### Operation Plans for the Second Half of 2025

In the second half of 2025, the Company will focus on enhancing exploration and development support continuously, developing new quality productivity, building low-cost competitiveness and improving risk prevention and control, build first-class technology, first-class equipment, first-class management and first-class team, and accelerate the coordinated development from oil service to "oil service + energy service". The Company expects to achieve a newly signed contract value over RMB31.3 billion, among which over RMB15.6 billion will be from the CPC market, over RMB8.3 billion from domestic external market, and over RMB7.4 billion from overseas market. The Company expects to achieve a newly signed contract value more than RMB95 billion for the whole year again.

#### A. Geophysical service

In the second half of 2025, the Company will focus on oil and gas exploration and development, significantly enhance its scientific and technological R&D capabilities and service support capabilities, and continue to expand into high-quality markets. A project management model featuring "regionalized management, sequential construction, and assembly line operations" will be implemented to establish a comprehensive project operation and control system to cover "the entire lifecycle, all elements, and all scenarios". This will facilitate seamless coordination between different processes and achieve efficient use of resources and efficient production operations. We will continue to focus on deep and ultra-deep exploration, shallow high-precision exploration, and complex foreland exploration, striving to enhance our geophysical exploration service capabilities. In the domestic external market, we will leverage our integrated "production, sales, and research" advantages to provide Party A with comprehensive geophysical technical services; expand the "Zitong Model" effect to drive new breakthroughs in data processing, interpretation, and comprehensive research services; and establish a full-chain advantage in Beidou products, technologies, and services, striving to achieve new breakthroughs. In the second half of the year, it is planned to complete geophysical prospecting of 4,195 kilometers for 2D seismic and 10,615 square kilometers for 3D seismic prospecting.

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### B. Drilling service

In the second half of 2025, the Company will firmly uphold the concept of being “an important participant in oil and gas reservoir management,” enhance support capabilities for exploration and development, continue to deepen the integration and coordination mechanism between Party A and Party B, strengthen the construction of two-level expert workshops, and deepen technical support for key projects. We will select first-class teams, first-class equipment, and first-class experts to ensure the construction of demonstration wells and demonstration areas, and continuously expand the radiation effect of the demonstrations. We will vigorously promote the new production organization model, promote platform based layout for wells, intensive construction, professional collaboration and factory-based construction works, strengthen shared utilization of resources and improve production organization and operation efficiency; keep up with the deployment and technical needs of exploration and development in the “Three Norths and One Sichuan” areas, the old areas of eastern region and the sea areas to implement policies in a classified manner, and make precise efforts to comprehensively enhance, support and assure capabilities. In the second half of the year, it is planned to complete the drilling footage of 4.67 million meters.

### C. Logging and mud logging service

In the second half of 2025, the Company will actively integrate into the national science and technological innovation system, focus on major national oil and gas projects such as underground electric and intelligent control guidance systems for drilling, unconventional intelligent drilling, 10,000-meter coiled tubing intelligent operation equipment, and other projects to effectively support the efficient utilization of shale oil and gas. We will be fully committed to advancing remote monitoring and control operation modes, establish a remote operation team, and complete remote construction pilot tasks for no fewer than 280 wells. We will also establish an offshore monitoring and control technology center to enhance our support and assurance capabilities for offshore oil and gas exploration and development. In the second half of the year, we plan to complete logging footage of 143,450,000 standard meters and mud logging footage of 4.25 million meters.

### D. Downhole operation service

In the second half of 2025, the Company will continue to enhance its technical level of underground special operations, adhere to the concept of specialized 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. High-quality collaboration will be leveraged to build four upstream demonstration zones. The construction projects for increasing key reserves and production, such as the 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. We will comprehensively expand the quality and efficiency of cooperative development of difficult-to-use reserves. The cooperative development of 48 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. In the second half of the year, we plan to complete downhole operation service of 3,756 well times.

### E. Engineering and construction service

In the second half of 2025, the Company will comprehensively strengthen the management and control of projects under construction, deepen the implementation of the “Five Transformations” initiative, strengthen the application of standardized design finalization results, push forward the research and development, and promotion of integrated processing devices, such as efficient dehydration of shale oil, and rapidly release oil and gas production capacity. We will integrate internal and external resources to upgrade existing laboratories in oilfield water extraction and treatment, CCUS, and others areas, and jointly build laboratories in cutting-edge fields such as welding and hydrogen energy. We will step up efforts to resolve technical difficulties and achieve engineering implementation in the areas of wind, solar, thermal, hydrogen, and storage, and promote the integrated development of oil and gas and new energy businesses. We will provide strong service support for Sinopec’s oil and gas reserve expansion and production increase, as well as its major engineering projects, continue to step up efforts to develop domestic external markets, deepen cooperation with high-quality customers such as PipeChina, focus on undertaking large-scale, high-quality projects, and strive to achieve new breakthroughs in our business. In the second half of the year, we plan to sign new contracts with value of RMB6.8 billion and complete contracts with value of RMB9.1 billion.

### F. International business

In the second half of 2025, the Company will focus on economic benefits and promote the optimization and adjustment of market layout and business structure, focus on the three core regions of the Middle East, Africa and Southeast Asia, develop mature markets such as Saudi Arabia, Uganda and Algeria with project implementation experience, and continue to track and focus on new markets such as Oman, Jordan, the United Arab Emirates and Iraq. We will accelerate the strategic transformation of wellbore business, shift from traditional conventional oil well drilling rigs to gas wells, unconventional and deep well drilling rigs, and strive to win the bid for Saudi Aramco’s unconventional fracturing package project. At the same time, we will take Kuwait’s Southern Drilling Package Project and Ecuador’s Geological Engineering Integration Package Project as successful examples, give full play to the advantages of mature integrated drilling technology, actively introduce the company’s integrated technology solutions to international owners, accelerate the application of drilling rig intelligence and automation technology in the international market, and continuously enhance overseas markets, make efforts to expand economies of scale.

### G. Technology research & development

In the second half of 2025, the Company will firmly uphold the concept of “science and technology are the primary productive force,” and further optimize its scientific and technological resources to enhance its innovation momentum. We will establish a major-project-driven mechanism to create a number of major products and major industrial software. Integrating the Company’s superior resources and combining technological resources from society, we will create an innovative ecosystem with the “trinity” of key technologies, key laboratories, and key R&D teams working together. We will accelerate efforts to resolve challenges related to fully automated shale oil drilling rigs, coiled tubing operations, and intelligent drilling and completion technologies, expedite the iteration of a batch of integrated supporting technologies, and tackle problems in a series of key core technologies and equipment. We will speed up the development of intelligent drilling, intelligent fracturing, intelligent geophysical exploration, and intelligent surface systems, and continue to promote technologies and processes such as deep and ultra-deep wells, horizontal well multi-stage fracturing, and OBN acquisition. We will ramp up the scale of 17 core products, including self-developed rotary steering and near-oil-based drilling fluids, and strive to achieve revenue from industrialization of products and new technology exceeding RMB4.0 billion for the year. We will vigorously cultivate a “second growth curve,” strengthen the application of strategic emerging industry technologies, such as the entire CCUS industry chain, geothermal power generation using dry hot rocks, coalbed in-situ combustion power generation, and “Beidou+,” to foster new productive forces.

## Section III Discussion and Analysis of Management

### H. Internal reform and management

In the second half of 2025, the Company will firmly uphold the concept of “value creation for full-chain and full-elements” and comprehensively enhance low-cost competitiveness. We will comprehensively promote the reform of “making one specialty better, strengthening one business, building one region and optimizing two resources”, and maintain the number of outsourced services transferred to in-house operations and outward deployment for contracting business at 15,000 person or above by the end of the year. We will fully implement the “three-tier structure and two-level management” system, focusing on internal business integration of the downhole operation system, standardizing and optimizing outsourced business, comprehensively promoting outsourced cost control, optimizing the total number of service providers, selecting and cultivating strategic service providers, realizing reverse labor output, and making cross-unit conversion from outsourcing to self-operation. We will speed up the optimization of engineering resources in the Northwest Industrial Area, complete the automation upgrade of the remaining drilling rigs within the year, and take the lead in promoting the optimization of integrated drilling and completion, relocation and installation, pre-drilling engineering, and initial drilling operations in the Tahe River Industrial Area, so as to create a demonstration zone for equipment automation. We will thoroughly implement lean management, promote cost reduction across the entire project chain, continue to reduce non-production expenses, strive to reduce outsourcing expenses and bulk material procurement costs by 5%.

### I. Capital expenditure

In the second half of 2025, the planned capital expenditure is RMB2.29 billion. Mainly including the purchase of 12 new and upgraded drilling rigs, 16 sets of automatic equipment for pipe strings, 1 set of mobile energy storage devices, 2 sets of integrated optical storage devices, and the construction project of the National Metrology and Testing Center.

## 6. Other matters of disclosure

### (1) Potential risks

The Company will actively take various measures to avoid and mitigate various types of risks. However, in practice, it may not be possible to prevent all the following risks and uncertainties completely.

#### A. Oil price drop and Market competition risk

At present, new energy is accelerating the replacement of traditional oil and gas, while demand growth for conventional oil and gas is slowing down. At the same time, factors such as the U.S. government's global tariff war and OPEC's increased efforts to boost production in the competition for market share are amplifying the downside risks for 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.



## Section III Discussion and Analysis of Management

### (2) Assets, liabilities, equities and cash flow (extracted from the unaudited consolidated financial statements prepared in accordance with IFRS)

The Group's primary sources of funds, coming from operating activities, short-term and long-term borrowings etc., are primarily used in operating activities, capital expenditures and repayment of short-term and long-term borrowings.

#### A. Assets, liabilities and shareholders' equity analysis

	As to 30 June 2025	As to 31 December 2024	The change
	RMB '000	RMB '000	RMB '000
<b>Total assets</b>	<b>78,148,983</b>	77,340,105	808,878
Current assets	46,445,826	43,419,968	3,025,858
Non-current assets	31,703,157	33,920,137	-2,216,980
<b>Total liabilities</b>	<b>68,845,493</b>	68,691,303	154,190
Current liabilities	68,056,842	68,193,782	-136,940
Non-current liabilities	788,651	497,521	291,130
<b>Total equity attributable to equity shareholders of the Company</b>	<b>9,303,490</b>	8,648,802	654,688

As at 30 June 2025, the Group's total assets were RMB78,148,983,000 and total liabilities were RMB68,845,493,000. The total equity attributable to shareholders of the Company was RMB9,303,490,000. Compared with the consolidated statement of financial position as at 31 December 2024 ("compared with that at the end of last year"), the changes and its main reasons were as follow:

Total assets were RMB78,148,983,000, increased by RMB808,878,000 compared with that of the end of last year, including that (i) current assets amounted to RMB46,445,826,000, representing an increase of RMB3,025,858,000 as compared to the end of the previous year, which was mainly due to the increase in contract assets of RMB4,825,940,000 as a result of the increase in completed but unsettled projects in the first half of the year. (ii) non-current assets were RMB31,703,157,000, decreased by RMB2,216,980,000 compared with that of the end of last year, mainly due to the normal provision for depreciation and amortization of fixed assets and long-term deferred expenses of the Group in the first half of the year.

The total liabilities were RMB68,845,493,000, increased by RMB154,190,000 compared with that of the end of last year, including that (i) current liabilities were RMB68,056,842,000, decreased by RMB136,940,000 compared with that of the end of last year, mainly due to the combined effect of an increase in short-term borrowings of RMB5,565,476,000, a decrease in notes payable and trade payables of RMB2,972,655,000, and a decrease in contract liabilities of RMB2,261,363,000; and (ii) non-current liabilities were RMB788,651,000, increased by RMB291,130,000 compared with that of the end of last year, which was mainly due to the combined effect of an increase in long-term borrowings of RMB259,027,000, an increase in lease liabilities of RMB59,109,000, an increase in long-term payables of RMB31,296,000 and an increase of deferred income of RMB32,755,000.

Total equity attributable to shareholders of the Company was RMB9,303,490,000, increased by RMB654,688,000 compared with that of the end of last year. It was mainly due to the combined effect of the profit attributable to shareholders of the Company of RMB760,149,000 and the decrease in other comprehensive income of RMB63,492,000 in the first half of 2025.

As at 30 June 2025, the ratio of total liabilities to assets was 88.1%, comparing with 88.8% as at 31 December 2024.

## Section III Discussion and Analysis of Management

### B. Cash flow analysis

The main items of cash flow of the Company in the first half of 2025 and the first half of 2024 showed in the following table.

Main items of cash flow	For the six months ended 30 June	
	2025	2024
	RMB '000	RMB '000
Net cash inflow/outflow from operating activities	2,150,567	(190,066)
Net cash inflow from investing activities	(790,037)	(1,092,906)
Net cash inflow from financing activities	407,460	1,508,206
(Decrease)/increase in cash and cash equivalents	1,767,990	225,234
Cash and cash equivalents at the beginning of the year	3,441,398	2,788,797
Exchange gains/(loss) in Cash and cash equivalents	1,763	(35,913)
Cash and cash equivalents at the end of the interim year	5,211,151	2,978,118

In the first half of 2025, the Group's net cash inflow from operating activities was RMB2,150,567,000, representing an increase of cash inflow by RMB2,340,633,000 as compared with the corresponding period of last year. It was mainly due to the payment of construction costs by the owners and the increase in the collection of receivables by the Group.

In the first half of 2025, the Group's net cash outflow from investing activities was RMB790,037,000, a decrease of cash outflow by RMB302,869,000 as compared with the corresponding period of last year. It was mainly due to the year-on-year decrease in the payment for equipment purchases by the Group in the first half of 2025.

In the first half of 2025, the Group's net cash inflow from financing activities was RMB407,460,000, a decrease of cash inflow by RMB1,100,746,000 compared with the corresponding period of last year. It was mainly due to the year-on-year decrease in loan growth in the first half of 2025.

### C. Borrowings from bank and related companies

As at 30 June 2025, the Group's borrowings from bank and related companies were RMB28,474,170,000 (as at 31 December 2024: RMB22,713,925,000). These borrowings include the short-term borrowings of RMB28,262,252,000, the long-term borrowings due within one year of RMB12,000,000, and the long-term borrowings amounted to RMB199,918,000. As at 30 June 2025, approximately 100% of the borrowings were denominated in Renminbi (as at 31 December 2024: 100%) and approximately 0% were denominated in US dollars (as at 31 December 2024: 0%).

### D. Gearing ratio

As at 30 June 2025, the gearing ratio of the Group was 72.1% (as at 31 December 2024: 69.8%). The gearing ratio = (liability with interest – cash & cash equivalents)/(liability with interest – cash & cash equivalents + shareholders' equity).

### E. Assets pledge

For the year ended 30 June 2025, there was no pledge on the Group's assets.

### F. Foreign Exchange Risk Management

It is set forth in note 9 of the interim financial statements prepared in accordance with the PRC ASBE.

## Section III Discussion and Analysis of Management

### (3) Progress of the Action Plan of “Improving Quality, Efficiency and Reward” in 2024

To further promote the Company's high-quality development and enhance its investment value, thereby increasing returns to investors, the Company has actively responded to the Shanghai Stock Exchange's initiative titled Initiative on Carrying out the Special Action of “Improving Quality and Efficiency and Focusing on Returns” by Companies Listed on the Shanghai Stock Exchange 《關於開展滬市公司“提質增效重回報”專項行動的倡議》 and has formulated the 2024 “Improving Quality and Efficiency and Focusing on Returns” Action Plan (hereinafter referred to as the “Action Plan”). The Action Plan was approved at the third meeting of the 11th Board of Directors on July 4, 2024, and disclosed thereafter. In the first half of 2025, the Company actively implemented the relevant work outlined in the Action Plan and achieved satisfactory results.

During the year, the Company has focused on high-quality development as its main strategy, systematically planned reforms and development, coordinated efforts to enhance technology and reduce costs, and vigorously implemented initiatives to achieve efficiency gains. As a result, production and operations have achieved both improved quality and increased efficiency. In the first half of 2025, the Company achieved consolidated operating revenue of RMB37.05 billion, representing a year-on-year increase of 0.6%; net profit attributable to the Company's shareholders reached RMB490 million, up 9.0% year-on-year. The specific details are summarized as follows:

Operational efficiency and quality continue to improve. In the first half of 2025, the Company comprehensively advanced market expansion, strengthened management, explored hidden potential, cultivated high-quality and large-scale markets, established a classification budget mechanism, deepened lean management, and achieved management upgrade. The market layout continued to be optimized, with the Company signing new contracts worth a total of RMB63.67 billion, a year-on-year increase of 3.2%, of which new contracts signed in overseas markets accounted for 30.8%, a year-on-year increase of 12.3 percentage points. Following the successful bid for the 212-well drilling turnkey project in Kuwait, the Company achieved new breakthroughs in the drilling and completion turnkey projects in Kazakhstan and Ecuador, and successfully passed the qualification review for logging and perforating services by KOC, becoming the only contractor in the Kuwait market with integrated drilling service capabilities. Lean management levels have steadily improved. A categorized budget management model targeting organizational units has been established, and all-level cost budget management has been implemented. Specialized control over cost elements such as raw materials, fuel, logistics, and outsourced services has been strengthened, resulting in a year-on-year reduction of non-production expenses by 12.8%.

Technological innovation is being steadily advanced. In the first half of 2025, the Company adhered to a problem-oriented and demand-driven approach, concentrating its superior resources to address challenges in exploration and development, thereby continuously enhancing its technological support capabilities. The deep-well drilling technology for safe and efficient operations at ultra-deep levels enabled drilling cycles for Shunbei wells exceeding 8,000 meters to be controlled within 100 days, with the fastest cycle breaking the 60-day mark. Fast and efficient shale oil drilling and completion technology has reduced the drilling cycle for the Shengli shale oilfield from an initial 133 days to a minimum of 17 days, a reduction of 87.2%. The self-developed rotary steering technology has been applied to 378 wells, with a total drilling depth of 498,500 meters, a successful drilling rate of 91%, and continuously improved stability and reliability, forming an annual construction capacity of over 300 wells. Continuously advancing digital and intelligent transformation, the Company has developed and launched China's first domestically developed scientific drilling system, “Idrilling (Yinglong) Scientific Drilling System.” The drilling optimization technology has been applied to 411 wells, reducing the average drilling cycle by 12.7% and increasing the average mechanical drilling speed by 19.4%.

Significant achievements have been made in deepening reforms. In the first half of 2025, the Company steadily advanced its reform initiatives to enhance efficiency, accelerated the reform and optimization of “one specialty, one business, one region, two resources”, and made every effort to forge a low-cost advantage. For further details, please refer to the part headed “Internal reform and management” under “2. Discussion and Analysis of Operation” in Section III “Management Discussion and Analysis” of the report.

Market capitalization management has been steadily strengthened. In the first half of 2025, the Company successfully completed its first A share buyback since its listing on the stock market, repurchasing a total of 22,366,200 A shares, which were canceled on 6 June 6 2025, effectively boosting investor confidence. Corporate governance capabilities were continuously enhanced. The Company thoroughly implemented the requirements of deepening the reforms of the Supervisory Committee, organized the revision of 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, and consolidated the institutional foundation for standard governance. The Company also placed emphasis on investor communication, simultaneously organized online and offline performance briefings to maintain positive interaction with investors, resulting in new achievements in investor relations.

## Section IV Corporate Governance, Environment and Society

During the reporting period, the Company continues to improve the Company management, regulate the operation in accordance with domestic and overseas regulatory requirements, and operate in compliance with laws and regulations. The Company's general meeting, the Board and the management have clear definition of power and responsibilities, and they perform their own duties and operate in a clear and standardized manner. The independent directors perform their duties with due diligence, actively attend the meetings of the Board and relevant specific committees, earnestly study matters to be decided on, and make suggestions and proposals for the Company's reform and development. The Company continued to improve the quality of information disclosure, increased voluntary disclosures, and enhanced corporate transparency. During the reporting period, the Company focused on investor communication, organized online and offline results announcement conferences simultaneously, maintained positive interaction with investors, and achieved new results in investor relations work. The Company has continuously enhanced the performance ability of its directors, supervisors and senior management, and meticulously organized training on securities business knowledge for directors, supervisors and senior management.

During the reporting period, the Company convened three general meetings of shareholders (including two class meetings), two meetings of the Board, and two meetings of the supervisory committee. A total of 10 resolutions of the shareholders meeting, 25 resolutions of the meetings of the Board and 12 resolutions of the meetings of the supervisory committee were formed. The preparation and convening of various meetings comply with laws and regulations, and the resolutions formed are legal and effective.

During the reporting period, there was no difference between the actual situation of corporate governance and the requirements of the regulatory documents on the governance of listed companies issued by the CSRC, and no insider with inside information was found to illegally buy or sell the Company's stocks.

### 1. Information on the change of directors, supervisors and senior management of the Company

Name	Position	Change	Reasons for change
Xu Keyu	Non-executive Director	Resigned	Work adjustment

On 8 July 2025, Mr. Xu Keyu resigned as the non-executive director of the Board of the Company due to a change of work. The Company expresses its sincere gratitude to Mr. Xu Keyu for his hard work and important contribution during his tenure.

### 2. Interim cash dividends plan for 2025 and plan to convert capital reserves into share capital

In accordance with the Articles of Association, the Board resolved that no interim cash dividend was paid for the year ended 31 December 2025, and no issue of bonus shares by way of capitalization of common reserves.

### 3. The Company's share option incentive scheme, employee stock ownership plans or other employee incentive measures and the effects

☐ Applicable    ☒ Not Applicable

### 4. The Group's employees

As at 30 June 2025, the number of registered employees of the Group was 58,000 and the total employee compensation costs amounted to approximately RMB4.07 billion. The Group remunerates its employees based on their positions, performance, experience and the prevailing market remuneration trend. The Group also provides professional and vocational training to its employees.

### 5. Compliance with the Corporate Governance Code

For the reporting period, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

### 6. Compliance with the Model Code

The Board of the Company has approved and adopted the Model Code as contained in Appendix C3 to the Listing Rules. After having specifically inquired from all the directors, supervisors and senior management, the Company confirms that its directors, supervisors and senior management have fully complied with the standards as set out in the Model Code as contained in Appendix C3 to the Listing Rules.

### 7. Independent Non-executive director and Audit Committee

As at 30 June 2025, the Company has three independent non-executive directors, two of whom are professional in the accounting field and have experience in financial management.

The audit committee of the Board of the Company has been founded. The members of the audit committee include Mr. Zheng Weijun, Ms. Zhang Lili, Mr. Wang Pengcheng and Ms. Liu Jiangning. The main responsibilities of the audit committee are to review and supervise the Company's financial reporting procedures and internal control system, and to provide advice to the Board. The audit committee of the Company has reviewed and confirmed the interim financial statements of the Company for the six-months ended 30 June 2025 and the 2025 Interim Report.

## Section IV Corporate Governance, Environment and Society

### 8. Environmental Information of the Listed Company and Its Major Subsidiaries Included in the List of Enterprises Required to Disclose Environmental Information in Accordance with Law

☐ Applicable ☒ Not applicable

#### Other description

☒ Applicable ☐ Not applicable

The Company adheres to the development philosophy of ecological civilization, green and low-carbon, implementing HSE management system, environmental protection and pollution prevention effectively. The Company strictly complies with environmental protection laws and regulations, the emission standards in the countries where it operates and requirements of international conventions, and has executed internal rules and regulations such as the Environmental Protection Management Regulations, the Pollution Prevention Management Regulations, the Energy and Water Saving Management Regulations, the Radiation Management Regulations, and the Guidelines for Environmental Protection Standardization Construction of Onshore Drilling and Downhole Operation Sites. The Company verifies the operation of environmental protection factors through relevant inspection and system audit at all levels, and continuously promote the standardization of environmental protection management at the operation site.

At present, the pollutants generated by the Company mainly include production wastewater, domestic sewage, tail gas, general industrial solid waste, hazardous waste, and drilling water-based cuttings and oil-based cuttings managed by the owner unit. Domestic sewage includes sewage from fixed production sites and mobile construction sites. Domestic sewage from fixed production sites is centrally disposed by the municipal pipe network, while domestic sewage from mobile construction sites is recycled or disposed of by outsourced agents after on-site pre-treatment. Tail gas mainly includes exhaust gas from various diesel engines, generators and gas-powered units, and the emission indicators have met the standard requirements of the construction site locations. General industrial solid waste mainly includes slurry and drug packaging bags (barrels), discarded rubber parts, colored strips, oil-free screens and anti-seepage membranes, etc., which are collected and handed over to environmental protection management service providers for recycling and disposal. Hazardous waste mainly includes waste mineral oil, waste oil barrels, oil-containing sludge, and oil-stained wastes such as waste paint barrels, oil-containing screens, and oil-containing anti-seepage membranes. They are collected and stored on site in a standardized manner and handed over to qualified environmental protection management service providers for disposal. Water-based rock cuttings and oil-based rock cuttings are directly outsourced by the owner or outsourced by the construction unit to qualified environmental protection management service providers for compliance disposal in accordance with the contract agreement, and strict supervision is implemented throughout the process. Based on the principles of reduction, resource utilization and harmlessness, the Company has established a long-term mechanism for clean production, continuously promoted the installation of sewage treatment equipment at work sites, optimized production processes, and strictly controlled the generation of various types of wastewater and solid waste. As of 30 June 2025, a total of 10,600 tons of general solid waste (excluding drilling water-based slurry and cuttings), 2,300 tons of hazardous waste (excluding oil-based cuttings), 628,000 cubic meters of domestic sewage and 327,000 cubic meters of drilling operation wastewater were disposed of in compliance with regulations.

The Company strengthened the on-site energy efficiency management, continuously promoted the "energy efficiency doubling" projects such as network electric drilling rig transformation, transformer renewal, distributed photovoltaic power generation, promoted energy-saving technologies such as electric fracturing skid and electric cementing device, and vigorously reduced the total energy consumption. As of 30 June 2025, the comprehensive energy consumption of industrial output value of 10000 yuan is 0.130 tons of standard coal, decreased by 21.3% year on year. The Company continuously improved the index evaluation system, organized various professional grass-roots units to carry out green grass-roots creation review, created green grass-roots benchmarking evaluation indicators for four main specialties including drilling, downhole operations, geophysical exploration and construction sites, selected the typical green construction from point to area, and equipped the site with environmental protection. The site was equipped with 959 sets of environmental protection toilets and working and living environment of employees had been further improved. The second phase of the Green Business Initiative was off to a good start.

The Company has a completed environmental emergency management system and an environmental emergency network, which divided into three levels including enterprise, professional business unit and grassroots level. The Company prepared and timely revised the environmental emergency plans according to the risk assessment results, and filed the environmental emergency plan according to the requirements strictly. The Company strengthened the inspection and updating of emergency equipment and facilities, and regularly carried out emergency plan training and drills.

In the first half of 2025, the Company has focused on source control, vigorously promoted the alternative application of clean energy power such as electricity and natural gas in qualified work areas such as Sichuan, Xinjiang and Chongqing to implement energy structure adjustment continuously. In the first half of the year, 636 wells were completed using grid electricity drilling rigs, the drilling footage was 2.874 million meters, accounting for 65% of the total domestic drilling footage. 145,000 tons of diesel were replaced and 148,000 tons of standard coal were saved. With the goal of transforming and developing petroleum engineering under the background of dual carbon targets, the Company has strengthened overall coordination and continued to promote energy-saving and carbon-reducing measures such as energy-saving technical transformation, optimized management of energy resources, replacement of key energy-consuming equipment, and alternative use of new energy. In the first half of the year, carbon emissions (including Scope 1 and Scope 2) were 971,000 tons, a decrease of 50,000 tons year-on-year.

In order to improve the level of environmental protection management, the Company's affiliated enterprises actively carry out rotation training, set up courses on environmental protection and pollution prevention laws, regulations and policies, environmental standardization site management, green enterprise establishment and system environmental audit, on-site pollution prevention and control practice, and continuously improved the ability and quality of environmental protection management personnel at all levels.

Centering on the themes of "Beautiful China, I go first", "Energy-saving and efficiency-increasing, leading the new", "Carbon Pioneer, Green Future", the Company actively carried out publicity and education on World Environment Day on 5 June, National Energy Conservation Publicity Week and National Low Carbon Day, so as to enhance the awareness of green and low carbon among all employees and lead them to become pioneers in the construction of ecological civilization.



## Section IV Corporate Governance, Environment and Society

### 9. Consolidate and expand the achievements of poverty alleviation and rural revitalization

✓ Applicable    ☐ Not applicable

In the first half of 2025, the Company actively responded to the national call for the implementation of the Rural Revitalization Strategy, took the initiative, made precise efforts, coordinated various aspects to continuously promote education assistance, consumption assistance and other work, and continued to contribute to the rural revitalization work.

- (1) Educational assistance. Sinopec Southwest Oil Engineering Company Limited, a wholly-owned subsidiary of the Company, organized 50 teachers and students from Sanhekou Town School in Mabian Yi Autonomous County, Sichuan Province to study in Chengdu at a cost of RMB100,000. Sinopec Shengli Oil Engineering Company Limited and Sinopec Zhongyuan Oil Engineering Company Limited, wholly-owned subsidiaries, donated 250 and 2,855 books to Helong Middle School in Hunan Province and Sanhekou Town School in Sichuan Province respectively, with a value of RMB85,000. Sinopec Shengli Oil Engineering Company Limited sent a teacher to Helong Middle School for a three-month volunteer service to provide mental health counseling for students.
- (2) Consumption assistance. The Company and its subsidiaries purchased rural poverty alleviation products about RMB12.6 million in the first half of 2025.

## Section V Significant Events

### 1. Performance of undertakings

The special undertakings made by the Company and its shareholders holdings more than 5% of the shares of the Company and their performance of the undertakings as of 30 June 2025:

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	CPC	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 dispose of any business to the third party 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 horizontal 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	CPC	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 Company's will sign the standard agreement of connected transactions, and will fulfill the obligations of the program approval and information disclosure, in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Association. The confirmation of 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	CPC	Issued "The commitment letter regarding 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 the listed Company's independency of CSRC. China Chemical Corporation will not utilize the control right 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.

## Section V Significant Events

### 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. Audit of the interim report

☐ Applicable ☒ Not applicable

#### (1) The situation of appointment and dismissal of the accounting firm

The Company didn't change its accounting firm during the reporting period.

As proposed by the seventh meeting of the eleventh session of the Board of the Company and approved by the shareholders at the annual general meeting for 2024, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership) and BDO Limited as the domestic auditor and overseas auditor of the Company for the year 2025 respectively, and reappointed BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership) as the Company's internal control auditor for 2025.

#### (2) Explanation of the Company on non-standard opinion given by the auditors

☐ Applicable ☒ Not applicable

### 5. The changes and solutions of matters involved in non-standard opinion of financial report for 2024 given by the auditors

☐ Applicable ☒ Not applicable

### 6. Insolvency and restructuring

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

## Section V Significant Events

### 7. Material litigation and arbitration

- ☐ During the reporting period, there were material litigations and arbitrations.
- ☒ During the reporting period, there were not material litigations and arbitrations.

### 8. The punishment or rectification situation suffered by the Company or its directors, supervisors, senior management, controlling shareholders and actual controllers

During the reporting period, none of the Company or its directors, supervisors, senior management, controlling shareholders or de facto controller was subject to any investigation by relevant authorities or enforcement by judicial or disciplinary departments, transferred to judicial authorities or subject to criminal liability, subject to investigation or administrative penalty by the CSRC, subject to any denial of participation in the securities market, deemed unsuitable persons, penalized by other administrative authorities, or subject to any public criticisms made by a stock exchange.

### 9. Credibility for the Company, controlling shareholder and de facto controller

- ☐ Applicable ☒ Not applicable

### 10. Information on material connected transactions

The Company's material connected transactions for the six months ended 30 June 2025 were as follows:

#### (1) The material connected transactions relating to daily operation of the Company during the reporting period are as follows:

The nature of the transaction classification	Connected parties	Amount of transaction RMB '000	Proportion of the same type of transaction (%)
Purchase of materials and equipment	China Petrochemical Corporation and its associates	4,192,896	27.1
Rendering engineering services	China Petrochemical Corporation and its associates	21,475,421	58.9
Rendering engineering services	PipeChina	2,275,610	6.2
Comprehensive service expenditure	China Petrochemical Corporation and its subsidiaries	416,795	52.6
Technology R&D Income	China Petrochemical Corporation and its subsidiaries	68,017	95.4
Land and property rental expenses	China Petrochemical Corporation and its subsidiaries	282,798	58.4
Equipment leasing expenses	China Petrochemical Corporation and its subsidiaries	41,494	8.4
Loan interest expense	China Petrochemical Corporation and its associates	301,468	79.8
Borrowings obtained	China Petrochemical Corporation and its subsidiaries	12,645,000	98.4
Borrowings repaid	China Petrochemical Corporation and its subsidiaries	11,878,786	99.9
Safety and insurance fund expenses	China Petrochemical Corporation	42,100	100.0
Safety and insurance fund expenses refund	China Petrochemical Corporation	44,917	100.0

The Company considers that it is necessary to enter into the above connected transactions with the selected connected parties and they will continue to occur. The agreements of connected transactions were based on the needs of the Company's operations and actual market situation. Purchasing materials and equipment from China Petrochemical Corporation and its subsidiaries will ensure the stable and safe supply of the Group's materials. The provision of 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 the China Petrochemical Corporation and its subsidiaries constitutes the Company's main business income source, and the borrowed funds from China Petrochemical Corporation can satisfy the Group's capital needs under the situation of the fund shortage, so it is beneficial to the Company. The above transactions were mainly based on the market price or the price decided by open bidding or negotiation, which were fair, equal and open, beneficial to the development of Company's main business, and ensure the maximization of the shareholders' interests. The above connected transactions have no adverse effects on the profits of the Company or the independence of the Company.

## Section V Significant Events

- (2) During the reporting period, there were no material connected transactions related to the acquisition or disposal of assets or equities of the Company.
- (3) During the reporting period, no material connected transactions of joint external investment of the Company occurred.
- (4) The following is connected obligatory rights and debts during the reporting period:

Unit: RMB '000

Connected parties	Connected relation	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
<b>China Petrochemical Corporation and its subsidiaries</b>	Controlling shareholders and its subsidiaries	13,293,910	709,865	14,003,775	8,705,683	-493,965	8,211,718
<b>Sinopec Finance Company Limited</b>	Subsidiary companies of the controlling shareholder	10,406	94,961	105,367	22,713,925	764,619	23,478,544
<b>Sinopec Century Bright Capital Investment Limited</b>	Subsidiary companies of the controlling shareholder	561,265	1,345,294	1,906,559	0	0	0
<b>Total</b>		13,865,581	2,150,120	16,015,701	31,419,608	270,654	31,690,262
<b>Causes of related claims and debts</b>					Normal production and operation		
<b>Influence of connected claims and debts on the Company's performance and financial situation</b>					<b>No material adverse effects</b>		

- (5) The finance business between the Company and the financial company with connected relationship

### A. Deposit business

Unit: RMB '000

Connected parties	Connected relation	Daily maximum deposit limit	Deposit rate scope	Beginning balance	For the six months ended 30 June 2025		Ending balance
					Deposit amount	Withdrawal amount	
<b>Sinopec Finance Company Limited</b>	Subsidiary companies of the controlling shareholders	3,500,000	0.35%	10,406	146,529,819	146,434,858	105,367
<b>Sinopec Century Bright Capital Investment Limited</b>	Subsidiary companies of the controlling shareholders		0.01%-4.22%	561,265	14,725,105	13,379,811	1,906,559
<b>Total</b>				571,671	161,254,924	159,814,669	2,011,926

### B. Loan business

Unit: RMB '000

Connected parties	Connected relation	Loan limit	Loan rate scope	Beginning balance	For the six months ended 30 June 2025		Ending balance
					Loan amount	Repayment amount	
<b>Sinopec Finance Company Limited</b>	Subsidiary companies of the controlling shareholders	43,000,000	2.70%	22,713,925	12,645,000	11,880,381	23,478,544
<b>Sinopec Century Bright Capital Investment Limited</b>	Subsidiary companies of the controlling shareholders	80,000,000 US dollar	TERM SOFR+1.05%	0	0	0	0
<b>Total</b>				22,713,925	12,645,000	11,880,381	23,478,544

### C. Credit extension and other finance business

Connected parties	Connected relation	Business type	Total amount RMB '000	Actual amount RMB '000
<b>Sinopec Finance Company Limited</b>	Subsidiary companies of the controlling shareholders	Back letter and credit extension of bill	11,300,000	6,171,161

The Board is of the view that the above connected transactions were entered into in the ordinary course of business and in normal commercial terms and in accordance with the terms of agreements governing these transactions. The terms are fair, reasonable and in accordance with the interests of shareholders of the Company as a whole. The above connected transactions are fully in compliance with the relevant rules and regulations of HKSE and SSE.

For details of connected transactions during the reporting period, please refer to note 11 of the interim financial report prepared in accordance with PRC ASBE.



## Section V Significant Events

### 11. Material contracts and performance

#### (1) Trusteeship, sub-contracting and leasing

##### A. Trusteeship, contracting and leasing matters

☐ Applicable ☒ Not applicable

#### (2) Major guarantees performed and not yet performed 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	Main debt situation	Pledged thing (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount	Counter-guarantee	Whether to guarantee the related party	Connected relationship
The Company	itself	Mexico DS Company	1,968,257	17 June 2022	17 June 2022	The end time of annual general meeting for the year 2025	Guarantee of joint and several liability	–	No	No	No	0	Yes	Yes	Joint venture
Total Amount of Guarantees during the Reporting Period (excluding Guarantees for Subsidiaries)															-8,194
Total Balance of Guarantees at the end of the Reporting Period (A) (excluding Guarantees for Subsidiaries)															1,968,257
The Guarantee provided by the Company to the Subsidiaries															
Total Amount of Guarantees paid to Subsidiaries during the Reporting Period															2,459,488
Total Balance of Guarantees to Subsidiaries at the end of the Reporting Period (B)															26,656,842
Total Company Guarantee (including Guarantee for Subsidiaries)															
Total Guarantees (A+B)															28,625,099
Total Amount of Guarantees as a Percentage of the Company's Net Assets (%)															307.7
Among them:															
Amount of Guarantees provided to Shareholders, Actual Controllers and their related Parties (C)															0
Debt Guarantees Amount directly or indirectly for the guaranteed Object whose asset-liability Ratio exceeds 70% (D)															10,280,638
The Amount of the total Guarantee exceeds 50% of the Net Assets (E)															23,973,354
Sum of the three Guarantees above (C+D+E)															34,253,992
Statement of Unexpired Guarantees as potential subject to Joint Liability															None
Guarantee Statement															The guarantees provided by the Company are all provided for the performance of the domestic and foreign contracts by the wholly-owned subsidiaries and joint venture (DS Servicios Petroleros, S.A. de C.V.). The guarantee amount is within the amount approved by the annual general meeting for 2024 of the Company.

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 17 June, 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. The Company expects that after the conclusion of the 2024 annual general meeting, it needs to continue to provide guarantee for the wholly owned subsidiary and the joint venture, Mexico DS Company. Therefore, the Board and the 2024 annual general meeting considered and approved the resolution on the provision of guarantee for wholly owned subsidiaries and joint venture on 18 March 2025 and 6 June 2025 respectively. The guarantee period commences from the date of approval by the shareholders at the 2024 annual general meeting until the conclusion of the 2025 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), "Announcement of Providing Guarantee for Wholly-owned Subsidiaries and Joint Ventures" (P.2025-012) and "Announcement on the Actual Occurrence of External Guarantee in the Interim Period of 2025" (P.2025-025) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 20 June 2022, 27 March 2024, 19 March 2025, 22 July 2025 and on www.hkexnews.hk on 19 June 2022, 26 March 2024, 18 March 2025, 21 July 2025.

After approved by the 2023 annual general meeting of the Company, within two years starting from 1 November 2024, the Company provided the corresponding counter guarantee for the joint guarantee liability under the financing credit line of no more than RMB100 million provided by CPC to the Company. For further details, please refer to the "Announcement on the Company Providing the Counter Guarantee and Related-Party Guarantee to the Controlling Shareholder" (P.2024-012) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 27 March 2024, and on www.hkexnews.hk on 26 March 2024.

As of 30 June 2025, the outstanding balance of the counter guarantee provided by the Company to CPC was RMB zero.

#### (3) Other material contracts

Save as disclosed in the report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

### 12. Other significant events

☐ Applicable ☒ Not applicable

# Section VI Changes in Ordinary Shares and Information on Shareholders

## 1. Changes in share capital

### (1) Changes in share capital

#### A. 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 (%)
<b>Shares with selling restrictions</b>	-	-	-	-	-	-	-	-	-
<b>Shares without selling restrictions</b>	18,979,412,033	100.0	-	-	-	-22,366,200	-22,366,200	18,957,045,833	100.0
1. Ordinary shares in RMB	13,569,378,551	71.50	-	-	-	-22,366,200	-22,366,200	13,547,012,351	71.46
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	5,410,033,482	28.50	-	-	-	-	-	5,410,033,482	28.54
4. Others	-	-	-	-	-	-	-	-	-
<b>Total of shares</b>	18,979,412,033	100.0	-	-	-	-22,366,200	-22,366,200	18,957,045,833	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 8 January 2025 to 22 May 2025, the Company repurchased 22,366,200 A Shares through centralized bidding transactions, and completed the cancellation procedures for the above repurchased shares at the Shanghai Branch of China Securities Registration and Clearing Corporation Limited on 6 June 2025. For details, please refer to the "Announcement on Cancellation of Repurchased A Shares" (P.2025-023) disclosed in China Securities Journal, Shanghai Securities News, Securities Times and on www.sse.com.cn on 7 June 2025 and on www.hkexnews.hk on 6 June 2025.

#### 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, from reporting period to the date of interim report disclosure

☐ 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. Issuance and Listing of Securities

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

## 3. Information of Shareholders

### (1) Number of shareholders

Total number of ordinary shareholders as at the end of the reporting period	129,665
Total number of preference shareholders with voting rights restored as at the end of the reporting period	0

As at 30 June 2025, the total number of shareholders of the Company was 129,665, including 129,354 holders of domestic A shares and 311 registered holders of overseas H shares. The minimum public float of the Company satisfied the requirements of the Listing Rules.

## Section VI Changes in Ordinary Shares and Information on Shareholders

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

Shareholdings of the top ten shareholders						
Names of shareholders	Nature of shareholders	Changes of shareholdings during the reporting period <sup>1</sup> (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
<b>China Petrochemical Corporation<sup>2</sup></b>	State-owned legal person	0	9,968,726,364	52.59	0	0
<b>Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited")<sup>3</sup></b>	Overseas legal person	59,000	5,397,494,694	28.47	0	0
<b>CNPC</b>	State-owned legal person	0	759,170,000	4.00	0	0
<b>CITIC Corporation Limited</b>	State-owned legal person	-57,852,700	156,560,000	0.83	0	0
<b>Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund</b>	Others	2,256,295	60,707,168	0.32	0	0
<b>Anhui Yangguang InfoComm Electronic Technology Co., Ltd.</b>	Domestic non-state-owned legal person	0	53,970,000	0.28	0	0
<b>Hong Kong Securities Clearing Company Limited<sup>4</sup></b>	Others	-16,246,615	52,436,896	0.28	0	0
<b>Shanghai Tongneng Investment Holdings Co., Ltd.</b>	Domestic non-state-owned legal person	-3,171,500	46,828,500	0.25	0	0
<b>Li Feng</b>	Domestic natural person	0	31,300,000	0.17	0	0
<b>He Long</b>	Domestic natural person	3,322,300	29,330,300	0.15	0	0

  

Shareholdings of top ten 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
<b>China Petrochemical Corporation</b>	9,968,726,364	A Share
<b>Hong Kong Securities Clearing Company (Nominees) Limited ("HKSCC (Nominees) Limited")</b>	5,397,494,694	H Share
<b>CNPC</b>	759,170,000	A Share
<b>CITIC Corporation Limited</b>	156,560,000	A Share
<b>Agricultural Bank of China – China Securities 500 Trading Open Index Securities Investment Fund</b>	60,707,168	A Share
<b>Anhui Yangguang InfoComm Electronic Technology Co., Ltd.</b>	53,970,000	A Share
<b>Hong Kong Securities Clearing Company Limited<sup>4</sup></b>	52,436,896	A Share
<b>Shanghai Tongneng Investment Holdings Co., Ltd.</b>	46,828,500	A Share
<b>Li Feng</b>	31,300,000	A Share
<b>He Long</b>	29,330,300	A Share
<b>Statement on the connected relationship or activities in concert among the above-mentioned shareholders</b>	The Company is not aware of any connected relationship or acting in concert among the above-mentioned shareholders.	
<b>Description of the repurchase accounts of the top ten shareholders</b>	Not applicable	
<b>Explanation on the voting right entrusted, voting right and waiver of voting right by the aforesaid shareholders</b>	Not applicable	

Note:

- As compared with the number of shares held as of 31 December 2024.
- Apart from directly holding 9,968,726,364 A shares of the Company, China Petrochemical Corporation also held 2,595,786,987 H shares 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 66.28% of the total shares of the Company.
- HKSCC (Nominees) Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, and acts as an agent to hold H shares of the Company on behalf of other companies or individual shareholders.
- Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited, and acts as a nominal holder to hold A shares of the Company in SSE on behalf of the investors of HKSE.

Lending of shares by shareholders holding more than 5% of the shares, the top ten shareholders and the top ten shareholders of unrestricted tradable shares participating in the refinancing business.

☐ Applicable ☒ Not Applicable

## Section VI Changes in Ordinary Shares and Information on Shareholders

The top ten shareholders and the top ten shareholders of unrestricted tradable shares have changed compared with the previous period due to refinancing lending/repayment.

☐ Applicable ☒ Not Applicable

### (3) Strategic investors or general legal persons become the top ten shareholders due to the placement of new shares

☐ Applicable ☒ Not Applicable

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

To the directors' knowledge, as at 30 June 2025, the following persons (other than director, supervisor or senior management of the Company) had an interest or short positions in the shares or underlying shares of the Company which shall be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") were as follows:

Name of shareholder	Number of shares held	Per cent of shareholding in the Company's total issued share capital	Per cent of shareholding in the Company's total issued domestic shares	Per cent of shareholding in the Company's total issued H shares	Short position
	(shares)	(%)	(%)	(%)	(shares)
<b>China Petrochemical Corporation</b>	9,968,726,364 (A share)	52.59	73.59	Not applicable	–
	2,595,786,987 (H share) <sup>1</sup>	13.69	Not applicable	47.98	–
<b>CNPC</b>	759,170,000 (A share)	4.00	5.60	Not applicable	–
<b>China State-owned Enterprise Structural Adjustment Fund Co., Ltd.</b>	578,394,495 (H Share) <sup>2</sup>	3.05	Not applicable	10.69	–

Note:

- 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 have H shares held by Century Bright Company.
- China State-owned Enterprise Structural Adjustment Fund Co., Ltd. held 312,371,632 H shares of the Company through Yifangda Fund Management Co., Ltd., accounting for 5.77% of the total issued H shares of the Company, and 257,000,863 H shares of the Company through Huaxia Fund Management Co., Ltd., accounting for 4.75% of the total issued H shares of the Company.

Save as disclosed above, as at 30 June 2025, as far as known to the directors, no other person (other than director, supervisor or senior management of the Company) had an interest or short position in the shares and underlying shares of the Company which would be recorded in the register kept by the Company under Section 336 of the SFO.

## Section VI Changes in Ordinary Shares and Information on Shareholders

### 5. The Change of equity interests in the Company of the directors, supervisors and senior management

#### (1) Shareholdings of the current directors, supervisors and senior management and those resigned during the reporting period

The actual number of shares in the issued share capital of the Company held by the Directors, Supervisors and Senior Management as at the end of the reporting period are as follows:

Name	Title	Number of shares held at the beginning of the reporting period (shares)	Number of shares held at the end of the reporting period (shares)	Changes during the reporting period	Reason for change
Wu Baizhi	Chairman, Secretary of Party Committee	0	0	0	No Change
Zhang Jiankuo	Director, General Manager	0	0	0	No Change
Zhang Lili	Director	0	0	0	No Change
Du Kun	Director	0	0	0	No Change
Zheng Weijun	Independent Non-Executive Director	0	0	0	No Change
Wang Pengcheng	Independent Non-Executive Director	0	0	0	No Change
Liu Jiangning	Independent Non-Executive Director	0	0	0	No Change
Wang Jun	Chairman of Supervisory Committee	0	0	0	No Change
Zhang Kun	Supervisor	0	0	0	No Change
Zhang Xiaofeng	Supervisor	0	0	0	No Change
Li Wei	Supervisor	0	0	0	No Change
Zhang Zonglin	Employee representative supervisor	0	0	0	No Change
Zhang Bailing	Employee representative supervisor	0	0	0	No Change
Wang Zhonghong	Employee representative supervisor	0	0	0	No Change
Zhang Congbang	Deputy General Manager	0	0	0	No Change
Cheng Zhongyi	Chief Financial Manager, General Counsel	0	0	0	No Change
Sun Bingxiang	Deputy General Manager	50,300	50,300	0	No Change
Ke Yuehua	Secretary to the Board, Chief Expert of the Company	0	0	0	No Change
Xu Keyu	Former Director	0	0	0	No Change

#### Directors', supervisors' and senior management's rights to acquire interest or short position in shares or debentures

As at 30 June 2025, 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 disclosed above and Qi Xin Gong Ying Scheme disclosed below, 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 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 as set out in Appendix C3 to the Listing Rules.

#### (2) Directors, supervisors and senior management's participation in Qi Xin Gong Ying Scheme

On 25 January 2018, the Company non-publicly issued 1,503,568,702 and 23,148,854 shares of restricted-sale A shares to 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. 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 with selling restrictions held by Qi Xin Gong Ying Scheme have ended and were listed for trading. In 2021, Qi Xin Gong Ying Scheme reduced holding 11,574,427 shares of A share through centralized bidding. By the end of the reporting period, Qi Xin Gong Ying Scheme still holds 11,574,427 shares of A share.



## Section VI Changes in Ordinary Shares and Information on Shareholders

In Qi Xin Gong Ying Scheme, current and former directors, supervisors and senior management of the Company have subscribed 6.05 million scheme units in total, accounting for approximately 10.0% of the total scheme units of Qi Xin Gong Ying Scheme. There are 18 directors, supervisors and senior management of the Company in total who have subscribed for Qi Xin Gong Ying Scheme. The subscriptions by the current and former directors, supervisors and senior management of the Company under Qi Xin Gong Ying Scheme are as follows:

Name	Position	Subscription amount under Qi Xin Gong Ying Scheme (RMB)	Subscription scheme units under Qi Xin Gong Ying Scheme (units)	Subscription Price (RMB/A Share)	Subscription of A share (shares)
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 the 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 Vice Chairman, General Manager	400,000	400,000	2.62	152,671
Li Wei	Former Chairman of 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) Equity incentives granted to directors, supervisors and senior managers during the reporting period

☐ Applicable ☒ Not Applicable

### 6. Information on changes of controlling shareholder and the actual controller

There was no change in the controlling shareholder or the actual controller of the Company during the reporting period.

## Section VI Changes in Ordinary Shares and Information on Shareholders

### 7. Purchase, sale or redemption of the Company's listed securities

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 proposal 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 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 registered capital. The plan for 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](http://www.sse.com.cn) on 20 December 2024 and on [www.hkexnews.hk](http://www.hkexnews.hk) on 19 December 2024.

In order to increase earnings per share and strengthen market value management, during the period from 8 January 2025 to 22 May 2025, the Company repurchased a total of 22,366,200 A shares, accounting for 0.12% of the total share capital of the Company before the cancellation, with the highest repurchase price of RMB1.99 per share and the lowest repurchase price of RMB1.73 per share. The total amount paid was RMB41.9652 million (excluding transaction costs), and the shares were cancelled on 6 June 2025.

Repurchase of A shares

Repurchase month	Number of repurchase (Shares)	Purchase price per share		Total price (RMB)
		Max price (RMB/share)	Min price (RMB/share)	
January 2025	4,066,100	1.98	1.92	7,970,614
February 2025	1,021,300	1.96	1.95	2,000,000
March 2025	2,523,400	1.99	1.98	5,011,385
April 2025	10,976,100	1.84	1.73	19,884,742
May 2025	3,779,300	1.89	1.87	7,098,465

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 six months ended 30 June 2025.

## Section VII Financial Reports

### 1. PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

#### CONSOLIDATED BALANCE SHEET

As at June 30, 2025

Sinopec Oilfield Service Corporation

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

Assets:	Note	Balance as at June 30, 2025	Balance as at December 31, 2024
Current assets:			
Cash and cash equivalents	5.1	5,398,763	3,648,514
Accounts receivable	5.2	10,251,446	13,294,827
Receivables at FVTOCI	5.3	749,156	2,557,311
Advances to suppliers	5.4	648,616	595,747
Other receivables	5.5	3,587,568	2,848,479
Inventories	5.6	2,647,232	1,009,501
Contract assets	5.7	20,000,273	16,763,754
Other current assets	5.8	3,073,471	2,616,835
<b>Total current assets</b>		<b>46,356,525</b>	<b>43,334,968</b>
Non-current assets:			
Long-term equity investments	5.9	137,193	251,551
Investment in other equity instruments	5.10	137,441	137,441
Fixed assets	5.11	23,121,741	24,238,814
Construction in progress	5.12	794,020	793,487
Right-of-use assets	5.13	837,832	620,413
Intangible assets	5.14	329,328	424,226
Long-term deferred expenses	5.15	6,101,288	7,208,900
Deferred income tax assets	5.16	333,615	330,305
<b>Total non-current assets</b>		<b>31,792,458</b>	<b>34,005,137</b>
<b>Total assets</b>		<b>78,148,983</b>	<b>77,340,105</b>

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

## Section VII Financial Reports

### CONSOLIDATED BALANCE SHEET (Continued)

As at As at June 30, 2025

Sinopec Oilfield Service Corporation

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

Liabilities and owners' equity	Note	As at June 30, 2025	As at December 31, 2024
Current liabilities:			
Short-term borrowings	5.17	28,262,252	22,870,449
Notes payable	5.18	2,597,288	3,387,769
Accounts payable	5.19	26,083,871	28,266,046
Contract liabilities	5.20	5,648,554	7,909,917
Employee compensation payable	5.21	770,198	719,036
Taxes and surcharges payable	5.22	547,350	965,079
Other payables	5.23	3,578,912	3,712,039
Non-current liabilities maturing within one year	5.24	446,133	272,460
<b>Total current liabilities</b>		<b>67,934,558</b>	<b>68,102,795</b>
Non-current liabilities:			
Long-term borrowings	5.25	199,918	
Lease liabilities	5.26	363,442	304,333
Long-term payables	5.27	122,283	90,987
Estimated liabilities	5.28	89,698	90,365
Deferred income	5.29	57,513	24,758
Deferred income tax liabilities	5.16	78,081	78,065
<b>Total non-current liabilities</b>		<b>910,935</b>	<b>588,508</b>
<b>Total liabilities</b>		<b>68,845,493</b>	<b>68,691,303</b>
Owners' equity:			
Share capital	5.30	18,957,046	18,979,412
Capital reserves	5.31	11,700,849	11,720,452
Other comprehensive income	5.32	-33,299	30,193
Special reserves	5.33	570,767	302,874
Surplus reserves	5.34	200,383	200,383
Retained earnings	5.35	-22,092,256	-22,584,512
<b>Total equity attributable to owners of the parent company</b>		<b>9,303,490</b>	<b>8,648,802</b>
Minority interest			
<b>Total owners' equity</b>		<b>9,303,490</b>	<b>8,648,802</b>
<b>Total liabilities and owners' equity</b>		<b>78,148,983</b>	<b>77,340,105</b>

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

## Section VII Financial Reports

### PARENT COMPANY'S BALANCE SHEET

As at June 30, 2025

Sinopec Oilfield Service Corporation

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

Assets:	Note	Balance as at June 30, 2025	Balance as at December 31, 2024
Current assets:			
Cash at bank and on hand		671,937	8,571
Accounts receivable	16.1	144,687	81,826
Receivables at FVTOCI		14,920	
Advances to suppliers		37	
Other receivables	16.2	24,363,441	24,296,880
Inventories		36,586	51,845
Contract assets		7,035	15,655
Other current assets		18,553	17,156
<b>Total current assets</b>		<b>25,257,196</b>	<b>24,471,933</b>
Non-current assets:			
Long-term equity investments	16.3	36,192,571	36,192,571
Fixed assets		25,033	27,806
Construction in progress		12,272	12,255
Right-of-use assets		34,231	30,955
Intangible assets		56,818	66,246
Deferred income tax assets		1,847	2,401
<b>Total non-current assets</b>		<b>36,322,772</b>	<b>36,332,234</b>
<b>Total assets</b>		<b>61,579,968</b>	<b>60,804,167</b>
<b>Liabilities and owners' equity</b>			
Current liabilities:			
Short-term borrowings		21,228,544	20,313,925
Notes payable		1,533	12,995
Accounts payable		224,790	112,348
Contract liabilities		93,304	41,886
Employee compensation payable		76,481	76,629
Taxes and surcharges payable		32,893	43,000
Other payables		11,346,317	11,482,500
Non-current liabilities maturing within one year		22,569	27,768
<b>Total current liabilities</b>		<b>33,026,431</b>	<b>32,111,051</b>
Non-current liabilities:			
Lease liabilities		7,171	
Long-term payables		102	
<b>Total non-current liabilities</b>		<b>7,273</b>	
<b>Total liabilities</b>		<b>33,033,704</b>	<b>32,111,051</b>
Owners' equity:			
Share capital		18,957,046	18,979,412
Capital reserves		11,314,497	11,334,100
Surplus reserves		200,383	200,383
Undistributed profits		-1,925,662	-1,820,779
<b>Total owners' equity</b>		<b>28,546,264</b>	<b>28,693,116</b>
<b>Total liabilities and owners' equity</b>		<b>61,579,968</b>	<b>60,804,167</b>

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



# Section VII Financial Reports

## CONSOLIDATED INCOME STATEMENT

For the Year Ended June 30, 2025

Sinopec Oilfield Service Corporation

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

Item	Note	Current period	Prior period
<b>I. Total operating revenue</b>		<b>37,050,751</b>	36,821,444
Including: Operating revenue	5.36	37,050,751	36,821,444
<b>II. Total operating costs</b>		<b>36,345,911</b>	36,475,008
Including: Operating costs	5.36	33,923,926	33,864,636
Taxes and surcharges	5.37	179,866	159,159
Selling and distribution expenses	5.38	30,919	28,842
General and administrative expenses	5.39	901,284	960,299
Research and development expenses	5.40	882,537	1,115,981
Financial expenses	5.41	427,379	346,091
Including: Interest expenses		377,778	355,632
Interest income		28,131	17,341
Plus: Other income	5.42	13,176	22,515
Investment income ("-" for losses)	5.43	-28,683	14,891
Including: income from investment in associates and joint ventures	5.43	-45,678	2,483
Losses from credit impairment ("-" for losses)	5.44	82,040	187,077
Losses from assets impairment ("-" for losses)	5.45	-9,669	77,770
Gains from disposal of assets ("-" for losses)	5.46	26,503	43,963
<b>III. Operating profits ("-" for losses)</b>		<b>788,207</b>	692,652
Plus: Non-operating revenue	5.47	49,720	39,823
Less: Non-operating expenses	5.48	54,957	-49,089
<b>IV. Total profits ("-" for total losses)</b>		<b>782,970</b>	781,564
Less: Income tax expenses	5.49	290,714	329,757
<b>V. Net profit ("-" for net loss)</b>		<b>492,256</b>	451,807
(I) Classified by operating sustainability			
1. Net profit from continued operation ("-" for net loss)		492,256	451,807
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)		492,256	451,807
2. Minority interest income ("-" for net loss)			
<b>VI. Other comprehensive income, net of tax</b>		<b>-63,492</b>	-52,020
Other comprehensive income, net of tax, attributable to owners of the parent company		-63,492	-52,020
(I) Other comprehensive income that cannot be reclassified into profit or loss			
(II) Other comprehensive income that will be reclassified into profit or loss		-63,492	-52,020
1. Other comprehensive income from transferable gains or losses under the equity method		-63,492	-52,020
Other comprehensive income, net of tax, attributable to minority shareholders			
<b>VII. Total comprehensive income</b>		<b>428,764</b>	399,787
Total comprehensive income attributable to owners of the parent company		428,764	399,787
Total comprehensive income attributable to minority shareholders			
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/Share)		0.026	0.024
(II) Diluted earnings per share (RMB/Share)		0.026	0.024

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

## Section VII Financial Reports

### PARENT COMPANY'S INCOME STATEMENT

For the Year Ended December 31, 2024

Sinopec Oilfield Service Corporation

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

Item	Note	Current period	Prior period
<b>I. Operating revenue</b>	17.4	219,755	
Less: Operating costs	17.4	171,670	
Taxes and surcharges		1,722	4
General and administrative expenses		89,300	104,591
Research and development expenses		160,000	
Financial expenses		-100,697	-72,110
Including: Interest expenses		-113,485	-92,464
Interest income		-11,221	-14,142
Plus: Other income		153	94
Investment income ("-" for losses)	17.5	14	77
Including: income from investment in associates and joint ventures	17.5		77
Losses from credit impairment ("-" for losses)			-109
Losses from asset impairment ("-" for losses)		26	
<b>II. Operating profits ("-" for losses)</b>		-102,047	-32,423
Plus: Non-operating revenue		341	
Less: Non-operating expenses		58	44
<b>III. Total profits ("-" for total losses)</b>		-101,764	-32,467
Less: Income tax expenses		3,119	58
<b>IV. Net profit ("-" for net loss)</b>		-104,883	-32,525
(I) Net profit from continued operation ("-" for net loss)		-104,883	-32,525
(II) Net profit from discontinued operation ("-" for net loss)			
<b>V. Other comprehensive income, net of tax</b>			
<b>VI. Total comprehensive income</b>		-104,883	-32,525

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

## Section VII Financial Reports

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2025

Sinopec Oilfield Service Corporation

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

Item	Note	Current period	Prior period
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		34,967,272	30,695,013
Refund of taxes and surcharges		33,956	66,152
Cash received from other operating activities	5.50	1,593,730	1,810,237
Sub-total of cash inflows from operating activities		36,594,958	32,571,402
Cash paid for purchase of goods and receipt of services		23,418,655	22,426,556
Cash paid to and on behalf of employees		7,819,768	7,623,929
Various taxes and surcharges paid		1,696,233	1,170,781
Cash paid for other operating activities	5.50	1,509,735	1,540,202
Sub-total of cash outflows from operating activities		34,444,391	32,761,468
<b>Net cash flows from operating activities</b>	5.51	2,150,567	-190,066
<b>II. Cash flows from investing activities</b>			
Cash received from returns on investments		5,335	4,645
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		64,720	20,615
Sub-total of cash inflows from investing activities		70,055	25,260
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		860,092	1,118,166
Sub-total of cash outflows from investing activities		860,092	1,118,166
<b>Net cash flows from investing activities</b>		-790,037	-1,092,906
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		12,856,918	13,834,050
Sub-total of cash inflows from financing activities		12,856,918	13,834,050
Cash paid for debt repayments		11,886,274	11,728,695
Cash paid for distribution of dividends and profits or payment of interest		329,174	319,750
Cash paid for other financing activities	5.50	234,010	277,399
Sub-total of cash outflows from financing activities		11,886,274	11,728,695
<b>Net cash flows from financing activities</b>		407,460	1,508,206
<b>IV. Effect of fluctuation in exchange rate on cash and cash equivalents</b>		1,763	-35,913
<b>V. Net increase in cash and cash equivalents</b>	5.51	1,769,753	189,321
Plus: Beginning balance of cash and cash equivalents		3,441,398	2,788,797
<b>VI. Ending balance of cash and cash equivalents</b>	5.51	5,211,151	2,978,118

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

## Section VII Financial Reports

### PARENT COMPANY'S STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2025

Sinopec Oilfield Service Corporation

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

Item	Note	Current period	Prior period
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		163,703	
Cash received from other operating activities		599,170	2,199,202
Sub-total of cash inflows from operating activities		762,873	2,199,202
Cash paid for purchase of goods and receipt of services		267,418	3,465
Cash paid for salary and employees		46,461	64,673
Taxes and fees paid		21,286	4
Cash paid for other operating activities		412,000	1,791,060
Sub-total of cash outflows from operating activities		747,165	1,859,202
<b>Net cash flows from operating activities</b>		15,708	340,000
<b>II. Cash flows from investing activities</b>			
Receipt of other cash related to investment activities			8,701,015
<b>Sub-total of cash inflows from investing activities</b>			8,701,015
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets			3,295
Cash paid for other investing activities			11,349,744
Sub-total of cash outflows from investing activities			11,353,039
<b>Net cash flows from investing activities</b>			-2,652,024
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		11,495,000	12,757,825
Sub-total of cash inflows from financing activities		11,495,000	12,757,825
Cash paid for debt repayments		10,570,000	10,567,463
Cash paid for distribution of dividends and profits or payment of interest		279,314	-89,943
Cash paid for other financing activities			3,860
Sub-total of cash outflows from financing activities		10,849,314	10,481,380
<b>Net cash flows from financing activities</b>		645,686	2,276,445
<b>IV. Effect of fluctuation in exchange rate on cash and cash equivalents</b>		1,974	3,248
<b>V. Net increase in cash and cash equivalents</b>		663,368	-32,331
Plus: Beginning balance of cash and cash equivalents		8,569	1,044,457
<b>VI. Ending balance of cash and cash equivalents</b>		671,937	1,012,126

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

## Section VII Financial Reports

### CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Year Ended June 30, 2025

Sinopec Oilfield Service Corporation

(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	18,979,412	11,720,452	30,193	302,874	200,383	-22,584,512	8,648,802		8,648,802
II. Balance at the beginning of the current year	18,979,412	11,720,452	30,193	302,874	200,383	-22,584,512	8,648,802		8,648,802
III. Increases/decreases in current year ("-" for decreases)	-22,366	-19,603	-63,492	267,893		492,256	654,688		654,688
(I) Total comprehensive income			-63,492			492,256	428,764		428,764
(II) Capital contributed or reduced by owners	-22,366	-19,603					-41,969		-41,969
1. Common stocks invested by owners	-22,366	-19,603					-41,969		-41,969
(III) Profit distribution									
(IV) Internal carry-forward of owners' equity									
(V) Special reserves				267,893			267,893		267,893
1. Amount withdrawn in the current period				542,706			542,706		542,706
2. Amount used in the current period				274,813			274,813		274,813
(VI) Others									
IV. Balance at the end of the current period	18,957,046	11,720,452	-33,299	570,767	200,383	-22,092,256	8,648,802		9,303,490

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



## Section VII Financial Reports

### CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)

For the Year Ended June 30, 2025

Sinopec Oilfield Service Corporation

(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		
<b>I. Balance at the end of the last year</b>	18,984,340	11,717,773	22,618	313,849	200,383	-23,215,761	8,023,202		8,023,202
<b>II. Balance at the beginning of the current year</b>	18,984,340	11,717,773	22,618	313,849	200,383	-23,215,761	8,023,202		8,023,202
<b>III. Increases/decreases in current year ("-" for decreases)</b>									
(I) Total comprehensive income			-52,020	301,143		451,807	700,930		700,930
(II) Capital contributed or reduced by owners									
(III) Profit distribution									
(IV) Internal carry-forward of owners' equity									
(V) Special reserves				301,143			301,143		301,143
1. Amount withdrawn in the current period				555,172			555,172		555,172
2. Amount used in the current period				254,029			254,029		254,029
(VI) Others									
<b>IV. Balance at the end of the current period</b>	18,984,340	11,717,773	-29,402	614,992	200,383	-22,763,954	8,724,132		8,724,132

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

## Section VII Financial Reports

### PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Year Ended June 30, 2025

Sinopec Oilfield Service Corporation

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

Item	Current period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
<b>I. Balance at the end of the last year</b>	18,979,412	11,334,100	200,383	-1,820,779	28,693,116
<b>II. Balance at the beginning of the current year</b>	18,979,412	11,334,100	200,383	-1,820,779	28,693,116
<b>III. Increases/decreases in current year ("-" for decreases)</b>	-22,366	-19,603		-104,883	-146,852
(I) Total comprehensive income				-104,883	-104,883
(II) Capital contributed or reduced by owners	-22,366	-19,603			-41,969
1. Common stocks invested by owners	-22,366	-19,603			-41,969
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others					
<b>IV. Balance at the end of the current period</b>	18,957,046	11,334,100	200,383	-1,925,662	28,546,264

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

## Section VII Financial Reports

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

For the Year Ended June 30, 2025

Sinopec Oilfield Service Corporation

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

Item	Prior period				
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total owners' equity
<b>I. Balance at the end of the last year</b>	18,984,340	11,331,421	200,383	-1,900,922	28,615,222
<b>II. Balance at the beginning of the current year</b>	18,984,340	11,331,421	200,383	-1,900,922	28,615,222
<b>III. Increases/decreases in current year ("-" for decreases)</b>				-32,525	-32,525
(I) Total comprehensive income				-32,525	-32,525
(II) Capital contributed or reduced by owners					
(III) Profit distribution					
(IV) Internal carry-forward of owners' equity					
(V) Special reserves					
(VI) Others					
<b>IV. Balance at the end of the current period</b>	18,984,340	11,331,421	200,383	-1,900,922	28,582,698

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

# Section VII Financial Reports

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

(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.

From January 8, 2025 to June 4, 2025, the Company repurchased a total of 22,366,200 A shares and completed the cancellation on June 6, 2025, and as of June 30, 2025, the total number of issued shares of the Company decreased from 18,979,412,033 shares at the beginning of the year to 18,957,045,833 shares.

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.

These financial statements and notes to the financial statements were approved by the ninth meeting of the 11th board of directors of the Company on August 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 June 30, 2025, the Group's accumulated loss amounted to RMB22,092,256,000, the current liabilities exceeded the current assets by about RMB21,578,033,000 (In 2024, the current liabilities exceeded the current assets by about RMB24,767,827,000). 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 June 2025, the Company has obtained a credit line of RMB43 billion and an equivalence of USD80 million as well as a credit line of RMB5.5 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.



## Section VII Financial Reports

### 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 3.23 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 June 30, 2025, 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 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.

## Section VII Financial Reports

### 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.

##### **(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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

## Section VII Financial Reports

### 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.

## Section VII Financial Reports

### 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.

## Section VII Financial Reports

### 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 in 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 priority in use of observable input values. And the unobservable input values may be used only when the observable input values are unable or impractical to be obtained.



## Section VII Financial Reports

### 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.

## Section VII Financial Reports

### 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)

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.

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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.
- (2) Packaging materials are accounted for using the one-time write-off 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.

#### 3.12 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.13 Long-term equity investments (Continued)

##### 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.

##### 3.13.3 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.

## Section VII Financial Reports

### 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 (Continued)

###### (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.

#### 3.14 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.14 Fixed assets (Continued)

##### 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.

##### 3.16.2 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.



## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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 use right	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	

##### 3.17.3 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

#### 3.19 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.21 Employee compensation (Continued)

##### 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.

#### 3.22 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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 is 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.

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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.23 Revenue (Continued)

##### 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.

#### 3.24 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

#### 3.26 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.



## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.26 Deferred income tax assets and deferred income tax liabilities (Continued)

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.

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.

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.27 Leases (Continued)

##### 3.27.1 The Company as the lessee (Continued)

###### (2) Lease liabilities (Continued)

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.

##### 3.27.2 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.27 Leases (Continued)

##### 3.27.2 The Company as the lessee (Continued)

###### (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”.

#### 3.28 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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.

## Section VII Financial Reports

### 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.

## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.32 Significant accounting estimates and judgments (Continued)

##### 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.

##### 3.32.7 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.



## Section VII Financial Reports

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 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

The Company has no significant changes in accounting policies in this year.

##### 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.

## Section VII Financial Reports

### 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 Jiangnan Petroleum Engineering Corporation	15
Sinopec Zhongyuan Oil Engineering Design Company Limited	15
Sinopec Oil Engineering Design Company Limited	15
Sinopec Geophysical Corporation	15
Sinopec Jiangnan 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 Jiangnan 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 Jiangnan Petroleum Engineering Corporation, Sinopec Zhongyuan Oil Engineering Design Company Limited, Sinopec Oil Engineering Design Company Limited, Sinopec Geophysical Corporation, Sinopec Jiangnan 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 Jiangnan 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%.

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### 5.1 Monetary funds

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Cash on hand	1,903	1,100
Cash at banks	3,384,934	3,075,742
Cash in finance companies	2,011,926	571,672
<b>Total</b>	<b>5,398,763</b>	<b>3,648,514</b>
Including: Amount deposited abroad:	3,120,048	1,246,613

As at June 30, 2025, 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 June 30, 2025	Balance as at December 31, 2024
Guarantee deposit	25,994	25,850
Frozen and pledged deposits	63,201	74,650
Time deposit	3,248	3,248
Security and Civilized Construction Deposit	11,701	11,634
Land Reclamation Deposit	79,002	78,769
Other	4,466	12,965
<b>Total</b>	<b>187,612</b>	<b>207,116</b>

As at June 30, 2025, 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 June 30, 2025	Balance as at December 31, 2024
Within 1 year	9,775,578	12,680,660
Including: Not overdue	6,317,888	9,083,512
Overdue – Within 1 year	3,457,690	3,597,148
1 – 2 years	395,451	506,178
2 – 3 years	131,713	191,030
3 – 4 years	65,271	67,742
4 – 5 years	79,708	106,322
Over 5 years	1,523,649	1,531,755
<b>Sub-total</b>	<b>11,971,370</b>	<b>15,083,687</b>
Less: provision for bad debts	1,719,924	1,788,860
<b>Total</b>	<b>10,251,446</b>	<b>13,294,827</b>

## Section VII Financial Reports

### 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

Category	Balance as at June 30, 2025					Balance as at December 31, 2024				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)		Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Provision made on an individual basis	709,278	5.92	709,278	100.00		748,668	4.96	748,668	100.00	
Provision for bad debts made by portfolio	11,262,092	94.08	1,010,646	8.97	10,251,446	14,335,019	95.04	1,040,192	7.26	13,294,827
Including:										
Related-party portfolio	5,295,038	44.23	51,155	0.97	5,243,883	7,628,930	50.58	62,360	0.82	7,566,570
Non-related-party portfolio	5,967,054	49.85	959,491	16.08	5,007,563	6,706,089	44.46	977,832	14.58	5,728,257
<b>Total</b>	<b>11,971,370</b>	<b>100.00</b>	<b>1,719,924</b>		<b>10,251,446</b>	<b>15,083,687</b>	<b>100.00</b>	<b>1,788,860</b>		<b>13,294,827</b>

Provision made on an individual basis:

Item	Balance as at June 30, 2025				Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)		
Entity I	620,242	620,242	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity II	47,684	47,684	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity III	28,548	28,548	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity IV	9,724	9,724	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
Entity V	3,080	3,080	100.00		The debtor is short of funds and the funds have not been recovered for a long time.
<b>Total</b>	<b>709,278</b>	<b>709,278</b>			

Provision for bad debts made according to the combination of credit risk characteristics:

Provision by portfolio:

Item	Balance as at June 30, 2025		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from related-party clients	5,295,038	51,155	0.97
Accounts receivables from non-related-party clients	5,967,054	959,491	16.08
<b>Total</b>	<b>11,262,092</b>	<b>1,010,646</b>	

## Section VII Financial Reports

### 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

Category	Balance as at June 30, 2025			Balance as at December 31, 2024		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Expected credit loss ratio (%)	Amount	Amount	Expected credit loss ratio (%)
Within 1 year	4,992,838	20,987	0.42	7,232,824	25,744	0.36
Including:						
Not overdue	3,367,026	10,101	0.30	6,175,382	18,526	0.30
Overdue – Within 1 year	1,625,812	10,886	0.67	1,057,442	7,218	0.68
1 – 2 years	186,126	6,916	3.72	236,369	8,973	3.80
2 – 3 years	55,558	3,992	7.19	111,091	8,065	7.26
3 – 4 years	32,252	4,733	14.68	15,119	2,328	15.40
4 – 5 years	11,165	3,833	34.33	13,328	4,583	34.39
Over 5 years	17,099	10,694	62.54	20,199	12,667	62.71
<b>Total</b>	<b>5,295,038</b>	<b>51,155</b>	<b>0.97</b>	<b>7,628,930</b>	<b>62,360</b>	<b>0.82</b>

Provision by portfolio: Accounts receivable from non-related-party clients

Category	Balance as at June 30, 2025			Balance as at December 31, 2024		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Expected credit loss ratio (%)	Amount	Amount	Expected credit loss ratio (%)
Within 1 year	4,782,740	35,910	0.75	5,447,836	48,706	0.89
Including:						
Not overdue	2,950,862	8,852	0.30	2,908,130	8,725	0.30
Overdue – Within 1 year	1,831,878	27,058	1.48	2,539,706	39,981	1.57
1 – 2 years	209,325	30,857	14.74	269,809	40,220	14.91
2 – 3 years	76,155	28,417	37.31	79,939	30,658	38.35
3 – 4 years	33,019	16,319	49.42	52,623	26,788	50.91
4 – 5 years	68,543	50,715	73.99	92,994	68,573	73.74
Over 5 years	797,272	797,273	100.00	762,888	762,887	100.00
<b>Total</b>	<b>5,967,054</b>	<b>959,491</b>	<b>16.08</b>	<b>6,706,089</b>	<b>977,832</b>	<b>14.58</b>

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.2 Accounts receivable (Continued)

##### 5.2.3 Provision, reversal, or recovery of provision for bad debts in the current period

Category	Balance as at December 31, 2024	Changes in the current period				Balance as at June 30, 2025
		Provision	Recovery or reversal	Write-off or charge-off	Other decreases	
Provision for bad debts	1,788,860	-33,100	-39,434		-3,598	1,719,924
<b>Total</b>	1,788,860	-33,100	-39,434		-3,598	1,719,924

##### 5.2.4 Top 5 of accounts receivable as at June 30, 2025, 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	4,369,353	9,238,209	13,607,562	42.47	65,048
Entity 2	925,686	1,817,108	2,742,794	8.56	20,499
Entity 3	422,166	515,760	937,926	2.93	21,308
Entity 4	494,886	396,106	890,992	2.78	4,896
Entity 5	836,149	357	836,506	2.61	6,308
<b>Total</b>	7,048,240	11,967,540	19,015,780	59.35	118,059

#### 5.3 Receivables financing

##### 5.3.1 Breakdowns of receivables financing

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Notes receivable	746,367	2,539,690
Digitize accounts receivable vouchers	2,789	17,621
<b>Total</b>	749,156	2,557,311

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 June 30, 2025, the notes receivable endorsed or discounted but not matured amounted to RMB6,012,660,000 (As at December 31, 2024, RMB5,948,660,000). 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 June 30, 2025, 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.



## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.4 Advances to suppliers

##### 5.4.1 Presentation of advances to suppliers by aging

Aging	Balance as at June 30, 2025		Balance as at December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	633,917	97.73	585,163	98.22
1 – 2 years	13,531	2.09	9,600	1.61
2 – 3 years	458	0.07	105	0.02
Over 3 years	710	0.11	879	0.15
<b>Total</b>	<b>648,616</b>	<b>100.00</b>	<b>595,747</b>	<b>100.00</b>

##### 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 June 30, 2025, presented by debtor was RMB283,177,000, accounting for 43.66% of the total ending balance of advances to suppliers.

#### 5.5 Other receivables

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Dividends receivable		424
Other receivables	3,587,568	2,848,055
<b>Total</b>	<b>3,587,568</b>	<b>2,848,479</b>

##### 5.5.1 Dividends receivable

###### (1) Details of dividends receivable

Project (or investee)	Balance as at June 30, 2025	Balance as at December 31, 2024
Qianjiang Hengyun Motor Vehicle Comprehensive Performance Inspection & Testing Co., Ltd.		424
Sub-total		424
<b>Less: provision for bad debts</b>		
<b>Total</b>		<b>424</b>

##### 5.5.2 Other receivables

###### (1) Disclosure of other receivables by aging

Aging	Balance as at June 30, 2025	Balance as at December 31, 2024
Within 1 year	3,117,363	2,347,286
1 – 2 years	183,327	180,351
2 – 3 years	120,217	158,275
3 – 4 years	84,299	93,483
4 – 5 years	47,239	38,154
Over 5 years	578,070	573,407
<b>Sub-total</b>	<b>4,130,515</b>	<b>3,390,956</b>
Less: provision for bad debts	542,947	542,901
<b>Total</b>	<b>3,587,568</b>	<b>2,848,055</b>

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.5 Other receivables (Continued)

##### 5.5.2 Other receivables (Continued)

##### (2) Disclosure of other receivables by category based on the method for provision for bad debts

Category	Balance at June 30, 2025			Balance as at December 31, 2024		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
	Amount	Amount	Amount	Amount	Amount	Amount
Imprest	9,480	224	9,256	1,642	224	1,418
Security deposit	1,514,125	98,869	1,415,256	1,743,401	106,523	1,636,878
Advance money for the Company	1,093,841	179,309	914,532	697,282	172,306	524,976
Suspense payment	1,064,630	222,561	842,069	600,190	219,766	380,424
Escrow payment	4,885	82	4,803	4,770	125	4,645
Deposit	27,181	2,570	24,611	29,145	3,963	25,182
Export rebates receivable	10,847	182	10,665	1,222	32	1,190
Others	405,526	39,150	366,376	313,304	39,962	273,342
<b>Total</b>	<b>4,130,515</b>	<b>542,947</b>	<b>3,587,568</b>	<b>3,390,956</b>	<b>542,901</b>	<b>2,848,055</b>

##### (3) Details of provision for bad debts

Provision for bad debts at stage I as at June 30, 2025

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	3,485,151	1.78	62,106	3,423,045
– Imprest	9,256			9,256
– Margin and deposit	1,448,790	1.93	28,021	1,420,769
– Other receivables	2,027,105	1.68	34,085	1,993,020
<b>Total</b>	<b>3,485,151</b>		<b>62,106</b>	<b>3,423,045</b>

Provision for bad debts at stage II as at June 30, 2025:

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	152,129	7.12	10,825	141,304
– Imprest				
– Margin and deposit				
– Other receivables	152,129	7.12	10,825	141,304
<b>Total</b>	<b>152,129</b>		<b>10,825</b>	<b>141,304</b>

Provision for bad debts at stage III as at June 30, 2025:

Category	Book balance	Expected credit loss ratio in future 12 months (%)	Provision for bad debts	Book value
Provision for bad debts made by portfolio	493,235	95.29	470,016	23,219
– Imprest	224	100.00	224	
– Margin and deposit	92,516	79.36	73,418	19,098
– Other receivables	400,495	98.97	396,374	4,121
<b>Total</b>	<b>493,235</b>		<b>470,016</b>	<b>23,219</b>

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.5 Other receivables (Continued)

##### 5.5.2 Other receivables (Continued)

##### (4) Provision, reversal or recovery of provision for bad debts in the current period

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit loss in future 12 months	Expected credit loss in the whole duration (without credit impairment)	Expected credit loss in the whole duration (with credit impairment)	
Balance as at December 31, 2024	46,622	10,632	485,647	542,901
Balance as at December 31, 2024 in the current period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversal to Stage II				
– Reversal to Stage I				
Provision in the current period	52,308		47,991	100,299
Reversal in the current period	42,214		67,591	109,805
Write-off in the current period				
Other changes	-5,390	-193	-3,969	-9,552
Balance as at June 30, 2025	62,106	10,825	470,016	542,947

##### (5) Other receivables actually charged off in the current period

No other receivables were written off in the current period

##### (6) Top 5 of other receivables as at June 30, 2025, presented by debtor

Company name	Nature	Balance as at June 30, 2025	Aging	Proportion in the total balance of other receivables as at June 30, 2025 (%)	Balance of provision for bad debts as at June 30, 2025
Entity 1	Security deposits deposit	795,385	Within 1 year and 3 – 4 years	19.26	16,578
Entity 2	Security deposits deposit	436,790	Within 1 year and 3 – 4 years	10.57	8,448
Entity 3	Security deposits deposit	168,164	Within 1 year	4.07	9,191
Entity 4	Suspense payment	166,288	Over 5 years	4.03	166,288
Entity 5	Advance payment	152,129	Within 1 year and Over 5 years	3.68	10,439
Total		1,718,756		41.61	210,944

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.6 Inventories

##### 5.6.1 Classification of inventories

Item	Balance as at June 30, 2025			Balance as at December 31, 2024		
	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	794,461	14,824	779,637	800,380	14,824	785,556
Revolving materials	33,350		33,350	33,732		33,732
Goods in process	5,073	1,671	3,402	3,852	1,671	2,181
Stock commodities	146,247	797	145,450	92,857	797	92,060
Contract performance cost	1,685,393		1,685,393	95,972		95,972
<b>Total</b>	<b>2,664,524</b>	<b>17,292</b>	<b>2,647,232</b>	<b>1,026,793</b>	<b>17,292</b>	<b>1,009,501</b>

##### 5.6.2 Provision for inventory depreciation and provision for impairment of contract performance cost

Item	Balance as at December 31, 2024	Increase in the current period		Decrease in the current period		Balance as at June 30, 2025
		Provision	Others	Reversal or write-off	Others	
Raw materials	14,824					14,824
Goods in process	1,671					1,671
Stock commodities	797					797
<b>Total</b>	<b>17,292</b>					<b>17,292</b>

## Section VII Financial Reports

### 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 June 30, 2025			Balance as at December 31, 2024		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets	20,067,265	66,992	20,000,273	16,821,077	57,323	16,763,754
<b>Total</b>	<b>20,067,265</b>	<b>66,992</b>	<b>20,000,273</b>	<b>16,821,077</b>	<b>57,323</b>	<b>16,763,754</b>

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 June 30, 2025					Balance as at December 31, 2024				
	Book balance		Provision for impairment		Book value	Book balance		Provision for impairment		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision made on an individual basis	13,566	0.07	6,783	50.00	6,783	13,566	0.08	6,783	50.00	6,783
Provision for impairment made by portfolios	20,053,699	99.93	60,209	0.30	19,993,490	16,807,511	99.92	50,540	0.30	16,756,971
Including:										
Petroleum Engineering	11,084,160	55.23	33,105	0.30	11,051,055	8,587,026	51.05	25,719	0.30	8,561,307
Construction and Engineering	8,969,539	44.70	27,104	0.30	8,942,435	8,220,485	48.87	24,821	0.30	8,195,664
<b>Total</b>	<b>20,067,265</b>	<b>100.00</b>	<b>66,992</b>		<b>20,000,273</b>	<b>16,821,077</b>	<b>100.00</b>	<b>57,323</b>		<b>16,763,754</b>

##### 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 June 30, 2025	Balance as at December 31, 2024
Value-added tax retained	1,284,234	969,601
Input VAT to be certified	93,233	84,727
Value-added tax prepaid	1,602,690	1,504,051
Enterprise income tax prepaid	93,314	58,456
<b>Total</b>	<b>3,073,471</b>	<b>2,616,835</b>

## Section VII Financial Reports

### 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, 2024	Ending balance of provision for impairment	Increase/decrease in the current period							Balance as at June 30, 2025	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)	8,988									8,988	
EBAPAN,S.A.DEC.V	1,549									1,549	
Sinopec International Petroleum Engineering Mexico DS Joint Venture	202,198	274,419			-49,526	-63,492				89,180	274,419
Sub-total	212,735	274,419			-49,526	-63,492				99,717	274,419
2. Associates											
Hua Bei Ruida Oil Service Company Limited ("Ordos North")	11,432				-956		-2,800			7,676	
Xinjiang North China Tianxiang Oil Service Company Limited ("Xinjiang North")	3,998				1,328		-1,100			4,226	
Qianjiang HengYun Comprehensive Vehicle Performance Inspecting Company Limited	1,828				274					2,102	
Zhenjiang Huajiang Oil and Gas Engineering Technology Service Co., Ltd	2,574						-278			2,296	
Henan Zhongyuan Oil & Gas Technology Service Co., Ltd	2,627				618		-53			3,192	
Henan Zhongyou Oil & Gas Technology Service Co., Ltd	9,523				1,666		-957			10,232	
Beijing Masonry Intelligent Control Technology Co., Ltd	6,834				918					7,752	
Sub-total	38,816				3,848		-5,188			37,476	
<b>Total</b>	<b>251,551</b>	<b>274,419</b>			<b>-45,678</b>	<b>-63,492</b>	<b>-5,188</b>			<b>137,193</b>	<b>274,419</b>



## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.10 Investment in other equity instruments

##### 5.10.1 Details of investment in other equity instruments

Item	Balance as at June 30, 2025	Balance as at December 31, 2024	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
Shengli Oilfield Niuzhuang Petroleum Development Co., Ltd.	10,396	10,396			8,396			The shareholding ratio is no significant to have a significant impact.
Sinopec Carbon Industry Technology Co., Ltd.	127,045	127,045			2,045			The shareholding ratio is no significant to have a significant impact.
<b>Total</b>	137,441	137,441			10,441			

#### 5.11 Fixed assets

##### 5.11.1 Fixed assets and disposal of fixed assets

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Fixed assets	23,032,440	24,153,815
Disposal of fixed assets	89,301	84,999
<b>Total</b>	23,121,741	24,238,814

## Section VII Financial Reports

### 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
<b>1. Original book value</b>			
(1) Balance as at December 31, 2024	1,737,000	66,105,659	67,842,659
(2) Increase in the current period	41,759	379,829	421,588
– Purchase		3,035	3,035
– Transferred from construction in progress	41,759	376,794	418,553
(3) Decrease in the current period	8,117	584,922	593,039
– Disposal or retirement	8,117	584,922	593,039
(4) Balance as at June 30, 2025	1,770,642	65,900,566	67,671,208
<b>2. Accumulated depreciation</b>			
(1) Balance as at December 31, 2024	800,144	41,940,704	42,740,848
(2) Increase in the current period	28,549	1,442,090	1,470,639
– Provision	28,549	1,442,090	1,470,639
(3) Decrease in the current period	7,595	499,622	507,217
– Disposal or retirement	7,595	499,622	507,217
(4) Balance as at June 30, 2025	821,098	42,883,172	43,704,270
<b>3. Provision for impairment</b>			
(1) Balance as at December 31, 2024	654	947,342	947,996
(2) Increase in the current period			
(3) Decrease in the current period		13,498	13,498
– Disposal or retirement		13,498	13,498
(4) Balance as at June 30, 2025	654	933,844	934,498
<b>4. Book value</b>			
(1) Book value as at June 30, 2025	948,890	22,083,550	23,032,440
(2) Book value as at December 31, 2024	936,202	23,217,613	24,153,815

##### 5.11.3 Fixed assets with pending certificates of title

There had been a total amount of 29 premises without qualified ownership certificates up to June 30, 2025, totaling amount in cost of RMB251,707,000, in accumulated depreciation of RMB81,202,000 and net book value of RMB170,505,000.

##### 5.11.4 Disposal of fixed assets

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Equipment	89,301	84,999
<b>Total</b>	<b>89,301</b>	<b>84,999</b>

## Section VII Financial Reports

### 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 June 30, 2025			Balance as at December 31, 2024		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	796,591	3,502	793,089	796,763	3,502	793,261
Engineer material	931		931	226		226
<b>Total</b>	<b>797,522</b>	<b>3,502</b>	<b>794,020</b>	<b>796,989</b>	<b>3,502</b>	<b>793,487</b>

##### 5.12.2 Details of construction in progress

Item	Balance as at June 30, 2025			Balance as at December 31, 2024		
	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	789,201		789,201	789,373		789,373
Other construction projects	3,500		3,500	3,500		3,500
<b>Total</b>	<b>796,591</b>	<b>3,502</b>	<b>793,089</b>	<b>796,763</b>	<b>3,502</b>	<b>793,261</b>

##### 5.12.3 Changes in important construction in progress in the current period

Project name	Budget amount	Balance as at December 31, 2024	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
Project for the Procurement of Geophysical Production Supporting Equipment under the ALACTE Project of the International Business Development Center in Mexico, 2024	154,640	20,290	125,549			145,839	81.19	81.19		Self-financing in full
Project for the Procurement of Deep Well Drilling Rigs in Kuwait, 2024	80,000		72,271			72,271	90.34	90.34		Self-financing and loans
Procurement of Non-Installation Equipment – First Batch, Overseas Business Center, 2025	46,620		46,207	522		45,685	99.11	99.11		Self-financing in full
Project for the Procurement of Construction Equipment, 2025	150,000		45,102	11,014		34,088	30.07	30.07		Self-financing in full
Baños Dulces Project in Ecuador	90,320	1,014	37,563			38,577	41.64	41.64		Self-financing in full
Project for the New Purchase of Type 70 Drills in Alpine and High – altitude Areas in 2024	74,668	45,518	29,131	74,649			100.00	100.00		Self-financing in full
Project for the New Purchase of Type 90 Drills in Kuwait, 2024 (Note 1)	28,970		28,970			28,970	100.00	100.00		Self-financing in full
Project for the Procurement of Fully Automatic Drills for Shale Oil Development, 2023	90,410	78,225				78,225	86.00	86.00		Self-financing in full
Project for the New Purchase of Type 90 Drills, 2024	70,000	69,662			7,338	62,324	89.03	89.03		Self-financing in full
Project for the Procurement of Type 90 Drills in Kuwait, 2024	217,200	79,695				79,695	69.06	69.06		Self-financing and loans
<b>Total</b>		<b>294,404</b>	<b>384,793</b>	<b>86,185</b>	<b>7,338</b>	<b>585,674</b>				

Note 1: The project is currently in the installation and commissioning phase and had not yet reached the intended usable state as of June 30, 2025..

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.12 Construction in progress (Continued)

##### 5.12.4 project materials

Item	Balance as at June 30, 2025			Balance as at December 31, 2024		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Engineer material	931		931	226		226
<b>Total</b>	<b>931</b>		<b>931</b>	<b>226</b>		<b>226</b>

#### 5.13 Right-of-use assets

Item	Land	Buildings	Equipment and others	Total
<b>1. Original book value</b>				
(1) Balance as at December 31, 2024	151,277	1,178,672	425,280	1,755,229
(2) Increase in the current period	40,688	378,153	106,436	525,277
– Newly-added leases	39,490	352,859	99,971	492,320
– Adjustment of lease liabilities	1,198	25,294	6,465	32,957
(3) Decrease in the current period	61,770	353,424	83,841	499,035
– Adjustment of lease liabilities	6	6,353	28	6,387
– Write-off or early termination	61,764	347,071	83,813	492,648
(4) Balance as at June 30, 2025	130,195	1,203,401	447,875	1,781,471
<b>2. Accumulated depreciation</b>				
(1) Balance as at December 31, 2024	97,496	791,772	245,548	1,134,816
(2) Increase in the current period	20,983	179,841	99,076	299,900
– Depreciation	20,983	179,841	99,076	299,900
(3) Decrease in the current period	60,938	346,462	83,677	491,077
– Write-off or early termination	60,938	346,462	83,677	491,077
(4) Balance as at June 30, 2025	57,541	625,151	260,947	943,639
<b>3. Provision for impairment</b>				
<b>4. Book value</b>				
(1) Book value as at June 30, 2025	72,654	578,250	186,928	837,832
(2) Book value as at December 31, 2024	53,781	386,900	179,732	620,413

Other description: As at June 30, 2025, the lease expenses recognized by the Group and relevant to the short-term lease and low-value assets lease amounted to RMB463,417,000.

## Section VII Financial Reports

### 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
<b>1. Original book value</b>					
(1) Balance as at December 31, 2024	164,176	339,504	996,100	73,942	1,573,722
(2) Increase in the current period	5,281	612			5,893
– Purchase	5,281	612			5,893
(3) Decrease in the current period					
(4) Balance as at June 30, 2025	169,457	340,116	996,100	73,942	1,579,615
<b>2. Accumulated amortization</b>					
(1) Balance as at December 31, 2024	41,752	215,553	830,670	61,521	1,149,496
(2) Increase in the current period	2,099	19,857	74,787	4,048	100,791
– Provision	2,099	19,857	74,787	4,048	100,791
(3) Decrease in the current period					
(4) Balance as at June 30, 2025	43,851	235,410	905,457	65,569	1,250,287
<b>3. Provision for impairment</b>					
<b>4. Book value</b>					
(1) Book value as at June 30, 2025	125,606	104,706	90,643	8,373	329,328
(2) Book value as at December 31, 2024	122,424	123,951	165,430	12,421	424,226

##### 5.14.2 Land use right with pending certificate of title

As at June 30, 2025, 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 RMB2,702,000, and the net book value was RMB3,849,000.

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.15 Long-term deferred expenses

Item	Balance as at December 31, 2024	Increase in the current period	Amortization in the current period	Other decreases	Balance as at June 30, 2025
Special tools for petroleum engineering	5,387,973	151,681	991,292	250	4,548,112
Other tools for petroleum engineering	1,111,315	265,588	394,819	2,319	979,765
Camping house	650,728	9,066	139,948	333	519,513
Other long-term deferred expenses	58,884		4,986		53,898
<b>Total</b>	<b>7,208,900</b>	<b>426,335</b>	<b>1,531,045</b>	<b>2,902</b>	<b>6,101,288</b>

#### 5.16 Deferred income tax assets and deferred income tax liabilities

##### 5.16.1 Deferred income tax assets without offset

Item	Balance as at June 30, 2025		Balance as at December 31, 2024	
	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	960,200	156,372
Provision for bad debts	686,438	113,660	683,645	112,977
Deferred income	10,966	1,645	10,966	1,645
Deductible loss	354,178	53,127	354,178	53,127
Lease liabilities	691,360	113,500	513,176	82,358
<b>Subtotal</b>	<b>2,703,142</b>	<b>438,304</b>	<b>2,522,165</b>	<b>406,479</b>
Net-off amount of deferred income tax assets and liabilities	644,594	104,689	480,979	76,174
<b>Total</b>	<b>2,058,548</b>	<b>333,615</b>	<b>2,041,186</b>	<b>330,305</b>

##### 5.16.2 Deferred income tax liabilities before offset

Item	Balance as at June 30, 2025		Balance as at December 31, 2024	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	502,624	75,394	502,624	75,394
Changes in fair value through other comprehensive income	10,441	2,610	10,441	2,610
Right-of-use assets	645,030	104,766	481,356	76,235
<b>Subtotal</b>	<b>1,158,095</b>	<b>182,770</b>	<b>994,421</b>	<b>154,239</b>
Net-off amount of deferred income tax assets and liabilities	644,594	104,689	480,979	76,174
<b>Total</b>	<b>513,501</b>	<b>78,081</b>	<b>513,442</b>	<b>78,065</b>

##### 5.16.3 Details of unrecognized deferred income tax assets

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Deductible temporary differences	1,904,976	2,181,353
Deductible losses	14,813,980	14,976,406
<b>Total</b>	<b>16,718,956</b>	<b>17,157,759</b>



## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.16 Deferred income tax assets and deferred income tax liabilities (Continued)

##### 5.16.4 Deductible losses from unrecognized deferred income tax assets will be expired in the following years

Year	Balance as at June 30, 2025	Balance as at December 31, 2024	Remark
Year 2025	222,624	355,367	
Year 2026	8,741,623	8,777,789	
Year 2027	2,250,156	2,276,758	
Year 2028	293,644	296,996	
Year 2029	543,899	543,899	
Year 2030 and later	2,762,034	2,725,597	
<b>Total</b>	<b>14,813,980</b>	<b>14,976,406</b>	

#### 5.17 Short-term borrowings

##### 5.17.1 Classification of short-term borrowings

Item	Currency	Balance as at June 30, 2025	Balance as at December 31, 2024
Credit loans from related parties	RMB	23,465,000	22,690,000
Accrued interest	RMB	13,544	23,925
Supplier financing arrangements converted to short-term loans	RMB	4,783,708	156,524
<b>Total</b>		<b>28,262,252</b>	<b>22,870,449</b>

Description:

As at June 30, 2025, The Group has no short-term borrowings that have matured and are outstanding..

As at June 30, 2025, The interest rate on RMB borrowing ranges from 2.11% to 3.50% (As at December 31, 2024: 2.70%-3.60%).

#### 5.18 Notes payable

Category	Balance as at June 30, 2025	Balance as at December 31, 2024
Bank acceptance bill	2,597,288	3,384,091
Commercial acceptance bill		3,678
<b>Total</b>	<b>2,597,288</b>	<b>3,387,769</b>

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 June 30, 2025	Balance as at December 31, 2024
Payables for materials	6,099,239	6,609,501
Payables for construction	6,844,583	7,417,200
Payable for labour cost	8,205,678	8,892,165
Payables for equipment	4,085,976	4,427,808
Others	848,395	919,372
<b>Total</b>	<b>26,083,871</b>	<b>28,266,046</b>

##### 5.19.2 Significant accounts payable with aging over one year

Item	Balance as at June 30, 2025	Reason for no payment or carry-forward
Entity 1	37,650	Unsettled payment
Entity 2	6,353	Unsettled payment
Entity 3	3,780	Unsettled payment
Entity 4	3,704	Unsettled payment
Entity 5	2,963	Unsettled payment
<b>Total</b>	<b>54,450</b>	

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.20 Contract liabilities

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Petroleum Engineering	1,348,695	2,820,056
Construction Engineering	4,299,859	5,089,861
<b>Total</b>	<b>5,648,554</b>	<b>7,909,917</b>

In the current period, revenue recognized based on the contract liabilities at the beginning of the current period amounted to RMB4,756,326,000.

#### 5.21 Employee compensation payable

##### 5.21.1 Presentation of employee compensation payable

Item	Balance as at December 31, 2024	Increase in the current period	Decrease in the current period	Balance as at June 30, 2025
Short term employee benefits	717,301	6,662,614	6,611,278	768,637
Post-employment benefits	1,735	1,173,163	1,173,337	1,561
Termination benefits		9,576	9,576	
<b>Total</b>	<b>719,036</b>	<b>7,845,353</b>	<b>7,794,191</b>	<b>770,198</b>

##### 5.21.2 Presentation of short-term compensation

Item	Balance as at December 31, 2024	Increase in the current period	Decrease in the current period	Balance as at June 30, 2025
(1) Wages or salaries, bonuses, allowances and subsidies	522,626	4,070,585	4,015,120	578,091
(2) Staff welfare		439,035	439,035	
(3) Social security contributions	14,455	646,430	642,966	17,919
Including: 1. Basic medical insurance	14,365	529,988	526,547	17,806
2. Work-related injury insurance	65	41,255	41,233	87
3. Birth insurance	25	16,828	16,827	26
4. Other insurance		58,359	58,359	
(4) Housing funds	1,444	577,999	578,289	1,154
(5) Labor union and employee education funds	173,453	114,332	123,974	163,811
(6) Others	5,323	814,233	811,894	7,662
<b>Total</b>	<b>717,301</b>	<b>6,662,614</b>	<b>6,611,278</b>	<b>768,637</b>

##### 5.21.3 Presentation of defined contribution plans

Item	Balance as at December 31, 2024	Increase in the current period	Decrease in the current period	Balance as at June 30, 2025
Basic pension insurance	1,282	755,271	755,215	1,338
Unemployment insurance	40	31,558	31,555	43
Annuity	413	386,334	386,567	180
<b>Total</b>	<b>1,735</b>	<b>1,173,163</b>	<b>1,173,337</b>	<b>1,561</b>

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 RMB9,576,000 compensation to the resigning employee for terminating labor relation.

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.22 Taxes and surcharges payable

Taxes and surcharges	Balance as at June 30, 2025	Balance as at December 31, 2024
VAT	256,557	474,306
Corporate income tax	140,924	135,592
Urban maintenance and construction tax	22,120	35,074
House property tax	1,008	1,588
Land use tax	9,099	11,278
Individual income tax	32,678	197,652
Education surtax	12,790	22,169
Other taxes	72,174	87,420
<b>Total</b>	<b>547,350</b>	<b>965,079</b>

#### 5.23 Other payables

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Other payables	3,578,912	3,712,039
<b>Total</b>	<b>3,578,912</b>	<b>3,712,039</b>

##### 5.23.1 Other payables

###### (1) Presentation of other payables by nature

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Guarantee	1,149,271	1,145,101
Deposit	176,064	172,753
Amount paid on behalf	757,657	865,540
Temporary receipts	915,454	531,755
Escrow payments	36,220	33,876
Withheld payments	51,068	53,179
Others	493,178	909,835
<b>Total</b>	<b>3,578,912</b>	<b>3,712,039</b>

As at June 30, 2025, other payables with aging over one year amounted to RMB211,613,000 (As at December 31, 2024: RMB680,839,000), 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.

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.24 Non-current liabilities maturing within one year

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Long-term loans due within one year	12,000	
Projected liabilities due within one year	2,345	
Lease liabilities within one year	431,788	272,460
<b>Total</b>	<b>446,133</b>	<b>272,460</b>

#### 5.25 Long-term borrowings

Item	Balance as at June 30, 2025	Interest rate period	Balance as at December 31, 2024	Interest rate period
Loans on credit	211,918	2.24%-2.34%		
Sub-total	211,918			
Less: Long-term loans due within one year	12,000			
<b>Total</b>	<b>199,918</b>			

#### 5.26 Lease liabilities

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Land and housing	607,343	393,882
Equipment and others	187,887	182,911
Sub-total	795,230	576,793
Less: Lease liabilities within one year	431,788	272,460
<b>Total</b>	<b>363,442</b>	<b>304,333</b>

#### 5.27 Long-term payables

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Long-term payables	122,283	90,987
<b>Total</b>	<b>122,283</b>	<b>90,987</b>

##### 5.27.1 Long-term payables

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Other long-term payables	122,283	90,987
Sub-total	122,283	90,987
Less: Long-term payables within one year		
<b>Total</b>	<b>122,283</b>	<b>90,987</b>

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.28 Estimated liabilities

Item	Balance as at June 30, 2025	Balance as at December 31, 2024	Forming reason
Outstanding litigation	51,687	51,893	Pending litigation remains after the conclusion of the judicial reorganization
Executory onerous contracts	951	1,412	Expected loss of construction contract
Estimated foreign tax expenses	37,060	37,060	Estimated tax expense
<b>Total</b>	<b>89,698</b>	<b>90,365</b>	

#### 5.29 Deferred income

Item	Balance as at December 31, 2024	Increase in current period	Decrease in current period	Balance as at June 30, 2025	Forming reason
Government grants	24,758	41,513	8,758	57,513	Government grants received
<b>Total</b>	<b>24,758</b>	<b>41,513</b>	<b>8,758</b>	<b>57,513</b>	

#### 5.30 Share capital

Current Period

Item	Balance as at December 31, 2024	Changes in current period ("+" for increase and "-" for decrease)					Balance as at June 30, 2025
		New shares issued	Share donation	Share Repurchase	Others	Sub-total	
Legal person share held by domestic capital	11,674,989						11,674,989
RMB social public shares (A-share)	1,894,390			-22,366		-22,366	1,872,024
Foreign shares listed overseas (H-share)	5,410,033						5,410,033
<b>Total</b>	<b>18,979,412</b>			<b>-22,366</b>		<b>-22,366</b>	<b>18,957,046</b>

Prior 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
<b>Total</b>	<b>18,984,340</b>			<b>-4,928</b>		<b>-4,928</b>	<b>18,979,412</b>

The decrease in RMB-denominated public shares (A-shares) is attributable to the repurchase and cancellation of shares.

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.31 Capital reserves

Current Period

Item	Balance as at December 31, 2024	Increase in current period	Decrease in current period	Balance as at June 30, 2025
Share premium	11,652,483		19,603	11,632,880
Other capital reserves	67,969			67,969
<b>Total</b>	<b>11,720,452</b>		<b>19,603</b>	<b>11,700,849</b>

Prior Period

Item	Balance as at 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
<b>Total</b>	<b>11,717,773</b>	<b>2,679</b>		<b>11,720,452</b>

#### 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	
<b>1. Other comprehensive income that cannot be reclassified into profit or loss</b>	<b>7,831</b>							<b>7,831</b>
Including: changes in the fair value of other equity instruments investment	7,831							7,831
<b>2. Other comprehensive income that will be reclassified into profit or loss</b>	<b>22,362</b>	<b>-63,492</b>			<b>-63,492</b>			<b>-41,130</b>
Including: other comprehensive income from transferable gains or losses under the equity method	22,362	-63,492			-63,492			-41,130
<b>Total of other comprehensive income</b>	<b>30,193</b>	<b>-63,492</b>			<b>-63,492</b>			<b>-33,299</b>

Net other comprehensive income after tax for the period was RMB-63,492,000. Among them, the net after-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB-63,492,000 for the period.

#### 5.33 Special reserves

Item	Balance as at December 31, 2024	Increase in current period	Decrease in current period	Balance as at June 30, 2025
Production safety fund	302,874	542,706	274,813	570,767
<b>Total</b>	<b>302,874</b>	<b>542,706</b>	<b>274,813</b>	<b>570,767</b>

In accordance with PRC regulations, the Group appropriated production safety fund of RMB542,706,000 to specific reserve for year ended June 30, 2025, which was recognised in the cost of related products and the Specific reserve. for year ended June 30, 2025, the Group utilised production safety fund amounting to RMB274,813,000 which was of expenditure nature.



## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.34 Surplus reserves

Item	Balance as at December 31, 2024	Increase in current period	Decrease in current period	Balance as at June 30, 2025
Statutory surplus reserves	200,383			200,383
<b>Total</b>	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	-22,584,512	-23,215,761	
Plus: net profit attributable to owners of the parent company in the period	492,256	631,607	
Transfer of other comprehensive income to retained earnings		-358	
Retained earnings as at the end of the period	-22,092,256	-22,763,954	
Including: the amount of the surplus reserve withdrawn by subsidiaries in the year attributable to the parent company		37,328	

#### 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	36,640,408	33,634,860	36,492,421	33,553,538
Other business	410,343	289,066	329,023	311,098
<b>Total</b>	37,050,751	33,923,926	36,821,444	33,864,636

##### 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
<b>Main business premise</b>							
Mainland China	1,093,590	12,336,630	1,640,954	4,441,459	7,125,393	726,318	27,364,344
Other countries or regions	717,333	5,856,568	90,295	697,239	1,533,042	381,587	9,276,064
<b>Total</b>	1,810,923	18,193,198	1,731,249	5,138,698	8,658,435	1,107,905	36,640,408
<b>Client type</b>							
Related parties	807,314	11,377,086	1,387,118	4,272,489	5,678,861	255,677	23,778,545
Third party	1,003,609	6,816,112	344,131	866,209	2,979,574	852,228	12,861,863
<b>Total</b>	1,810,923	18,193,198	1,731,249	5,138,698	8,658,435	1,107,905	36,640,408
<b>Recognition time of revenue</b>							
Goods (recognised at a point of time)					17,588	188,181	205,769
Service (recognised over time)	1,810,923	18,193,198	1,731,249	5,138,698	8,640,847	919,724	36,434,639
<b>Total</b>	1,810,923	18,193,198	1,731,249	5,138,698	8,658,435	1,107,905	36,640,408

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.36 Revenue and cost of sales (Continued)

##### 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 June 30, 2025, some of the Group's petroleum engineering technical services and construction engineering projects are still in the course of performance, and the total transaction price allocated to the unfulfilled obligations is approximately RMB48,823,000,000. 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.

#### 5.37 Taxes and surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	17,783	18,238
Educational surcharges	15,011	14,526
Overseas taxes and surcharges	90,287	75,415
Property taxes	5,647	5,050
Land use taxes	22,632	23,482
Vehicle and vessel usage tax	4,232	3,768
Stamp duty	20,707	17,843
Others	3,567	837
<b>Total</b>	<b>179,866</b>	<b>159,159</b>

#### 5.38 Selling and distribution expenses

Item	Current period	Prior period
Staff costs	21,042	22,771
Depreciation cost	407	209
Expenses for business trips	1,921	1,497
Publicity expenses	223	64
Rental expenses	167	277
Office expenses	4,184	702
Others	2,975	3,322
<b>Total</b>	<b>30,919</b>	<b>28,842</b>

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.39 General and administrative expenses

Item	Current period	Prior period
Repair and maintenance	870	813
Staff costs	670,710	661,268
The information system runs maintenance fees	8,788	31,569
Business entertainment	2,702	7,144
Travel expenses	17,332	20,593
Rental expenses	4,768	5,869
Depreciation and amortization	65,926	63,279
Consultation	7,941	7,827
Property insurance	1,383	1,147
Others	120,864	160,790
<b>Total</b>	<b>901,284</b>	<b>960,299</b>

#### 5.40 Research and development expenses

Item	Current period	Prior period
Staff costs	261,656	325,388
Materials costs	336,029	497,778
Technical collaboration fee	29,532	70,350
Experimental expenses	7,934	3,088
Depreciation	10,039	26,417
Others	237,347	192,960
<b>Total</b>	<b>882,537</b>	<b>1,115,981</b>

#### 5.41 Financial expenses

Item	Current period	Prior period
Interest expenses on borrowings	356,141	335,005
Interest expenses on lease liabilities	21,637	20,627
Interest income	-28,131	-17,341
Exchange losses/(gains)	25,439	-29,264
Bank charges and others	52,293	37,064
<b>Total</b>	<b>427,379</b>	<b>346,091</b>

#### 5.42 Other income

Grant items	Current period	Prior period
National research grants	2,545	1,687
Subsidies of enterprise development	2,986	2,170
Subsidies of stable post	2,229	3,381
Government incentives	978	278
Return of individual income tax fee		6,660
National research grants	20	20
Additional input VAT credit		3,635
Self-use refined oil consumption tax refund	4,418	4,684
<b>Total</b>	<b>13,176</b>	<b>22,515</b>

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.43 Investment income

Item	Current period	Prior period
Investment income from Long-term equity calculated by equity method	-45,678	2,483
Investment income from debt restructuring	16,995	12,408
<b>Total</b>	<b>-28,683</b>	<b>14,891</b>

#### 5.44 Impairment of credit losses

Item	Current period	Prior period
Losses form impairment of accounts receivable	-72,534	-143,257
Losses form impairment of other receivables	-9,506	-43,820
<b>Total</b>	<b>-82,040</b>	<b>-187,077</b>

#### 5.45 Impairment of assets

Item	Current period	Prior period
Losses from impairment of contract assets	9,669	-73,906
Others		-3,864
<b>Total</b>	<b>9,669</b>	<b>-77,770</b>

#### 5.46 Gains from disposal of assets

Item	Current period	Prior period
Gain on disposal of fixed assets ("-" for losses)	22,518	41,545
Others	3,985	2,418
<b>Total</b>	<b>26,503</b>	<b>43,963</b>

#### 5.47 Non-operating income

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Income from waived payables	14,873	9,100	14,873
Compensation received	14,746	2,318	14,746
Penalty income	1,764	1,174	1,764
Insurance compensation	3,107	4,330	3,107
Gain from asset scrap	14,756	22,261	14,756
Other	474	640	474
<b>Total</b>	<b>49,720</b>	<b>39,823</b>	<b>49,720</b>

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.48 Non-operating expenses

Item	Current period	Prior period	Amount included in the current non-recurring profit or loss
Donation	333	496	333
Compensation	5,970	1,006	5,970
Penalty	749	1,425	749
Non-current assets written off	5,439	3,343	5,439
Expected losses from judicial restructuring		-95,214	
Others	42,466	39,855	42,466
<b>Total</b>	<b>54,957</b>	<b>-49,089</b>	<b>54,957</b>

#### 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	294,007	299,392
Deferred income tax	-3,293	30,365
<b>Total</b>	<b>290,714</b>	<b>329,757</b>

##### 5.49.2 Adjustment process of accounting profits and income tax expenses

Item	Current period
Total profits	782,970
Income tax expenses calculated at statutory tax rate	195,742
Effect of different tax rates used by subsidiaries	16,632
Adjustments of current tax in previous years	-6,515
Profit and loss of joint ventures and associates accounted for using the equity method	11,804
Effect of non-deductible costs, expenses, and losses	37,241
Effect of unrecognized deferred income tax assets in prior periods	-24,459
Effect of deductible temporary differences or losses from deferred income tax assets unrecognized in current period	91,850
Tax effect of additional deduction of research and development expenses	-31,581
Income tax expenses	290,714

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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	810,543	908,105
Government grants	45,932	25,109
Temporary receipt and payment	333,009	446,008
Guarantee	327,174	364,256
Compensation	17,949	10,108
Others	59,123	56,651
<b>Total</b>	<b>1,593,730</b>	<b>1,810,237</b>

##### 5.50.2 Cash paid for other operating activities

Item	Current period	Prior period
Temporary receipt and payment	328,579	122,271
Guarantee	198,935	64,256
Research and development expenses	618,045	920,907
Integrated service	36,105	55,188
Repair and maintenance expenses	194,561	216,460
Other operating expenses	110,192	148,736
Others	23,318	12,384
<b>Total</b>	<b>1,509,735</b>	<b>1,540,202</b>

##### 5.50.3 Cash paid for other financing activities

Item	Current period	Prior period
Lease payments		20,625
Notes acceptance fee	668	397
Payment of guarantee and commitment fees	17,458	13,400
Principal and interest paid on lease liabilities	173,884	242,977
Share Repurchase	42,000	
<b>Total</b>	<b>234,010</b>	<b>277,399</b>

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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
<b>1. Net profits adjusted to cash flows from operating activities</b>		
Net profit	492,256	451,807
Plus: Impairment of credit losses	-82,040	-187,077
Impairment losses on assets	9,669	-77,770
Depreciation of fixed assets	1,470,639	1,533,501
Depreciation of right-of-use assets	299,900	309,852
Amortization of intangible assets	100,791	96,279
Amortization of long-term deferred expenses	1,531,045	1,590,861
Losses on disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	-26,503	-43,963
Losses from scrapping of fixed assets ("-" for gains)	-8,806	-18,918
Financial expenses ("-" for gains)	388,888	307,258
Investment loss ("-" for gains)	28,683	-14,891
Decreases in deferred income tax assets ("-" for increases)	-3,310	30,551
Increases in deferred income tax liabilities ("-" for decreases)	16	-186
Decreases in inventories ("-" for increases)	-1,637,731	-1,126,650
Decreases in operating receivables ("-" for increases)	3,671,409	-1,230,723
Increases in operating payables ("-" for decreases)	-4,352,232	-2,111,140
Production safety fund	267,893	301,143
Net cash flows from operating activities	2,150,567	-190,066
<b>2. Significant investing and financing activities not involving cash receipts and payments</b>		
Due to the termination of financing arrangements with suppliers, accounts payable are derecognized and short-term loans are recognized	4,635,970	
<b>3. Net change in cash and cash equivalents</b>		
Ending balance of cash and cash equivalents	5,211,151	2,978,118
Less: beginning balance of cash and cash equivalents	3,441,398	2,788,797
Net increase in cash and cash equivalents	1,769,753	189,321

##### 5.51.2 Breakdowns of cash and cash equivalents

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
I. Cash	5,211,151	3,441,398
Including: Cash on hand	1,903	1,100
Unrestricted bank deposits	5,209,248	3,440,298
II. Cash equivalents		
III. Ending balance of cash and cash equivalents	5,211,151	3,441,398
Including: Restricted cash and cash equivalents by the parent company or its subsidiary subsidiaries		



## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.51 Supplementary information to the statement of cash flows (Continued)

##### 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 entered into agreements with supply chain financing institutions such as Easy-pec and banks, stipulating that these institutions provide agency payment and accounts payable factoring services. Suppliers may submit factoring applications to the financing entities. Upon approval of the application by the financing entity and receipt of the Company's written consent, the financing entity directly pays the factoring amount to the supplier. The Company derecognizes the accounts payable to the supplier and recognizes a liability to the financing entity at the time the financing entity makes the payment. The recognition of the liability to the financing entity does not involve cash inflows or outflows.

Based on a substantive analysis of the initiator of the financing arrangement and the attribution of financing costs, the Company classifies the relevant amounts as either accounts payable or short-term borrowings. The Company is required to repay the actual amount paid by the financing institution within a specified period (typically no more than 18 months) from the date of the financing institution's actual payment. This financing arrangement does not involve guarantees, pledges, or other forms of collateral.

**(2) Financial liabilities that are part of a supplier financing arrangement**

Item	Balance as at June 30, 2025
Accounts payable	3,536,621
Including: The amount that the supplier has received from the financing provider	3,171,523
Short-term borrowing	4,783,708
Including: The amount that the supplier has received from the financing provider	4,783,708

**(3) The range of payment due dates**

	At June 30, 2025
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	4,635,970

## Section VII Financial Reports

### 5 NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.52 Assets with restrictions on the ownership or use right

Item	Book value as at June 30, 2025	Reason for restriction
Cash at bank and on hand	187,612	Guarantee and funds that are blocked frozen
<b>Total</b>	<b>187,612</b>	

#### 5.53 Foreign currency monetary items

##### 5.53.1 Foreign currency monetary items

Item	Balance in foreign currency as at June 30, 2025	Exchange rate for conversion	RMB amount translated as at June 30, 2025
<b>Monetary funds</b>			<b>3,113,710</b>
Including: USD	355,527	7.16	2,545,073
KWD	5,133	23.44	120,297
SAR	66,631	1.91	127,297
DZD	322,571	0.06	17,848
Others			303,195
<b>Accounts receivable</b>			<b>3,893,830</b>
Including: USD	392,501	7.16	2,809,757
KWD	13,628	23.44	319,380
SAR	222,654	1.91	425,374
DZD	176,861	0.06	9,786
Others			329,533
<b>Other receivables</b>			<b>1,240,649</b>
Including: USD	73,308	7.16	524,781
KWD	14,433	23.44	338,251
SAR	126,220	1.91	241,141
DZD	130,862	0.06	7,240
Others			129,236
<b>Accounts payable</b>			<b>1,220,852</b>
Including: USD	67,179	7.16	480,909
KWD	6,609	23.44	154,875
SAR	209,829	1.91	400,874
DZD	157,087	0.06	8,691
Others			175,503
<b>Other payables</b>			<b>446,521</b>
Including: USD	27,881	7.16	199,592
KWD	2,943	23.44	68,960
SAR	64,205	1.91	122,662
DZD	610,084	0.06	33,755
Others			21,552

## Section VII Financial Reports

### 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	21,637	20,627
Expense on short-term lease under simplified treatment and included in relevant asset costs or the current profit or loss	463,417	554,368
<b>Total cash outflows relevant to lease</b>	<b>787,633</b>	<b>900,182</b>

The Company's future potential cash outflows not included in the lease liabilities for measurement mainly come from leases where the lessee 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	603,397
1 – 2 years	61,274
2 – 3 years	7,341
Over 3 years	3,689
<b>Total</b>	<b>675,701</b>

##### 5.54.2 As the lessor

###### (1) Operating lease

Item	Current period	Prior period
Revenue from operating lease	55,109	28,086

Undiscounted lease receipts that will be collected after June 30, 2025:

Remaining lease term	Current period	Prior period
Within 1 year	215,726	126,305
1 – 2 years	22,683	8,668
2 – 3 years	5,220	5,675
3 – 4 years	5,227	5,546
4 – 5 years	51	5,142
Over 5 years		51
<b>Total</b>	<b>248,907</b>	<b>151,387</b>

## Section VII Financial Reports

### 6 R&D EXPENDITURES

#### (1) R&D expenditures

Item	Current period	Prior period
Labor costs	261,656	325,388
Material costs	336,029	497,778
Technical collaboration fee	29,532	70,350
Expenses for scientific research experiments	7,934	3,088
Depreciation	10,039	26,417
Other	237,347	192,960
<b>Total</b>	<b>882,537</b>	<b>1,115,981</b>
Including: Expense R&D expenditure	882,537	1,115,981
Capitalize R&D expenditures		

#### (2) Development expenditures

During the reporting period, the company did not incur capitalized R&D expenditures.

## 7 EQUITY IN OTHER ENTITIES

### 7.1 Equity in the subsidiaries

#### 7.1.1 Structure of enterprise group

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Way of acquisition
				Direct	Indirect	
<b>Sinopec Oilfield Service Corporation</b>	China	Beijing	Oilfield technical service	100		Business combination under the common control
<b>Sinopec Shengli Petroleum Engineering Corporation</b>	China	Dongying, Shandong	Oilfield technical service	100		Business combination under the common control
<b>Sinopec Zhongyuan Petroleum Engineering Corporation</b>	China	Puyang, Henan	Oilfield technical service	100		Business combination under the common control
<b>Sinopec Jiangnan Petroleum Engineering Corporation</b>	China	Qianjiang, Hubei	Oilfield technical service	100		Business combination under the common control
<b>Sinopec East China Petroleum Engineering Corporation</b>	China	Nanjing, Jiangsu	Oilfield technical service	100		Business combination under the common control
<b>Sinopec North China Petroleum Engineering Corporation</b>	China	Zhengzhou, Henan	Oilfield technical service	100		Business combination under the common control
<b>Sinopec South West Petroleum Engineering Corporation</b>	China	Chengdu, Sichuan	Oilfield technical service	100		Business combination under the common control
<b>Sinopec Geophysical Corporation</b>	China	Beijing	Geophysical exploration	100		Business combination under the common control
<b>Sinopec Petroleum Engineering and Construction Corporation</b>	China	Beijing	Engineering construction	100		Business combination under the common control
<b>Sinopec Offshore Petroleum Engineering Corporation</b>	China	Shanghai	Offshore oilfield technical service	100		Business combination under the common control
<b>Sinopec International Petroleum Service Corporation</b>	China	Beijing	Oilfield technical service	100		Business combination under the common control
<b>Sinopec Jingwei Co., Ltd.</b>	China	Qingdao, Shandong	Specialized mining and ancillary activities	100		Established

## Section VII Financial Reports

### 7 EQUITY IN OTHER ENTITIES (Continued)

#### 7.2 Equity in joint venture arrangements or associates

##### 7.2.1 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	
<b>Sinopec International Petroleum Engineering Mexico DS Joint Venture</b>	Mexico	Mexico	Oilfield technical services	50.00		Equity method

##### 7.2.2 Principal financial information of major joint ventures

	Sinopec International Petroleum Engineering Mexico DS Joint Venture.	
	Balance as at June 30, 2025/Current period	Balance as at December 31, 2024/Prior period
Current assets	808,904	887,379
Including: cash and cash equivalents	154,033	132,404
Non-current assets	1,946,644	1,965,090
<b>Total assets</b>	<b>2,755,548</b>	<b>2,852,469</b>
Current liabilities	1,111,892	1,068,947
Non-current liabilities	916,459	830,289
<b>Total liabilities</b>	<b>2,028,351</b>	<b>1,899,236</b>
<b>Net assets</b>	<b>727,197</b>	<b>953,233</b>
Equity attributable to shareholders of the Company	363,599	476,617
<b>Adjusted matters</b>	<b>274,419</b>	<b>274,419</b>
<b>Carrying amount of equity investment in joint ventures</b>	<b>89,180</b>	<b>202,198</b>
<b>Revenue</b>	<b>55,435</b>	<b>154,084</b>
<b>Financial expenses</b>	<b>66,616</b>	<b>47,831</b>
<b>Income tax expenses</b>		
<b>Net profit</b>	<b>-99,053</b>	<b>-3,329</b>
<b>Other comprehensive income</b>		
<b>Total comprehensive income</b>	<b>-99,053</b>	<b>-3,329</b>
<b>Dividends received from joint ventures</b>		

##### 7.2.3 Summary of financial information on insignificant joint ventures or associates

	Balance as at June 30, 2025/Current period	Balance as at December 31, 2024/Prior period
<b>Joint ventures:</b>		
Total book value of investments	10,537	10,537
Total amount calculated based on the following shareholding proportions		
– Net profit		-379
– Other comprehensive income		
– Total comprehensive income		-379
<b>Associates:</b>		
Total book value of investments	37,476	38,816
Total amount calculated based on the following shareholding proportions		
– Net profit	3,848	8,129
– Other comprehensive income		
– Total comprehensive income	3,848	8,129

## Section VII Financial Reports

### 8. GOVERNMENT GRANTS

#### 8.1 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	114	20	20	Other earnings
<b>Total</b>	114	20	20	

###### 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	70,577	13,156	22,495
<b>Total</b>	70,577	13,156	22,495

Grant item	Category	Balance as at December 31, 2024	New grants in current period	Amount carried forward and included in profit or loss in current period	Balance as at June 30, 2025	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		4,418	4,418		Other gains	Income-related
Special funds for national scientific research	Financial appropriation	16,665	21,600	2,545	35,720	Other gains	Income-related
Grants for enterprise development	Financial appropriation	7,981	16,706	2,986	21,701	Other gains	Income-related
Subsidy for job stabilization	Financial appropriation		2,229	2,229		Other gains	Income-related
Government incentive fund	Financial appropriation		978	978		Other gains	Income-related
Grants for enterprise development – Asset-related	Financial appropriation	114		20	94	Other gains	Asset-related
<b>Total</b>		24,760	45,931	13,176	57,515		

## Section VII Financial Reports

### 9. 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.

#### 9.1 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 state-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 59.76% (in 2024: 61.74%); among the other receivable of the Group, the other receivable of the top five customers accounted for 38.74% (2024: 42.45%).

#### 9.2 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 June 30, 2025, the amount of bank loans not yet used by the Group is RMB16,646,713,000. (as at December 31, 2024: RMB7,829,785,000).



## Section VII Financial Reports

### 9. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

#### Risk management objectives and policies (Continued)

##### 9.2 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 June 30, 2025				
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
<b>Financial assets:</b>					
Cash and cash equivalents	5,398,763				5,398,763
Accounts receivable	10,251,446				10,251,446
Accounts receivable financing	749,156				749,156
Other receivables	3,587,568				3,587,568
Other current assets	3,073,471				3,073,471
<b>Total financial assets</b>	<b>23,060,404</b>				<b>23,060,404</b>
<b>Financial liabilities:</b>					
Short-term loans	28,798,142				28,798,142
Bills payable	2,597,288				2,597,288
Accounts payable	26,083,871				26,083,871
Other payables	3,578,912				3,578,912
Non-current liabilities due within 1 year	462,660				462,660
Long-term loans		138,852	67,495		206,347
Lease liabilities		217,659	130,002	52,783	400,444
Long-term payables		122,283			122,283
<b>Total financial liabilities and contingent liabilities</b>	<b>61,520,873</b>	<b>478,794</b>	<b>197,497</b>	<b>52,783</b>	<b>62,249,947</b>

Item	Balance as at December 31, 2024				
	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
<b>Financial assets:</b>					
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
<b>Total financial assets</b>	<b>24,965,966</b>				<b>24,965,966</b>
<b>Financial liabilities:</b>					
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
<b>Total financial liabilities and contingent liabilities</b>	<b>59,083,865</b>	<b>264,699</b>	<b>88,610</b>	<b>45,543</b>	<b>59,482,717</b>

## Section VII Financial Reports

### 9. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

#### Risk management objectives and policies (Continued)

##### 9.3 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.

##### 9.3.1 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 June 30, 2025 and year ended December 31, 2024, 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 June 30, 2025	Balance as at December 31, 2024
<b>Fixed interest rate financial instruments</b>		
<b>Financial assets:</b>	1,594,867	223,827
Monetary funds	1,594,867	223,827
<b>Financial liabilities:</b>	28,544,394	23,447,242
Short-term borrowings	27,686,104	22,870,449
Long-term borrowings	63,060	
Lease liabilities	795,230	576,793
<b>Floating interest rate financial instruments</b>		
<b>Financial assets:</b>	3,803,896	3,424,687
Monetary funds	3,803,896	3,424,687
<b>Financial liabilities:</b>	713,006	
Short-term borrowings	576,148	
Long-term borrowings	136,858	

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 arisen 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 arisen 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.

## Section VII Financial Reports

### 9. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

#### Risk management objectives and policies (Continued)

##### 9.3 Market risk (Continued)

##### 9.3.2 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 June 30, 2025, the foreign currency financial assets and liabilities held by the Group were converted to RMB. The amounts are listed as follows:

Item	Foreign currency liabilities		Foreign currency assets	
	Amount as at June 30, 2025	Amount as at December 31, 2024	Amount as at June 30, 2025	Amount as at December 31, 2024
USD	680,501	728,628	5,879,611	4,541,855
SAR	523,536	671,782	793,812	886,464
KWD	223,835	218,482	777,929	632,851
Other foreign currencies	239,502	259,724	796,837	732,286
<b>Total</b>	<b>1,667,374</b>	<b>1,878,616</b>	<b>8,248,189</b>	<b>6,793,456</b>

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%	194,967	5%	142,996
USD exchange rate declines	-5%	-194,967	-5%	-142,996
SAR exchange rate rises	5%	10,135	5%	8,051
SAR exchange rate declines	-5%	-10,135	-5%	-8,051
KWD exchange rate rises	5%	20,779	5%	15,539
KWD exchange rate declines	-5%	-20,779	-5%	-15,539

## Section VII Financial Reports

### 10 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.

#### 10.1 Fair value of assets and liabilities measured at fair value as at December 31, 2024

Item	Fair value as at June 30, 2025			
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	Total
<b>9.1.1 Continuous measurement at fair value</b>				
◆ Receivables at FVTOCI			749,156	749,156
◆ Other equity instrument investments			137,441	137,441
<b>Total assets with continuous measurement at fair value</b>			886,597	886,597

#### 10.2 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 June 30, 2025	Valuation techniques	Unobservable input values	Range (weighted average value)
Receivables at FVTOCI	749,156	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

#### 10.3 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

##### 10.3.1 Adjustment information on the continuous measurement project of fair value at level 3

Item	Balance as at December 31, 2024	Transferred to Level III	Transferred from Level III	Total gains or losses in the current period		Purchase, Issue, Sale and Settlement				Balance as at June 30, 2025	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	137,441									137,441	
<b>Total</b>	<b>137,441</b>									<b>137,441</b>	

#### 10.4 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.

## Section VII Financial Reports

### 11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

#### 11.1 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	52.59	66.28

The ultimate controller of the Company is China Petrochemical Corporation.

China Petrochemical Corporation directly holds 52.59% of the Company's equity and holds 13.69% of the Company's equity its wholly owned subsidiary Sinopec Century Bright Capital Investment Limited, with a total voting ratio of 66.28%.

#### 11.2 Information on subsidiaries of the Company

See "Note 8 Equity in other entities" for details of subsidiaries of the Company.

#### 11.3 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

## Section VII Financial Reports

### 11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

#### 11.4 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 Jiangnan 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
Easy-pec Commercial Factoring 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

#### 11.5 Related-party transactions

##### 11.5.1 Related-party transaction on purchase and sales of goods, and rendering and receipt of services

###### 11.5.1.1 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	4,192,896	4,308,757
Joint ventures and associates of Sinopec Group	Purchase of materials and equipment	According to normal commercial terms or related agreements		77,568

###### 11.5.1.2 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	41,552	31,830
Joint ventures and associates of Sinopec Group	Sales of products	According to normal commercial terms or related agreements	71	
Associates and joint ventures of the Group	Sales of products	According to normal commercial terms or related agreements	209	

###### 11.5.1.3 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	21,437,034	21,144,882
Joint ventures and associates of Sinopec Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	2,313,997	1,689,391
Joint ventures and associates of the Group	Petroleum engineering technology service	According to normal commercial terms or related agreements	1,091	5,608

## Section VII Financial Reports

### 11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

#### 11.5 Related-party transactions (Continued)

##### 11.5.1 Related-party transaction on purchase and sales of goods, and rendering and receipt of services (Continued)

###### 11.5.1.4 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	127,371	
Joint ventures and associates of Sinopec Group	Receipt of labor services	According to normal commercial terms or related agreements	88,924	73,924
Joint ventures and associates of the Group	Receipt of labor services	According to normal commercial terms or related agreements	1,103,259	997,576

###### 11.5.1.5 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	54,823	39,066
Joint ventures and associates of the Sinopec Group	Rendering of comprehensive services services	According to normal commercial terms or related agreements	1,119	551
Joint ventures and associates of the Group	Rendering of comprehensive services services	According to normal commercial terms or related agreements	2,905	3,599

###### 11.5.1.6 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	13,802	10,043
	Receipt of other comprehensive services	According to normal commercial terms or related agreements	402,993	489,813
Joint ventures and associates of Sinopec Group	Receipt of other comprehensive services	According to normal commercial terms or related agreements	569	36

###### 11.5.1.7 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	68,017	54,790



## Section VII Financial Reports

### 11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

#### 11.5 Related-party transactions (Continued)

##### 11.5.2 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	479	725
Sinopec Group and its subsidiaries	Housing	According to normal commercial terms or related agreements	1,340	702
Joint ventures and associates of Sinopec Group	equipment	According to normal commercial terms or related agreements	354	354

The Company as the lessee:

Name of the lessor	Type of leased assets	Pricing and decision-making process of related transactions	Current period	Prior period
			Rental fees paid in the current 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	282,798	60,695
	Including: short-term lease	According to normal commercial terms or related agreements	56,788	48,512
	Right-of-use assets	According to normal commercial terms or related agreements	226,010	12,184
Sinopec Group and its subsidiaries	Equipment	According to normal commercial terms or related agreements	11,275	115,809
	Including: short-term lease	According to normal commercial terms or related agreements	11,275	115,681
	Right-of-use assets	According to normal commercial terms or related agreements		128
Joint ventures and associates of Sinopec Group	Equipment	According to normal commercial terms or related agreements	30,219	5,159
	Including: short-term lease	According to normal commercial terms or related agreements	30,219	5,159
Joint ventures and associates of the Group	Land and real estate	According to normal commercial terms or related agreements		154
	Including: short-term lease	According to normal commercial terms or related agreements		154

##### 11.5.3 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 98,786 thousand	February 2025	April 2027	No
Sinopec International Petroleum Engineering Co., Ltd	Performance guarantee	USD 24,000 thousand	April 2025	April 2028	No
Central Plains Uganda Branch	Performance guarantee	USD 174,000 thousand	January 2023	February 2028	No
Sinopec International Petroleum Engineering Co., Ltd	Performance guarantee	USD 611,000 thousand	June 2021	October 2029	No
Sinopec International Petroleum Engineering Co., Ltd	Performance guarantee	USD 91,664 thousand	February 2022	October 2029	No
Sinopec International Petroleum Engineering Co., Ltd	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	RMB 274,950 thousand	June 2022	December 2048	No

## Section VII Financial Reports

### 11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

#### 11.5 Related-party transactions (Continued)

##### 11.5.4 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	16,034	4,485
	Loan interest expense	Based on normal commercial terms	301,468	317,066
	Obtaining the borrowing	Based on normal commercial terms	12,645,000	13,557,825
	Payment of the loan	Based on normal commercial terms	11,878,786	11,367,463

##### 11.5.5 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	42,100	42,975
	Return on security fund	Based on normal commercial terms or relevant agreements	44,917	43,563

##### 11.5.6 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	6,102	7,247
Retirement scheme contribution	314	301
<b>Total</b>	<b>6,416</b>	<b>7,548</b>

#### 11.6 Receivables from and payables to related parties

##### 11.6.1 Receivables

Item	Related party	Balance as at June 30, 2025	Balance as at December 31, 2024
		Book balance	Book balance
Bank deposits	Sinopec Finance Co., Ltd.	105,367	10,406
	Sinopec Century Bright Capital Investment Limited	1,906,559	561,265
Accounts receivable	Sinopec Group and its subsidiaries	4,349,653	6,075,263
	Joint ventures and associates of the Group	12,427	17,534
	Joint ventures and associates of Sinopec Group	932,960	1,536,133
Contract assets	Sinopec Group and its subsidiaries	9,251,361	6,794,081
	Joint ventures and associates of Sinopec Group	1,973,904	1,756,518
Prepayments	Sinopec Group and its subsidiaries	114,822	123,112
	Joint ventures and associates of the Group	41	
	Joint ventures and associates of Sinopec Group	345	
Other receivables	Sinopec Group and its subsidiaries	287,939	301,453
	Joint ventures and associates of the Group	152,739	147,228
	Joint ventures and associates of Sinopec Group	821,817	115

## Section VII Financial Reports

### 11 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (Continued)

#### 11.6 Receivables from and payables to related parties (Continued)

##### 11.6.2 Payables

Item	Related party	Balance as at June 30, 2025	Balance as at December 31, 2024
Accounts payable	Sinopec Group and its subsidiaries	5,092,289	4,603,046
	Joint ventures and associates of the Group	25,205	16,891
	Joint ventures and associates of Sinopec Group	4,537	685
Contract liabilities	Sinopec Group and its subsidiaries	1,886,954	3,952,285
	Joint ventures and associates of Sinopec Group	1,691,285	2,333,776
Other payables	Sinopec Group and its subsidiaries	128,426	125,043
	Joint ventures and associates of the Group	435	1,289
	Joint ventures and associates of Sinopec Group	528,726	458,870
Short-term borrowings	Sinopec Finance Co., Ltd.	23,478,544	22,713,925
	Sinopec Century Bright Capital Investment Limited	807,280	156,524
Lease liabilities within one year	Sinopec Group and its subsidiaries	168,056	
	Joint ventures and associates of Sinopec Group	9,009	
Lease liabilities	Sinopec Group and its subsidiaries	128,713	25,297
	Joint ventures and associates of Sinopec Group		403
Long-term payables	Sinopec Group and its subsidiaries		12

#### 11.7 Centralized management of funds

**11.7.1 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.

##### 11.7.2 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 June 30, 2025, the total amount deposited by the Group in Sinopec Finance and Century Bright was RMB2,011,926,000 (December 31, 2024: RMB571,671,000), which was listed as "Cash at bank and on hand", and there was no withdrawal restriction or impairment.

##### 11.7.3 Funds borrowed by the Company from the parent company or member units of the group

As of June 30, 2025 the balance of funds borrowed by the Group from Sinopec Finance and Century Bright was RMB23,478,544,000 (December 31, 2024: RMB22,713,925,000), the factoring financing balance with Yipaike Commercial Factoring Company was RMB807,280,000 (December 31, 2024: RMB156,524,000).

## Section VII Financial Reports

### 12 COMMITMENTS AND CONTINGENCIES

#### 12.1 Significant commitments

##### 12.1.1 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 June 30, 2025	As at December 31, 2024
Construction of long-term assets commitments	241,995	221,811
Investment commitments	142,209	129,625

##### 12.1.2 Performance of prior commitments

The Group has fulfilled the capital and operating lease commitments as at June 30, 2025.

#### 12.2 Contingencies

##### 12.2.1 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 June 30, 2025, the estimated balance of liabilities is RMB51,687,000.

## Section VII Financial Reports

### 12 COMMITMENTS AND CONTINGENCIES (Continued)

#### 12.2 Contingencies (Continued)

##### 12.2.1 Significant contingencies existed on the balance sheet date (Continued)

###### (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 June 30, 2025, 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 June 30, 2025, Sinopec Oilfield Service Limited, the subsidiary of the Company, has provided guarantee amount of USD1,117,450,000 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.

### 13 POST BALANCE SHEET EVENTS

As at August 18, 2025, there are no post balance sheet events to be disclosed by the Group.

### 14 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 June 30, 2025	As at December 31, 2024
Short-term borrowings	28,262,252	22,870,449
Lease liabilities maturing within one year	431,788	272,460
Long-term borrowings within one year	12,000	
Long-term borrowings	199,918	
Lease liabilities	363,442	304,333
Less: cash balances as shown in the statement of cash flows	5,211,151	3,441,398
<b>Net debt</b>	<b>24,058,249</b>	<b>20,005,844</b>
Shareholders' equity	9,303,490	8,648,802
<b>Total capital</b>	<b>33,361,739</b>	<b>28,654,646</b>
<b>Debt-to-capital ratio</b>	<b>72.11%</b>	<b>69.82%</b>

## Section VII Financial Reports

### 15 OTHER SIGNIFICANT EVENTS

#### 15.1 Correction of prior accounting errors

There were no corrections of accounting errors in prior periods during the reporting period.

#### 15.2 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".

#### 15.3 Discontinued operation

There is no discontinued operation during the reporting period.

#### 15.4 Segment information

##### 15.4.1 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.

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.

## Section VII Financial Reports

### 15 OTHER SIGNIFICANT EVENTS (Continued)

#### 15.4 Segment information (Continued)

##### 15.4.2 Financial information of reportable segments

Current period or As at June 30, 2025	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	1,817,690	19,064,382	3,052,517	5,439,053	8,694,991	3,902,518	-4,920,400	37,050,751
Including: income from external transactions	1,810,923	18,193,198	1,731,249	5,138,698	8,658,435	1,518,248		37,050,751
Income from inter-segment transactions	6,767	871,184	1,321,268	300,355	36,556	2,384,270	-4,920,400	
Including: income from primary business	1,817,690	19,064,382	3,052,517	5,439,053	8,694,991	3,293,325	-4,721,550	36,640,408
Operating costs	1,703,519	17,588,094	2,709,040	5,051,463	8,091,488	3,700,722	-4,920,400	33,923,926
Including: costs of primary business	1,703,519	17,588,094	2,709,040	5,051,463	8,091,488	3,237,956	-4,746,700	33,634,860
Operating expenses	117,421	897,491	53,830	116,050	401,792	763,030		2,349,614
Operating profit (loss)	-1,958	591,552	290,753	272,932	213,237	-578,309		788,207
Total assets	6,692,536	12,685,021	4,897,322	8,259,888	26,797,390	19,759,241	-942,415	78,148,983
Total liabilities	5,733,201	8,462,422	2,841,312	4,354,212	25,419,166	22,977,595	-942,415	68,845,493
Supplementary information:								
1. Capital expenditure	191,633	316,030	43,205	15,469	84,494	296,072		946,903
2. Depreciation and amortization expenses	195,203	2,005,478	188,681	584,795	155,815	272,403		3,402,375
3. Losses from impairment of assets	-1,460	-11,199	-7,237	-41,188	-9,316	-1,971		-72,371

Prior period or As at June 30, 2024	Geophysics	Drilling engineering	Logging and mud logging	Special down-hole operations	Engineering construction	Others	Offset	Total
Operating revenue	2,181,981	19,798,390	2,812,296	5,804,278	7,274,312	3,908,574	-4,958,387	36,821,444
Including: income from external transactions	2,146,740	18,880,289	1,602,140	5,569,305	7,258,740	1,364,230		36,821,444
Income from inter-segment transactions	35,241	918,101	1,210,156	234,973	15,572	2,544,344	-4,958,387	
Including: income from primary business	2,181,981	19,824,952	2,812,296	5,777,716	7,274,312	3,371,385	-4,750,221	36,492,421
Operating costs	2,034,579	18,148,095	2,496,676	5,393,388	6,798,850	3,951,435	-4,958,387	33,864,636
Including: costs of primary business	2,034,579	18,148,095	2,496,676	5,393,388	6,798,850	3,469,340	-4,787,390	33,553,538
Operating expenses	108,716	877,058	71,851	146,661	330,909	810,330		2,345,525
Operating profit (loss)	45,692	846,694	245,906	241,817	152,367	-839,824		692,652
Total assets	5,948,060	12,272,091	4,813,742	8,077,507	24,237,434	21,762,467	-1,210,550	75,900,751
Total liabilities	4,998,854	9,084,646	3,151,276	4,183,939	23,014,938	23,953,516	-1,210,550	67,176,619
Supplementary information:								
1. Capital expenditure	17,289	207,061	61,998	43,773	23,521	170,748		524,390
2. Depreciation and amortization expenses	252,573	2,157,721	192,352	471,672	161,929	294,246		3,530,493
3. Losses from impairment of assets	-2,797	-9,158	-1,658	-14,300	-49,846	-187,088		-264,847



## Section VII Financial Reports

### 15 OTHER SIGNIFICANT EVENTS (Continued)

#### 15.4 Segment information (Continued)

##### 15.4.3 Other segment information

##### 15.4.3.1 Revenue from external transactions of products and services

Item	Current period	Prior period
Geophysics	1,810,923	2,146,740
Drilling engineering	18,193,198	18,880,289
Logging and mud logging	1,731,249	1,602,140
Special down-hole operations	5,138,698	5,569,305
Engineering construction	8,658,435	7,258,740
Others	1,518,248	1,364,230
<b>Total</b>	<b>37,050,751</b>	<b>36,821,444</b>

##### 15.4.3.2 Area information

Current period or As at June 30, 2025	China	Other countries	Offset	Total
Operating revenue	27,756,496	9,294,255		37,050,751
Non-current assets	24,089,367	7,703,091		31,792,458
Prior period or As at June 30, 2024	China	Other countries	Offset	Total
Operating revenue	27,903,683	8,917,761		36,821,444
Non-current assets	26,190,899	7,814,238		34,005,137

##### 15.4.3.3 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.

## Section VII Financial Reports

### 16NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

#### 16.1 Accounts receivable

##### (1) Accounts receivable are disclosed by ageing

Aging	Balance as at June 30, 2025	Balance as at December 31, 2024
Within 1 year	144,687	81,826
Sub-total	144,687	81,826
Less: provision for bad debts		
<b>Total</b>	<b>144,687</b>	<b>81,826</b>

##### (2) Accounts receivable are classified and disclosed according to the method of bad debt provision

Category	Balance as at June 30, 2025					Balance as at December 31, 2024				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)		Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	
Provision for bad debts is made according to the combination of credit risk characteristics	144,687	100.00			144,687	81,826	100			81,826
Including:										
Related-party portfolio	144,631	99.96			144,631	81,826	100			81,826
Third party	56	0.04			56					
<b>Total</b>	<b>144,687</b>	<b>100.00</b>			<b>144,687</b>	<b>81,826</b>	<b>100</b>			<b>81,826</b>

Provision for bad debts based on credit risk characteristics:

Portfolio accrual items:

Category	Balance as at June 30, 2025		
	Accounts receivable	provision for bad debts	loss rate in the next 12 months (%)
Related-party portfolio-Receivables from wholly-owned subsidiaries	144,631		
Third party	56		
<b>Total</b>	<b>144,687</b>		

##### (3) Top 5 of accounts receivable and contract assets as at June 30, 2025, 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	120,572		120,572	79.47	
Sinopec Jingwei Co., Ltd	11,220		11,220	7.40	
Sinopec East China Petroleum Engineering Co., Ltd	10,132		10,132	6.68	
Sinopec Jiangnan Petroleum Engineering Co., Ltd		7,056	7,056	4.65	21
Sinopec Southwest Petroleum Engineering Co., Ltd	1,586		1,586	1.05	
<b>Total</b>	<b>143,510</b>	<b>7,056</b>	<b>150,566</b>	<b>99.24</b>	<b>21</b>

## Section VII Financial Reports

### 16 NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 16.2 Other receivables

Item	Balance as at June 30, 2025	Balance as at December 31, 2024
Other receivables	24,363,441	24,296,880
<b>Total</b>	<b>24,363,441</b>	<b>24,296,880</b>

#### 16.2.1 Other receivables

##### (1) Disclosure of other receivables by aging

Aging	Balance as at June 30, 2025	Balance as at December 31, 2024
Within 1 year	24,363,442	24,131,548
1 – 2 years		
2 – 3 years		165,333
3 – 4 years	7	7
4 – 5 years	109	109
Sub-total	24,363,558	24,296,997
Less: provision for bad debts	117	117
<b>Total</b>	<b>24,363,441</b>	<b>24,296,880</b>

##### (2) Details of provision for bad debts

Category	Balance as at June 30, 2025					Balance as at December 31, 2024				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)		Amount	Proportion (%)	Amount	Expected credit loss rate in the next 12 months (%)	
Provision for bad debts accrued on a combination basis	24,296,997	100	117		24,296,880	24,296,997	100	117		24,296,880
Including:										
Related-party portfolio	24,295,362	100			24,295,362	24,295,362	100			24,295,362
Non-related-party portfolio	1,635		117	7.16	1,518	1,635		117	7.16	1,518
<b>Total</b>	<b>24,296,997</b>	<b>100</b>	<b>117</b>		<b>24,296,880</b>	<b>24,296,997</b>	<b>100</b>	<b>117</b>		<b>24,296,880</b>

##### (3) Classification by nature

Category	Balance as at June 30, 2025	Balance as at December 31, 2024
Other receivables from wholly-owned subsidiaries	24,361,828	24,295,362
Others	1,730	1,635
<b>Total</b>	<b>24,363,558</b>	<b>24,296,997</b>

## Section VII Financial Reports

### 16 NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 16.2 Other receivables (Continued)

##### 16.2.1 Other receivables (Continued)

(4) Top 5 of other receivables as at June 30, 2025, presented by debtor

Company	Nature	Balance as at June 30, 2025	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	9,300,000	Within 1 year	38.17	
Sinopec Zhongyuan Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	4,972,000	Within 1 year 1 – 2 years	20.41	
Sinopec Geophysical Corporation	Amount from wholly-owned subsidiaries	3,520,000	Within 1 year	14.45	
Sinopec East China Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	2,855,000	Within 1 year	11.72	
Sinopec Shengli Petroleum Engineering Corporation	Amount from wholly-owned subsidiaries	2,274,000	Within 1 year	9.33	
<b>Total</b>		22,921,000		94.08	

#### 16.3 Long-term equity investments

Item	Balance as at June 30, 2025			Balance as at December 31, 2024		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	36,183,582		36,183,582	36,183,582		36,183,582
Investments in associates and joint ventures	8,989		8,989	8,989		8,989
<b>Total</b>	36,192,571		36,192,571	36,192,571		36,192,571

##### 16.3.1 Investments in subsidiaries

Investee	Balance as at December 31, 2024	Increase in the current period	Decrease in the current period	Balance as at June 30, 2025	Provision for impairment made in the current period	Balance of provision for impairment as at June 30, 2025
Sinopec Jingwei Co., Ltd.	1,292,995			1,292,995		
Sinopec Shengli Petroleum Engineering Corporation	5,205,033			5,205,033		
Sinopec Jiangnan Petroleum Engineering Corporation	1,493,285			1,493,285		
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		
<b>Total</b>	36,183,582			36,183,582		

## Section VII Financial Reports

### 16 NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

#### 16.3 Long-term equity investments (Continued)

##### 16.3.2 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	8,989										8,989	
<b>total</b>	8,989										8,989	

#### 16.4 Operating income and operating costs

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Major business	199,171	169,106		
Other business	20,584	2,564		
<b>Total</b>	219,755	171,670		

#### 16.5 Investment income

Item	Current period	Prior period
Long-term equity investment income accounted for by the cost method		77
Investment income from long-term equity investments under equity method	14	
<b>Total</b>	14	77

## Section VII Financial Reports

### 17 SUPPLEMENTARY INFORMATION

#### 17.1 Breakdown of non-recurring profit or loss in the current period

Item	Amount	Remark
Profit or loss from disposal of non-current assets	35,820	
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)	6,529	
Reversal of impairment charges for receivables that are tested separately for impairment	39,434	
Profit or loss from debt restructuring	16,995	
Other items of profit or loss subject to the definition of non-recurring profit or loss	-14,555	
Sub-total	84,223	
Affected amount of income tax	15,867	
<b>Total</b>	<b>68,356</b>	

#### 17.2 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	5.53	0.026	0.026
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit or loss	4.77	0.022	0.022

#### 17.3 Accounting data difference between the domestic and overseas accounting standards

##### 17.3.1 Reconciliation of differences between CASBE and IFRS financial statements

	Net profit		Net assets	
	Current period	Prior period	Balance as at June 30, 2025	Balance as at December 31, 2024
<b>Based on CASBE</b>	<b>492,256</b>	451,807	<b>9,303,490</b>	8,648,802
<b>Adjusted items and amounts in accordance with IFRS:</b>				
Special reserves	267,893	301,143		
<b>Based on IFRS</b>	<b>760,149</b>	752,950	<b>9,303,490</b>	8,648,802

##### 17.3.2 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)

August 18, 2025

## Section VII Financial Reports

### 2. PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

##### TO THE BOARD OF DIRECTORS OF SINOPEC OILFIELD SERVICE CORPORATION

(established in the People's Republic of China with limited liability)

#### INTRODUCTION

We have reviewed the interim financial information set out on pages 130 to 159, which comprises the condensed consolidated statement of financial position of Sinopec Oilfield Service Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2025 and the related condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim financial information, including material accounting policy information (the "interim financial information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

#### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

*Certified Public Accountants*

Chan Tsz Hung

Practising Certificate no. P06693

Hong Kong, 18 August 2025



## Section VII Financial Reports

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Notes	For the six months ended 30 June	
		2025	2024
		RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
<b>Revenue</b>	4	37,050,751	36,821,444
Cost of sales and taxes and surcharges		(33,835,899)	(33,722,652)
<b>Gross profit</b>		3,214,852	3,098,792
Selling expenses		(30,919)	(28,842)
General and administrative expenses		(901,284)	(960,299)
Research expenses		(882,537)	(1,115,981)
Finance expenses – net	5	(427,379)	(346,091)
Reversal of provision for expected credit loss (“ECL”) – net	6	72,371	264,847
Share of loss from joint ventures		(49,526)	(1,588)
Share of profit from associates		3,848	4,071
Other income	7	106,394	214,871
Other expenses	8	(54,957)	(47,073)
<b>Profit before income tax</b>	9	1,050,863	1,082,707
Income tax expense	10	(290,714)	(329,757)
<b>Profit for the period</b>		760,149	752,950
<b>Other comprehensive income for the period, net of tax</b>			
<b>Item that will or may be reclassified subsequently to profit or loss:</b>			
Exchange difference on translation of financial statements of overseas joint venture		(63,492)	(52,020)
<b>Total comprehensive income for the period</b>		696,657	700,930
<b>Earnings per share for profit attributable to owners of the Company (presented in RMB per share)</b>		RMB	RMB
Basic and diluted	11	0.040	0.040

## Section VII Financial Reports

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

	Notes	As at 30 June 2025 RMB' 000 (Unaudited)	As at 31 December 2024 RMB' 000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	24,789,898	25,690,139
Other non-current assets	14	6,101,288	7,208,900
Intangible assets		203,722	301,802
Interest in joint ventures		99,717	212,735
Interest in associates		37,476	38,815
Financial assets at FVTOCI	15	137,441	137,441
Deferred tax assets		333,615	330,305
<b>Total non-current assets</b>		<b>31,703,157</b>	<b>33,920,137</b>
<b>Current assets</b>			
Inventories	19	961,839	913,530
Financial assets at FVTOCI	15	749,156	2,557,311
Trade receivables	16	10,251,446	13,294,827
Prepayments and other receivables	17	7,398,956	6,146,060
Contract assets and cost to fulfil contracts	18	21,685,666	16,859,726
Restricted cash		187,612	207,116
Cash and cash equivalents		5,211,151	3,441,398
<b>Total current assets</b>		<b>46,445,826</b>	<b>43,419,968</b>
<b>Total assets</b>		<b>78,148,983</b>	<b>77,340,105</b>
<b>Equity</b>			
Share capital	20	18,957,046	18,979,412
Reserves		(9,653,556)	(10,330,610)
<b>Total equity</b>		<b>9,303,490</b>	<b>8,648,802</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	23	563,360	304,333
Deferred income		57,513	24,758
Deferred tax liabilities		78,081	78,065
Provisions		89,697	90,365
<b>Total non-current liabilities</b>		<b>788,651</b>	<b>497,521</b>
<b>Current liabilities</b>			
Notes and trade payables and liabilities under supplier finance arrangement	21	28,681,159	31,653,814
Other payables	22	4,877,820	5,351,550
Contract liabilities	18	5,648,554	7,909,917
Short-term borrowings	23	28,708,385	23,142,909
Current income tax payable		140,924	135,592
<b>Total current liabilities</b>		<b>68,056,842</b>	<b>68,193,782</b>
<b>Total liabilities</b>		<b>68,845,493</b>	<b>68,691,303</b>
<b>Total equity and liabilities</b>		<b>78,148,983</b>	<b>77,340,105</b>
<b>Net current liabilities</b>		<b>(21,611,016)</b>	<b>(24,773,814)</b>
<b>Total assets less current liabilities</b>		<b>10,092,141</b>	<b>9,146,323</b>

On behalf of the board of directors

Wu Baizhi  
Chairman

Zhang Jiankuo  
Executive Director and General Manager

## Section VII Financial Reports

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

For the six months ended 30 June 2025 (Unaudited)

	Attributable to owners of the Company								Total equity RMB' 000
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Translation reserve	Other comprehensive income reserve (non-recycling)	Accumulated losses	
	RMB' 000 (Note 20)	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
<b>At 31 December 2024 (Audited)</b>	18,979,412	11,624,963	95,490	200,383	302,874	22,362	7,830	(22,584,512)	8,648,802
Profit for the period	–	–	–	–	–	–	–	760,149	760,149
Other comprehensive income for the period:									
Exchange differences on translation of financial statements of overseas joint venture	–	–	–	–	–	(63,492)	–	–	(63,492)
Total comprehensive income for the period	–	–	–	–	–	(63,492)	–	760,149	696,657
<b>Transactions with owners:</b>									
Appropriation of specific reserve	–	–	–	–	542,706	–	–	(542,706)	–
Utilisation of specific reserve	–	–	–	–	(274,813)	–	–	274,813	–
Purchase of own shares	(22,366)	(19,603)	–	–	–	–	–	–	(41,969)
<b>Total transactions with owners</b>	(22,366)	(19,603)	–	–	267,893	–	–	(267,893)	(41,969)
<b>At 30 June 2025</b>	18,957,046	11,605,360	95,490	200,383	570,767	(41,130)	7,830	(22,092,256)	9,303,490

For the six months ended 30 June 2024 (Unaudited)

	Attributable to owners of the Company								Total equity RMB' 000
	Share capital	Share premium	Other capital reserve	Surplus reserve	Specific reserve	Translation reserve	Other comprehensive income reserve (non-recycling)	Accumulated losses	
	RMB' 000 (Note 20)	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
<b>At 31 December 2023 (Audited)</b>	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 period	–	–	–	–	–	–	–	752,950	752,950
Other comprehensive income for the period:									
Exchange differences on translation of financial statements of overseas joint venture	–	–	–	–	–	(52,020)	–	–	(52,020)
Total comprehensive income for the period	–	–	–	–	–	(52,020)	–	752,950	700,930
<b>Transactions with owners:</b>									
Appropriation of specific reserve	–	–	–	–	441,029	–	–	(441,029)	–
Utilisation of specific reserve	–	–	–	–	(139,607)	–	–	139,607	–
<b>Total transactions with owners</b>	–	–	–	–	301,422	–	–	(301,422)	–
<b>At 30 June 2024</b>	18,984,340	11,622,283	95,490	200,383	614,993	(35,573)	6,170	(22,763,954)	8,724,132

## Section VII Financial Reports

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash flows generated from operations	2,411,111	95,659
Interest received	28,131	17,341
Income tax paid	(288,675)	(303,066)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,150,567</b>	<b>(190,066)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(433,445)	(734,958)
Purchases of intangible assets	(5,893)	(5,920)
Purchases of other non-current assets	(420,754)	(377,287)
Proceeds from disposal of property, plant and equipment	64,720	20,834
Dividends received from associates	5,335	4,425
<b>Net cash used in investing activities</b>	<b>(790,037)</b>	<b>(1,092,906)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	12,856,918	13,834,050
Repayments of borrowings	(11,886,274)	(11,728,695)
Release/(placement) of restricted cash	19,504	(294)
Payment of lease liabilities	(162,941)	(241,223)
Interests paid	(377,778)	(355,632)
Repurchase of shares	(41,969)	—
<b>Net cash generated from financing activities</b>	<b>407,460</b>	<b>1,508,206</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,767,990</b>	<b>225,234</b>
Effect of foreign exchange rate changes on cash and cash equivalents	1,763	(35,914)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,441,398</b>	<b>2,788,798</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5,211,151</b>	<b>2,978,118</b>

# Section VII Financial Reports

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

### 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. 9, Jishikou Road, Chaoyang District, Beijing, the PRC and the headquarter address is No. 22, Chaoyangmen North Street, 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.

This interim financial information is presented in RMB, unless otherwise stated. This interim financial information has been approved and authorised for issue by the Board of Directors on 18 August 2025.

### 2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

#### 2.1 Basis of preparation

This interim financial information for the six months ended 30 June 2025 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTOCI, which are carried at fair value.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

#### 2.2 Going concern assumption

The interim financial information is prepared using the going concern basis notwithstanding that as at 30 June 2025, the Group had net current liabilities of approximately RMB21,611,016,000 and capital commitments of approximately RMB241,995,000. The directors of the Company have performed an assessment covering a period of 12 months from the six months ended 30 June 2025, taking account of the following events and measures:

- (i) As at 30 June 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 23, the Group’s borrowings amounted to approximately RMB23.4 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 working capital needs and the Group is expected to be able to generate net operating cash in-flows 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.

## Section VII Financial Reports

### 3. SUMMARY OF ACCOUNTING POLICY

The Group has applied the same accounting policies and methods of computation in its interim financial information as in its annual financial statements for the year ended 31 December 2024, except that in the current interim period, the Group has applied, for the first time, the following amendments to standards which are mandatory effective for the annual period beginning on or after 1 January 2025:

Amendments to IAS 21 and IFRS 1

Lack of Exchangeability

#### 3.1 Lack of exchangeability

On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments).

These Amendments are applicable for annual reporting periods beginning on or after 1 January 2025. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency. The Amendments also introduce additional disclosure requirements when an entity estimates a spot exchange rate because a currency is not exchangeable into another currency.

IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice.

When applying the Amendments, an entity is not permitted to restate comparative information.

These Amendments have had no material effect on the interim condensed consolidated financial statements.

### 4. REVENUE AND SEGMENT INFORMATION

The Group's revenue is as follows:

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Geophysics	1,810,923	2,146,740
Drilling engineering	18,193,198	18,880,289
Logging and mud logging	1,731,249	1,602,140
Special downhole operations	5,138,698	5,569,305
Engineering construction	8,658,435	7,258,740
Others	1,518,248	1,364,230
	37,050,751	36,821,444

## Section VII Financial Reports

### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### 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 operating segments other than certain property, plant and equipment, certain intangible assets, certain other non-current assets, certain inventories, certain contract assets, certain trade receivables, certain prepayments and other receivables, certain cash and cash equivalents, certain deferred tax assets, certain financial assets at FVTOCI and interest in joint venture and associates.

All liabilities are allocated to operating 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 certain interest income, certain interest expenses, interest in joint ventures and associates, income tax expense as well as shared assets and liabilities of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.

Segment information of each operating 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 financial statements.

Information regarding each operating segment provided to the senior executive management was as follows:



## Section VII Financial Reports

### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment information (Continued)

##### (a) Segment revenue results, assets and liabilities

For the six months ended 30 June 2025 and as at that date, segment revenue 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
<b>For the six months ended 30 June 2025 (Unaudited)</b>								
<b>Segment revenue and results</b>								
Revenue from external customers	1,810,923	18,193,198	1,731,249	5,138,698	8,658,435	1,518,248	–	37,050,751
Inter-segment revenue	6,767	871,184	1,321,268	300,355	36,556	2,384,270	(4,920,400)	–
<b>Reportable segment revenue</b>	<b>1,817,690</b>	<b>19,064,382</b>	<b>3,052,517</b>	<b>5,439,053</b>	<b>8,694,991</b>	<b>3,902,518</b>	<b>(4,920,400)</b>	<b>37,050,751</b>
<b>Reportable segment profit/(loss)</b>	<b>12,894</b>	<b>899,469</b>	<b>313,013</b>	<b>311,984</b>	<b>220,799</b>	<b>(758,733)</b>	<b>–</b>	<b>999,426</b>
Other income	2,622	27,034	2,544	3,118	15,213	55,863	–	106,394
Other expenses	(2,583)	(29,979)	(2,419)	(6,997)	(4,870)	(8,109)	–	(54,957)
<b>Profit/(Loss) before income tax</b>	<b>12,933</b>	<b>896,524</b>	<b>313,138</b>	<b>308,105</b>	<b>231,142</b>	<b>(710,979)</b>	<b>–</b>	<b>1,050,863</b>
Income tax expense								(290,714)
<b>Profit for the period</b>								<b>760,149</b>
<b>Supplementary information</b>								
<b>Depreciation and amortisation</b>								
– Property, plant and equipment	174,867	977,778	101,176	239,897	144,030	134,889	–	1,772,637
– Other non-current assets	20,248	1,026,833	86,822	340,985	5,548	50,611	–	1,531,047
– Intangible assets	88	867	683	3,913	6,237	86,903	–	98,691
<b>Capital expenditure</b>								
– Property, plant and equipment	191,633	310,137	43,205	15,469	84,494	296,072	–	941,010
– Other non-current assets	–	5,893	–	–	–	–	–	5,893
– Intangible assets	–	–	–	–	–	–	–	–
Reversal of ECL on trade receivables, net	(1,843)	(15,276)	(8,851)	(42,678)	(2,500)	(1,386)	–	(72,534)
Provision for ECL on other receivables, net	1,047	(563)	(190)	62	(9,105)	(757)	–	(9,506)
Reversal of ECL on contract assets, net	(664)	4,640	1,802	1,430	2,287	174	–	9,669
<b>As at 30 June 2025 (Unaudited)</b>								
<b>Assets</b>								
Segment assets	6,692,536	12,685,021	4,897,322	8,259,888	26,797,390	19,759,241	(942,415)	78,148,983
<b>Liabilities</b>								
Segment liabilities	5,733,201	8,462,422	2,841,312	4,354,212	25,419,166	22,977,595	(942,415)	68,845,493

## Section VII Financial Reports

### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment information (Continued)

##### (a) Segment revenue results, assets and liabilities (Continued)

For the six months ended 30 June 2024, segment revenue results, and as at 31 December 2024, segment assets and liabilities were as follows:

	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	Eliminated RMB' 000	Total RMB' 000
<b>For the six months ended 30 June 2024 (Unaudited)</b>								
<b>Segment revenue and results</b>								
Revenue from external customers	2,146,740	18,880,289	1,602,140	5,569,305	7,258,740	1,364,230	–	36,821,444
Inter-segment revenue	35,241	918,101	1,210,156	234,973	15,572	2,544,344	(4,958,387)	–
<b>Reportable segment revenue</b>	<b>2,181,981</b>	<b>19,798,390</b>	<b>2,812,296</b>	<b>5,804,278</b>	<b>7,274,312</b>	<b>3,908,574</b>	<b>(4,958,387)</b>	<b>36,821,444</b>
<b>Reportable segment (loss)/profit</b>	<b>42,837</b>	<b>909,498</b>	<b>260,528</b>	<b>314,074</b>	<b>216,495</b>	<b>(828,523)</b>	<b>–</b>	<b>914,909</b>
Other income	7,099	74,082	2,429	5,851	110,706	14,704	–	214,871
Other expenses	(2,285)	(24,934)	(1,508)	(3,973)	(3,889)	(10,484)	–	(47,073)
<b>(Loss)/Profit before income tax</b>	<b>47,651</b>	<b>958,646</b>	<b>261,449</b>	<b>315,952</b>	<b>323,312</b>	<b>(824,303)</b>	<b>–</b>	<b>1,082,707</b>
Income tax expense								(329,757)
<b>Profit for the period</b>								<b>752,950</b>
<b>Supplementary information</b>								
<b>Depreciation and amortisation</b>								
– Property, plant and equipment	175,483	994,144	107,943	265,227	151,482	150,892	–	1,845,171
– Other non-current assets	77,000	1,163,175	84,071	202,381	4,348	59,886	–	1,590,861
– Intangible assets	90	402	338	4,064	6,098	86,651	–	97,643
<b>Capital expenditure</b>								
– Property, plant and equipment	17,265	207,061	59,169	43,773	23,521	182,029	–	532,818
– Other non-current assets	–	251,541	–	117,279	6,614	1,853	–	377,287
– Intangible assets	25	–	2,829	–	–	3,356	–	6,210
(Reversal of provision for)/provision for ECL on trade receivables, net	(1,285)	(11,449)	(3,612)	(16,461)	(9,001)	(101,449)	–	(143,257)
(Reversal of provision for)/provision for ECL on other receivables, net	639	(711)	(98)	3	(46,365)	(1,152)	–	(47,684)
(Reversal of provision for)/provision for ECL on contract assets	(2,151)	3,002	2,053	2,158	5,520	(84,488)	–	(73,906)
<b>As at 31 December 2024 (Audited)</b>								
<b>Assets</b>								
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
<b>Liabilities</b>								
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

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### 4. 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, interest in joint ventures and interest in associates, which are based on the physical location of the assets.

	Revenue from external customers	
	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
The PRC	27,756,496	27,903,683
Middle East (Note)	5,557,849	5,573,363
Other countries	3,736,406	3,344,398
	37,050,751	36,821,444

  

	Specified non-current assets	
	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
The PRC	23,529,010	26,393,096
Saudi Arabia	4,950,718	5,148,372
Other countries	2,752,373	1,910,923
	31,232,101	33,452,391

Note: Middle East represented Saudi Arabia of RMB3,958,236,000 (2024: RMB4,084,664,000) and Kuwait of RMB1,599,613,000 (2024: RMB1,488,699,000).

##### (c) Major customer

For the six months ended 30 June 2025 and 2024, revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	For the six months ended 30 June	
	2025	2024
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Customer A	21,603,245	21,271,995

Revenue from this customer was derived from the operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction which accounted for 58% (2024: 58%) of the Group's revenue.

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### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment information (Continued)

##### (d) Analysis on revenue from contracts

For the six months ended 30 June 2025 and 2024, the Group derives revenue from the transfer of goods and service at a point in time and over time in the following operating segments of geophysics, drilling engineering, logging and mud logging, special downhole operations and engineering construction service:

	Geophysics	Drilling engineering	Logging and mud logging	Special downhole operations	Engineering construction	Unallocated	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>For the six months ended 30 June 2025 (Unaudited)</b>							
<b>Timing of revenue recognition:</b>							
– At a point in time	–	–	–	–	17,588	309,986	327,574
– Over time	1,810,923	18,193,198	1,731,249	5,138,698	8,640,847	1,208,262	36,723,177
<b>Total</b>	<b>1,810,923</b>	<b>18,193,198</b>	<b>1,731,249</b>	<b>5,138,698</b>	<b>8,658,435</b>	<b>1,518,248</b>	<b>37,050,751</b>
<b>For the six months ended 30 June 2024 (Unaudited)</b>							
<b>Timing of revenue recognition:</b>							
– At a point in time	–	–	–	924	8,449	176,253	185,626
– Over time	2,146,740	18,880,289	1,602,140	5,568,381	7,250,291	1,187,977	36,635,818
<b>Total</b>	<b>2,146,740</b>	<b>18,880,289</b>	<b>1,602,140</b>	<b>5,569,305</b>	<b>7,258,740</b>	<b>1,364,230</b>	<b>36,821,444</b>

### 5. FINANCE EXPENSES – NET

	For the six months ended 30 June	
	2025	2024
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
<b>Finance income</b>		
Interest income		
– Sinopec Group's subsidiaries	16,034	4,485
– Third parties and other financial institutions	12,097	12,856
	28,131	17,341
<b>Finance expenses</b>		
Interest expenses on loans wholly repayable within 5 years		
– Sinopec Group and its subsidiaries	(306,290)	(317,066)
– Third parties and other financial institutions	(49,851)	(17,939)
Interest expenses on lease liabilities		
– Sinopec Group and its subsidiaries	(7,998)	(5,699)
– Associates and joint ventures of Sinopec Group	(68)	(1,628)
– Third parties	(13,571)	(13,300)
Exchange (losses)/gains, net	(25,439)	29,264
Bank and other charges	(52,293)	(37,064)
	(455,510)	(363,432)
	(427,379)	(346,091)

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### 6. REVERSAL OF PROVISION FOR ECL – NET

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Reversal of provision for ECL on trade and other receivables, net	82,040	190,941
(Provision for)/Reversal of ECL on contract assets, net	(9,669)	73,906
	72,371	264,847

### 7. OTHER INCOME

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Gain on disposal of property, plant and equipment, net	26,503	43,963
Gain on disposal of other non-current assets, net	14,756	22,261
Gain on debt restructuring	16,995	12,408
Government grants (Note)	13,176	22,515
Penalty income	1,764	1,174
Compensation received	14,746	2,318
Compensation on judicial restructuring	–	96,163
Waived payables	14,873	–
Others	3,581	14,069
	106,394	214,871

Note: For the six months ended 30 June 2025 and 2024, 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.

### 8. OTHER EXPENSES

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Penalty	749	1,425
Compensation	5,970	1,175
Others	48,238	44,473
	54,957	47,073

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### 9. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging/(crediting) the followings:

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Staff costs, including directors and supervisors emoluments (note 13)	7,904,455	7,762,341
Retirement benefit plan contribution (including in the above mentioned staff costs)		
– Municipal retirement scheme costs	755,270	741,588
– Supplementary retirement scheme costs	386,334	366,479
Changes in inventories of finished goods and work in progress	54,611	3,090
Raw materials and consumables used	15,564,485	14,474,614
Depreciation and amortisation		
– Property, plant and equipment	1,772,637	1,845,171
– Other non-current assets	1,531,047	1,590,861
– Intangible assets	98,691	97,643
Short-term leases and leases with lease term of 12 months or less	463,417	554,368
(Reversal of)/Provision for ECL – net		
– Trade and other receivables	(82,040)	(190,941)
– Contract assets	9,669	(73,906)
Rental income from property, plant and equipment after relevant expenses	(55,109)	(28,086)
Gain on disposal of property, plant and equipment, net	(22,518)	(43,963)
Gain on disposal of other non-current assets, net	(3,985)	(22,261)
Reversal of impairment on prepayment	–	(3,864)
Exchange (losses)/gains, net	25,439	(29,264)

### 10. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
<b>Current tax</b>		
PRC enterprise income tax	114,802	161,654
Overseas enterprise income tax	179,205	137,739
	294,007	299,393
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3,293)	30,364
<b>Income tax expense</b>	290,714	329,757

According to the Corporate Income Tax Law of the PRC, the applicable income tax for the six months ended 30 June 2025 and 2024 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 a 15% preferential tax rate during the six months ended 30 June 2025 and 2024, 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 and rates of tax where the related companies of the Group operate.

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### 11. EARNINGS PER SHARE

#### (a) Basic

For the six months ended 30 June 2025 and 2024, the basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (RMB'000)	760,149	752,950
Weighted average number of ordinary shares in issue (Shares)	18,967,637,056	18,984,340,033
Basic earnings per share (RMB)	0.040	0.040

#### (b) Diluted

For the six months ended 30 June 2025 and 2024, the diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during both periods.

### 12. DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividends for the six months ended 30 June 2025 (2024: Nil).

### 13. EMPLOYEE BENEFITS

	For the six months ended 30 June	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries, wages and other benefits	6,762,851	6,654,274
Retirement benefit plan contribution (note)		
– Municipal retirement scheme costs	755,270	741,588
– Supplementary retirement scheme costs	386,334	366,479
	7,904,455	7,762,341

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 under which it is governed. As at 30 June 2025, the Group and the employees pay 16% and 8% (31 December 2024: 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 2024: 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.



## Section VII Financial Reports

### 14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

#### (a) Property, Plant and Equipment

For the six months ended 30 June 2025 (Unaudited)

	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
<b>Cost</b>						
At 1 January 2025	2,915,672	66,530,950	151,277	164,176	796,989	70,559,064
Additions	427,009	127,122	40,688	5,281	373,682	973,782
Remeasurement of leases	(14,051)	(2,312)	(830)	–	–	(17,193)
Expiration of or early termination of lease	(346,471)	(83,677)	(60,939)	–	–	(491,087)
Disposals/Write-off	(8,117)	(596,779)	–	–	–	(604,896)
Transferred from construction in progress	–	373,149	–	–	(373,149)	–
<b>At 30 June 2025</b>	<b>2,974,042</b>	<b>66,348,453</b>	<b>130,196</b>	<b>169,457</b>	<b>797,522</b>	<b>70,419,670</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2025	1,592,576	43,133,599	97,496	41,752	3,502	44,868,925
Depreciation	208,399	1,600,564	20,982	2,099	–	1,832,044
Expiration of or early termination of lease	(346,471)	(83,677)	(60,939)	–	–	(491,087)
Disposals/Write-off	(7,595)	(572,515)	–	–	–	(580,110)
<b>At 30 June 2025</b>	<b>1,446,909</b>	<b>44,077,971</b>	<b>57,539</b>	<b>43,851</b>	<b>3,502</b>	<b>45,629,772</b>
<b>Carrying amounts</b>						
<b>At 30 June 2025 (Unaudited)</b>	<b>1,527,133</b>	<b>22,270,482</b>	<b>72,657</b>	<b>125,606</b>	<b>794,020</b>	<b>24,789,898</b>
<b>At 31 December 2024 (Audited)</b>	<b>1,323,096</b>	<b>23,397,351</b>	<b>53,781</b>	<b>122,424</b>	<b>793,487</b>	<b>25,690,139</b>

Note:

As at 30 June 2025, right-of-use assets with carrying amounts of RMB963,438,000 are included in property, plant and equipment (31 December 2024: RMB742,837,000).

	Carrying amounts		Depreciation
	As at 30 June 2025	As at 1 January 2025	During the six months ended 30 June 2025
	RMB' 000	RMB' 000	RMB' 000
Buildings	578,249	386,900	179,850
Oil engineering equipment and others	186,926	179,732	99,076
Land	72,657	53,781	20,982
Prepaid land leases	125,606	122,424	2,099
	963,438	742,837	302,007

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### 14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS (CONTINUED)

#### (a) Property, Plant and Equipment (Continued)

For the six months ended 30 June 2024 (Unaudited)

	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
<b>Cost</b>						
Balance at 1 January 2024	2,800,709	67,113,289	141,104	150,387	699,115	70,904,604
Additions	297,857	23,051	61,808	–	150,102	532,818
Remeasurement of leases	1,425	(18,708)	2,645	–	–	(14,638)
Expiration of or early termination of contract	(170,199)	(41,540)	(4,675)	–	–	(216,414)
Disposals/Write-off	(131)	(1,093,272)	–	–	–	(1,093,403)
Transferred from construction in progress	–	352,176	–	–	(352,176)	–
<b>At 30 June 2024</b>	<b>2,929,661</b>	<b>66,334,996</b>	<b>200,882</b>	<b>150,387</b>	<b>497,041</b>	<b>70,112,967</b>
<b>Accumulated depreciation and impairment</b>						
Balance at 1 January 2024	1,408,610	42,943,329	109,844	38,190	3,502	44,503,475
Depreciation	207,788	1,611,407	24,159	1,817	–	1,845,171
Expiration of or early termination of contract	(155,923)	(40,449)	(4,675)	–	–	(201,047)
Disposals/Write-off	(127)	(1,019,722)	–	–	–	(1,019,849)
<b>At 30 June 2024</b>	<b>1,460,348</b>	<b>43,494,565</b>	<b>129,328</b>	<b>40,007</b>	<b>3,502</b>	<b>45,127,750</b>
<b>Carrying amounts</b>						
<b>At 30 June 2024 (Unaudited)</b>	<b>1,469,313</b>	<b>22,840,431</b>	<b>71,554</b>	<b>110,380</b>	<b>493,539</b>	<b>24,985,217</b>
<b>At 31 December 2023 (Audited)</b>	<b>1,392,099</b>	<b>24,169,960</b>	<b>31,260</b>	<b>112,197</b>	<b>695,613</b>	<b>26,401,129</b>

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### 14. PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS (CONTINUED)

#### (b) Other Non-Current Assets

For the six months ended 30 June 2025 (unaudited)

	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
<b>Cost</b>					
At 1 January 2025	20,124,343	4,039,024	2,952,399	79,398	27,195,164
Additions	151,454	234,144	9,291	31,445	426,334
<b>At 30 June 2025</b>	<b>20,275,797</b>	<b>4,273,168</b>	<b>2,961,690</b>	<b>110,843</b>	<b>27,621,498</b>
<b>Accumulated depreciation</b>					
At 1 January 2025	14,736,145	2,896,265	2,301,895	51,959	19,986,264
Depreciation	991,292	394,817	139,948	4,986	1,531,043
Other decrease	250	2,319	334	–	2,903
<b>At 30 June 2025</b>	<b>15,727,687</b>	<b>3,293,401</b>	<b>2,442,177</b>	<b>56,945</b>	<b>21,520,210</b>
<b>Carrying amounts</b>					
<b>At 30 June 2025 (Unaudited)</b>	<b>4,548,110</b>	<b>979,767</b>	<b>519,513</b>	<b>53,898</b>	<b>6,101,288</b>
<b>At 31 December 2024 (Audited)</b>	<b>5,388,198</b>	<b>1,142,759</b>	<b>650,504</b>	<b>27,439</b>	<b>7,208,900</b>

For the six months ended 30 June 2024 (unaudited)

	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
<b>Cost</b>					
At 1 January 2024	18,449,825	3,310,886	2,826,505	51,214	24,638,430
Additions	120,659	233,106	23,522	–	377,287
<b>At 30 June 2024</b>	<b>18,570,484</b>	<b>3,543,992</b>	<b>2,850,027</b>	<b>51,214</b>	<b>25,015,717</b>
<b>Accumulated depreciation</b>					
At 1 January 2024	12,558,084	2,105,678	1,991,235	44,666	16,699,663
Depreciation	1,067,309	366,305	153,832	3,415	1,590,861
Other decrease	16,352	–	3,665	–	20,017
<b>At 30 June 2024</b>	<b>13,641,745</b>	<b>2,471,983</b>	<b>2,148,732</b>	<b>48,081</b>	<b>18,310,541</b>
<b>Carrying amounts</b>					
<b>At 30 June 2024 (Unaudited)</b>	<b>4,928,739</b>	<b>1,072,009</b>	<b>701,295</b>	<b>3,133</b>	<b>6,705,176</b>
<b>At 31 December 2023 (Audited)</b>	<b>5,891,741</b>	<b>1,205,208</b>	<b>835,270</b>	<b>6,548</b>	<b>7,938,767</b>

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### 15. FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
<b>Non-current assets:</b>		
Unlisted equity investments – the PRC	137,441	137,441
<b>Current assets:</b>		
Notes receivables	749,156	2,557,311

Notes:

- (a) Unlisted equity investments 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 equity investment as financial assets at FVTOCI (non-recycling), as the investment is held for strategic purpose.
- (b) As at 30 June 2025 and 31 December 2024, notes receivables 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.
- All notes receivables of the Group are banks' acceptance notes and commercial acceptance bills usually collected within six months from the date of issue.
- As at 30 June 2025 and 31 December 2024, none of the Group's notes receivables were pledged as collateral or overdue.
- (c) All financial assets at FVTOCI are denominated in RMB.

## Section VII Financial Reports

### 16. TRADE RECEIVABLES

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
<b>Trade receivables</b>		
– Sinopec Group and its subsidiaries	4,349,653	6,075,263
– Joint ventures of the Group	12,427	17,534
– Joint ventures and associates of Sinopec Group	119,220	125,362
– Third parties	7,490,070	8,865,528
	11,971,370	15,083,687
Less: ECL allowance	(1,719,924)	(1,788,860)
<b>Trade receivables – net</b>	<b>10,251,446</b>	<b>13,294,827</b>

As at 30 June 2025 and 31 December 2024, the Group's trade receivables were approximately 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:

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Within 1 year	9,718,681	12,606,210
1 to 2 years	357,678	456,985
2 to 3 years	99,304	152,307
Over 3 years	75,783	79,325
	10,251,446	13,294,827

The movements of ECL allowance on trade receivables are as follows:

	For the six months ended 30 June 2025	For the year ended 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
At the beginning of the period/year	1,788,860	2,233,361
ECL allowance	–	21,662
Reversal	(72,534)	(457,598)
Others	3,598	(4,559)
Receivables write-off as uncollectible	–	(4,006)
<b>At the end of the period/year</b>	<b>1,719,924</b>	<b>1,788,860</b>

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### 17. PREPAYMENT AND OTHER RECEIVABLES

	As at 30 June 2025	As at 31 December 2024
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Prepayments (note (a))	648,616	595,747
Other receivables (note (b))		
Petty cash funds	9,480	1,642
Guarantee deposits	1,514,125	1,743,401
Disbursement of funds	1,093,841	697,282
Temporary payment	1,064,630	600,190
Escrow payments	4,885	4,770
Deposits	27,181	29,145
Export tax refund receivables	10,847	1,222
Excess value-added tax paid	1,284,234	969,601
Value added tax to be certified	93,233	84,727
Prepaid value-added tax	1,602,690	1,504,051
Prepaid income tax	93,314	58,456
Dividend receivable	—	424
Others	494,827	398,303
	7,293,287	6,093,214
Less: ECL allowance	(542,947)	(542,901)
	6,750,340	5,550,313
<b>Prepayments and other receivables – net</b>	<b>7,398,956</b>	<b>6,146,060</b>

Notes:

- (a) As at 30 June 2025, prepayments included related party balances: Sinopec Group and its subsidiaries amounting to RMB114,822,000 (31 December 2024: RMB123,112,000), the joint ventures of the Group amounting to RMB41,000 (31 December 2024: RMBNil) and the associates and joint ventures of Sinopec Group amounting to RMB345,000 (31 December 2024: RMBNil).
- (b) As at 30 June 2025, other receivables included related party balances: Sinopec Group and its subsidiaries amounting to RMB278,939,000 (31 December 2024: RMB301,453,000), the joint ventures of the Group amounting to RMB152,739,000 (31 December 2024: RMB147,228,000) and the associates and joint ventures of Sinopec Group amounting to RMB4,066,000 (31 December 2024: RMB115,000).
- (c) The amounts due from related parties are unsecured, interest free and repayable on demand.
- (d) The carrying amounts of the Group's prepayments and other receivables as at 30 June 2025 and 31 December 2024 approximate their fair value.

The movements of ECL allowance on other receivables are as follows:

	For the six months ended 30 June 2025	For the year ended 31 December 2024
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
At the beginning of the period/year	542,901	591,143
ECL allowance	100,299	118,162
Reversal	(109,805)	(148,011)
Receivables written-off as uncollectible	—	(201)
Others	9,552	(18,192)
<b>At the end of the period/year</b>	<b>542,947</b>	<b>542,901</b>

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### 18. CONTRACT ASSETS AND COST TO FULFIL CONTRACTS/CONTRACT LIABILITIES

#### (a) Contract assets and cost to fulfil contracts

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Contract assets arising from construction and service contracts	20,067,265	16,821,077
Cost to fulfil contracts	1,685,393	95,972
Less: ECL allowance	(66,992)	(57,323)
	21,685,666	16,859,726

#### Typical payment terms which impact 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 until the end of guarantee period.

The amount of contract assets that is expected to be recovered after more than one year is RMB1,710,291,000 (31 December 2024: RMB1,644,141,000).

#### (b) Contract liabilities

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Contract liabilities arising from construction and service contracts	5,648,554	7,909,917

The balance of contract liabilities as at 1 January 2025 is RMB7,909,917,000, in which RMB4,756,326,000 was recognised as revenue during the period.

#### 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 30 June 2025, 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 and partially unsatisfied performance obligation was RMB48.82 billion (31 December 2024: RMB46.16 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.

### 19. INVENTORIES

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Raw materials	794,461	800,381
Work in progress	5,073	3,852
Finished goods	146,247	92,857
Turnover materials	33,350	33,732
	979,131	930,822
<b>Less: Inventories write-down</b>	<b>(17,292)</b>	<b>(17,292)</b>
	961,839	913,530

For the six months ended 30 June 2025 and 2024, cost of inventories recognised as expenses and included in "cost of sales" amounting to RMB15,191,866,000 and RMB14,233,203,000 respectively. For the six months ended 30 June 2025, no addition provision for inventories was made to write down inventories to their net realisable value and no reversal of inventories write-down (For the six months ended 30 June 2024: RMB nil) was made.



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### 20. SHARE CAPITAL

	As at 30 June 2025		As at 31 December 2024	
	Number of shares (Share)	Share capital RMB' 000 (Unaudited)	Number of shares (Share)	Share capital RMB' 000 (Audited)
<b>Registered:</b>				
– Domestic non-public legal person shares of RMB1.00 each	11,674,988,118	11,674,989	11,674,988,118	11,674,989
– Social public A shares of RMB1.00 each	1,872,024,233	1,872,024	1,894,390,433	1,894,390
– H shares of RMB1.00 each	5,410,033,482	5,410,033	5,410,033,482	5,410,033
	18,957,045,833	18,957,046	18,979,412,033	18,979,412
	As at 30 June 2025		As at 31 December 2024	
	Number of shares (Share)	Share capital RMB' 000 (Unaudited)	Number of shares (Share)	Share capital RMB' 000 (Audited)
<b>Issued and paid:</b>				
At beginning of the period/year	18,979,412,033	18,979,412	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	(22,366,200)	(22,366)	(4,928,000)	(4,928)
<b>At end of the period/year</b>	<b>18,957,045,833</b>	<b>18,957,046</b>	<b>18,979,412,033</b>	<b>18,979,412</b>

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.

### 21. NOTES AND TRADE PAYABLES AND LIABILITIES UNDER SUPPLIER FINANCE ARRANGEMENT

	As at 30 June 2025	As at 31 December 2024
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Trade payables		
– Sinopec Group and its subsidiaries	5,092,289	4,603,046
– Joint ventures of the Group	25,205	16,891
– Joint ventures and associates of Sinopec Group	3,608	685
– Third parties	17,426,148	19,205,285
	22,547,250	23,825,907
Notes payables	2,597,288	3,387,768
Liabilities under supplier finance arrangement	3,536,621	4,440,139
	28,681,159	31,653,814

As at 30 June 2025 and 31 December 2024, the carrying amount of Group's notes and trade payables and liabilities under supplier finance arrangement were approximately their fair values.

Ageing analysis of notes and trade payables based on invoice date is as follows:

	As at 30 June 2025	As at 31 December 2024
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
Within 1 year	28,620,824	31,136,345
1 to 2 years	9,784	327,915
2 to 3 years	983	70,429
Over 3 years	49,568	119,125
	28,681,159	31,653,814

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### 21. NOTES AND TRADE PAYABLES AND LIABILITIES UNDER SUPPLIER FINANCE ARRANGEMENT (CONTINUED)

#### Liabilities under supplier finance arrangement

During the period, 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.

From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating; however, the arrangement does provide willing suppliers with the benefit of early payment. Additionally, the Group does not incur any additional interest towards the Institutions on the amounts due to the suppliers. The Group therefore presents the amounts subject to the arrangement together with notes and trade payables because the nature and function of these payables remains the same as those of notes and trade payables.

Range of payment due dates	As at 30 June 2025	As at 31 December 2024
Liabilities under supplier finance arrangement	3 to 18 months	3 to 18 months
Comparable trade payables that are not part of the supplier finance arrangement	3 to 18 months	3 to 18 months
Carrying amount of liabilities under supplier financing arrangement	As at 30 June 2025 RMB' 000 (Unaudited)	As at 31 December 2024 RMB' 000 (Audited)
Liabilities under supplier finance arrangement	3,536,621	4,440,139
– of which the supplier has received payment from the institutions	3,171,523	4,193,879

The payments to the Institutions are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services. The payments to a supplier by the Institutions of RMB3,171,523,000 (31 December 2024: RMB4,193,879,000) are considered non-cash transactions.

### 22. OTHER PAYABLES

	As at 30 June 2025 RMB' 000 (Unaudited)	As at 31 December 2024 RMB' 000 (Audited)
Salaries payables	770,198	719,036
Other tax payables	406,426	829,487
Other payables (note (a))		
Guarantee deposits	1,149,271	1,145,101
Other deposits	176,064	172,753
Disbursement of funds	757,657	865,540
Temporary receipts	915,454	531,755
Escrow payments	36,220	33,876
Withheld payments	51,068	53,179
Project expenses payable	308,821	690,698
Others	306,641	310,125
	4,877,820	5,351,550

Notes:

- (a) As at 30 June 2025, other payables include related party balances with Sinopec Group and its subsidiaries amounting to RMB128,426,000 (31 December 2024: RMB125,043,000), joint ventures of the Group amounting to RMB435,000 (31 December 2024: RMB1,289,000) and the joint venture of Sinopec Group amounting to RMB129,000 (31 December 2024: RMBNil).
- (b) The above amounts due to related parties are unsecured, interest free and repayable on demand.

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### 23. BORROWINGS

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
<b>Current liabilities</b>		
Loans from Sinopec Finance Company Limited (note (a))	23,478,544	22,690,000
Loans from Sinopec Century Bright Capital Investment Limited (note (a))	—	23,925
Bank borrowings (note (a))	12,000	—
Lease liabilities (note (b))	431,788	272,460
Other loan (note (a))	4,786,053	156,524
	28,708,385	23,142,909
<b>Non-current liabilities</b>		
Bank borrowings (note (a))	199,918	—
Lease liabilities (note (b))	363,442	304,333
	563,360	304,333
	29,271,745	23,447,242

Notes:

(a) The borrowings of the Group are repayable as follows:

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Within 1 year	28,276,597	22,870,449
1 to 2 years	199,918	—
	28,476,515	22,870,449

As at 30 June 2025, annual interest rate of credit loans from related parties and bank ranged from 2.11% to 3.50% (31 December 2024: 2.70% to 3.60%).

(b) Lease liabilities

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Total future lease payments		
– Within 1 year	459,342	284,312
– 1 to 2 years	209,062	178,632
– 2 to 5 years	130,002	103,382
– Over 5 years	52,782	55,383
	851,188	621,709
Future finance charges on lease liabilities	(55,958)	(44,916)
<b>Present value of lease liabilities</b>	<b>795,230</b>	<b>576,793</b>

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### 23. BORROWINGS (CONTINUED)

#### (b) Lease liabilities (Continued)

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Present value of future lease payments		
– Within 1 year	431,788	272,460
– 1 to 2 years	197,122	160,652
– 2 to 5 years	117,472	92,111
– Over 5 years	48,848	51,570
	795,230	576,793
Less: Portion due within one year included under current liabilities	(431,788)	(272,460)
<b>Portion due after one year included under non-current liabilities</b>	<b>363,442</b>	<b>304,333</b>

As at 30 June 2025, the Group leases various residential properties, office and equipment. The leases run for an initial period of 1 to 30 years (31 December 2024: 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.

For the six months ended 30 June 2025, total cash outflow for the lease payment is RMB787,633,000 (30 June 2024: RMB900,182,000).

### 24. COMMITMENTS

#### (a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding as at 30 June 2025 and 31 December 2024 are as follows:

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Contracted but not provided for	241,995	221,811

#### (b) Lease commitments

The lease commitments for short-term leases as at 30 June 2025 and 31 December 2024 are as follows:

	As at 30 June 2025	As at 31 December 2024
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Within 1 year	100,529	139,535

As at 30 June 2025 and 31 December 2024, the Group leases various residential properties, office and equipment with a lease period of 6 to 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

#### (c) Investment commitments

As at 30 June 2025, the Group has outstanding commitments of RMB142,209,000 (31 December 2024: RMB129,625,000) in respect of its investment in joint ventures.

#### (d) Fulfilment of commitments

The Group has fulfilled the capital and operating lease commitments as at 30 June 2025.

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### 25. CONTINGENCIES AND GUARANTEES

In preparing this interim financial information, except for described below, there were no further developments of those contingencies as at 30 June 2025, which were disclosed in the 2024 annual report.

#### **(a) 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 30 June 2025, the estimated liability balance is RMB36,186,000 (31 December 2024: RMB36,186,000).

#### **(b) Contingent liabilities and financial impacts from guarantee provided for other entities**

As at 30 June 2025 there is no material contingency from guarantee provided for other entities except for disclosed in note 25(c) below (31 December 2024: none).

#### **(c) Performance guarantee**

As at 30 June 2025, 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.

## Section VII Financial Reports

### 26. 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 this interim financial information, 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, for the six months ended 30 June 2025 and 2024.

The transactions with related parties are carried out on normal commercial terms or relevant agreements with counterparties 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.

#### (a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries:

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
<b>Purchases of materials</b>		
– Sinopec Group and its subsidiaries	4,192,896	4,308,757
<b>Sale of products</b>		
– Sinopec Group and its subsidiaries	41,552	31,830
<b>Rendering of engineering services</b>		
– Sinopec Group and its subsidiaries	21,437,034	21,144,882
<b>Receiving of engineering services</b>		
– Sinopec Group and its subsidiaries	127,371	–
<b>Rendering of integrated services</b>		
– Sinopec Group and its subsidiaries	54,823	39,066
<b>Receiving of community services</b>		
– Sinopec Group and its subsidiaries	13,802	10,043
<b>Receiving of integrated services</b>		
– Sinopec Group and its subsidiaries	402,993	489,813
<b>Rendering of technology research and development services</b>		
– Sinopec Group and its subsidiaries	68,017	54,790
<b>Rental income – Buildings</b>		
– Sinopec Group and its subsidiaries	1,340	702
<b>Rental income – Equipment</b>		
– Sinopec Group and its subsidiaries	479	725

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### 26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Significant related party transactions arising with Sinopec Group and its subsidiaries and fellow subsidiaries: (Continued)

	For the six months ended 30 June	
	2025 RMB' 000 (Unaudited)	2024 RMB' 000 (Unaudited)
<b>Lease payment – Lands and buildings</b>		
– Sinopec Group and its subsidiaries	282,798	60,695
<b>Lease payment – Equipment</b>		
– Sinopec Group and its subsidiaries	11,275	115,809
<b>Deposits interest income</b>		
– Sinopec Group's subsidiaries	16,034	4,485
<b>Loans interest expenses</b>		
– Sinopec Group and its subsidiaries	301,468	317,066
<b>Interest expenses on lease liabilities</b>		
– Sinopec Group and its subsidiaries	7,998	5,699
<b>Borrowings obtained</b>		
– Sinopec Group and its subsidiaries	12,645,000	13,557,825
<b>Borrowings repaid</b>		
– Sinopec Group and its subsidiaries	11,878,786	11,367,463
<b>Safety and insurance fund expenses</b>		
– Sinopec Group	42,100	42,975
<b>Safety and insurance fund refund</b>		
– Sinopec Group	44,917	43,563

#### (b) Significant related party transactions arising with the associates and joint ventures of the Group:

	For the six months ended 30 June	
	2025 RMB' 000 (Unaudited)	2024 RMB' 000 (Unaudited)
<b>Sale of products</b>		
– Associates and joint ventures of the Group	209	–
<b>Rendering of engineering services</b>		
– Associates and joint ventures of the Group	1,091	5,608
<b>Receiving of engineering services</b>		
– Associates and joint ventures of the Group	1,103,259	997,576
<b>Rendering of integrated services</b>		
– Associates and joint ventures of the Group	2,905	3,599



## Section VII Financial Reports

### 26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Significant related party transactions arising with the associates and joint ventures of Sinopec Group:

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
<b>Purchases of materials</b>		
– Associates and joint ventures of Sinopec Group	–	77,568
<b>Sale of products</b>		
– Associates and joint ventures of Sinopec Group	71	–
<b>Rendering of engineering services</b>		
– Associates and joint ventures of Sinopec Group	2,313,997	1,689,391
<b>Receiving of engineering services</b>		
– Associates and joint ventures of the Group	88,924	73,924
<b>Rendering of integrated services</b>		
– Associates and joint ventures of Sinopec Group	1,119	551
<b>Receiving of integrated services</b>		
– Associates and joint ventures of Sinopec Group	569	36
<b>Rental income – Equipment</b>		
– Sinopec Group and its subsidiaries	354	354
<b>Lease payment – Equipment</b>		
– Associates and joint ventures of Sinopec Group	30,219	5,159
<b>Interest expenses on lease liabilities</b>		
– Associates and joint ventures of Sinopec Group	68	1,628

#### (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 for employee services is shown below:

	For the six months ended 30 June	
	2025	2024
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Fee	300	300
Salaries, allowances and bonus	5,802	6,947
Contributions to pension plans	314	301
	6,416	7,548

#### (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. The counter guarantee was expired during the period. As at 30 June 2025, the Group does not provide any counter guarantee.

## Section VII Financial Reports

### 27. FAIR VALUE

Other than noted as below, the carrying amount of the Group's financial assets and liabilities stated in the condensed 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:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### (a) Recurring fair value measurement of the Group's financial assets measured at fair value

The financial assets measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Level 3	
	As at 30 June 2025	As at 31 December 2024
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
<b>Financial assets at FVTOCI (non-recycling)</b>		
– Unlisted equity investments	137,441	137,441
<b>Financial assets at FVTOCI</b>		
– Notes receivables	749,156	2,557,311
	886,597	2,694,752

The reconciliation of the carrying amounts of assets classified within Level 3 of the fair value hierarchy is as follows:

	For the six months ended 30 June 2025	For the year ended 31 December 2024
	RMB' 000 (Unaudited)	RMB' 000 (Audited)
At the beginning of the period/year	2,694,752	2,870,844
(Settlement)/Addition, net	(1,808,155)	(177,770)
Movement in fair value recognised in other comprehensive income	–	1,678
At the end of the period/year	886,597	2,694,752

The fair value of the unlisted equity investments and notes receivables is measured using valuation techniques with reference to the net asset value and discounted cash flows, respectively. 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 six months period ended 30 June 2025 (2024: Nil).

#### (b) Fair values of financial assets and liabilities measured at other than fair value

The carrying amount of the Group's financial instruments measured at amortised cost are not materially different from fair value as at 30 June 2025 and 31 December 2024.

## Section VIII Documents Available for Inspection

The following documents will be available for inspection at the office address of the Company from 19 August 2024 (Tuesday) upon requests from related supervisory institutes and shareholders in accordance with the Articles of Association and the relevant regulations:

1. The original copy of the interim report for the six months ended 30 June 2025 signed by the Chairman of the Company;
  2. The interim financial report of the Company for the six months ended 30 June 2025 signed by the Chairman, General Manager, Chief Financial Officer and the person in charge of the accounts;
  3. The Articles of Association;
  4. The original manuscripts of all the documents and announcements disclosed by the Company in the newspapers designated by the CSRC during the report period.
- \* This interim report has been drafted in both English and Chinese. In the event that different interpretation occurs, with the exception of the interim financial report prepared in accordance with IFRS, the Chinese version shall prevail.